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GLOBAL GREEN TECH GROUP LIMITED

高寶綠色科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(stock code : 274)

CLARIFICATION ANNOUNCEMENT IN RESPECT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009 AND RESUMPTION OF TRADING

References are made to the announcement of the annual results of Global Green Tech Group Limited (the “Company”) for the year ended 31 December 2009 published on 29 April 2010 (the “Annual Results Announcement”) and the annual report of the Company for the year ended 31 December 2009 published on 29 April 2010 (the “Annual Report”).

The board of directors (the “Board”) of the Company refers to the Annual Results Announcement and the Annual Report.

Due to insufficient time for the Company to arrange for adequate information, explanation, documents and/or response that should have been provided by external parties for the Company’s auditors to perform the audit in order to prepare of the annual result for the year ended 31 December 2009 (the “Annual Results”), 15 qualifications of the Annual Results were issued by the Company’s auditors (the “Qualifications”) in the Annual Results Announcement and the Annual Report. After the Board’s continuous effort in working with the Company’s auditors, further relevant information, explanation, documents and/or response have been obtained by the auditors of the Company to perform their audit. This announcement is to provide the revised information in respect of the Qualifications and the Annual Results. In addition, a revised annual report of the Company containing, among other things, the revised independent auditors’ report, the consolidated statement of comprehensive income of the Company for the year ended 31 December 2009, the consolidated statement of financial position of the Company as at 31 December 2009 and consolidated statement of cash flows of the Company for the year ended 31 December 2009, will be despatched to the Shareholders. The Company will re-issue the revised Annual Report which will be despatched to the Shareholders on or before 1 September 2010.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company since 9:30 a.m. on 30 April 2010 pending the release of this clarification announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 25 August 2010.

CLARIFICATION

References are made to the announcement of the annual results of Global Green Tech Group Limited (the “Company”) for the year ended 31 December 2009 published on 29 April 2010 (the “Annual Results Announcement”) and the annual report of the Company for the year ended 31 December 2009 published on 29 April 2010 (the “Annual Report”).

The board of directors (the “Board”) of the Company refers to the Annual Results Announcement and the Annual Report.

Due to insufficient time for the Company to arrange for adequate information, explanation, documents and/or response that should have been provided by external parties for the Company’s auditors to perform the audit in order to prepare of the annual result for the year ended 31 December 2009 (the “Annual Results”), 15 qualifications of the Annual Results were issued by the Company’s auditors (the “Qualifications”) in the Annual Results Announcement and the Annual Report. After the Board’s continuous effort in working with the Company’s auditors, further relevant information, explanation, documents and/or response have been obtained by the auditors of the Company to perform their audit. This announcement is to provide the revised information in respect of the Qualifications and the Annual Results. In addition, a revised annual report of the Company containing, among other things, the revised independent auditors’ report, the consolidated statement of comprehensive income of the Company for the year ended 31 December 2009, the consolidated statement of financial position of the Company as at 31 December 2009 and consolidated statement of cash flows of the Company for the year ended 31 December 2009, will be despatched to the Shareholders. The Board resolved to supersede the Annual Results Announcement and the Annual Report by the revised annual results announcement and the revised Annual Report of the Company respectively. The Company will re-issue the revised Annual Report which will be despatched to the Shareholders on or before 1 September 2010.

EXTRACTS OF RE-ISSUED INDEPENDENT AUDITORS' REPORT

BASIS FOR QUALIFIED OPINION

1. Tax Payable

We have not been provided with sufficient information and explanation to verify the completeness and valuation of tax payable. Accordingly, we are unable to determine whether the "Tax Payable" of HK\$29,827,000 appearing in the consolidated statement of financial position is fairly stated.

2. Trade Receivables, Bills Receivables, Prepayments, Deposits and Other Receivables

We have not received adequate response from trade and other debtors confirming their balances amounting to approximately HK\$24,447,000 nor have we been able to verify these balances by alternative audit procedures. In addition to the HK\$24,447,000, we have not been able to obtain sufficient evidence to assess the valuation and recoverability of the remaining trade and bills receivables, prepayments, deposits and other receivables to the extent of approximately HK\$43,196,000. Accordingly, we are unable to determine whether the "Trade Receivables", "Bills Receivables", "Prepayments, Deposits and Other Receivables" and "Allowance for Doubtful Debts" of HK\$64,486,000, HK\$2,040,000, HK\$68,314,000 and HK\$30,727,000 respectively appearing in Note 25 to the consolidated financial statements are fairly stated.

Any adjustments found to be necessary would affect the net assets as at 31 December 2009 and the results and cash flows for the year then ended.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's results and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

We draw attention to Note 2(b) of the consolidated financial statements which indicates that the Group incurred a loss for the year attributable to equity shareholders of the Company of approximately HK\$620,412,000 and its current liabilities exceeded its current assets by HK\$58,394,000 as at 31 December 2009. These conditions, along with other matters set forth in Note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

ANNUAL RESULTS

The Directors of Global Green Tech Group Limited (the “Company”) are pleased to announce the audited consolidated results (as revised) of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

		As revised 2009 HK\$'000	As announced 2009 HK\$'000	2008 HK\$'000
Turnover	4	397,219	397,219	1,339,707
Cost of sales		<u>(347,333)</u>	<u>(347,333)</u>	<u>(846,911)</u>
Gross profit		49,886	49,886	492,796
Other revenue and net income	5	14,786	14,786	160,531
Selling and distribution expenses		(58,880)	(58,880)	(100,267)
General and administrative expenses		(122,706)	(276,938)	(363,168)
Fair value gain on investment properties		8,896	–	–
Impairment loss on property, plant and equipment		(245,666)	–	–
Impairment loss on prepaid lease payments for land under operating leases		(36,180)	–	–
Impairment loss on goodwill		(55,858)	–	–
Impairment loss on intangible assets		(15,539)	–	–
Impairment loss on bad and doubtful debts		–	–	(41,220)
Bad debts written off		(167,106)	–	(20)
Finance costs	6(a)	<u>6,700</u>	<u>6,700</u>	<u>(63,592)</u>
(Loss)/Profit before taxation	6	<u>(621,667)</u>	<u>(264,446)</u>	85,060
Income tax	7	<u>(7,839)</u>	<u>(7,839)</u>	<u>(51,495)</u>
(Loss)/Profit for the year		<u>(629,506)</u>	<u>(272,285)</u>	33,565
Other comprehensive income for the year				
Exchange difference on translation of financial statements of overseas subsidiaries		23,738	23,738	26,327
Total comprehensive income for the year		<u><u>(605,768)</u></u>	<u><u>(248,547)</u></u>	<u><u>59,892</u></u>
(Loss)/Profit attributable to:				
Equity shareholders of the Company		(620,412)	(269,748)	8,187
Minority interests		<u>(9,094)</u>	<u>(2,537)</u>	<u>25,378</u>
		<u><u>(629,506)</u></u>	<u><u>(272,285)</u></u>	<u><u>33,565</u></u>
Total comprehensive income attributable to:				
Equity shareholders of the Company		(595,521)	(244,857)	34,514
Minority interests		<u>(10,247)</u>	<u>(3,690)</u>	<u>25,378</u>
		<u><u>(605,768)</u></u>	<u><u>(248,547)</u></u>	<u><u>59,892</u></u>
(Loss)/Earnings per share				
Basic	8(a)	<u><u>(31.69 cents)</u></u>	<u><u>(13.78 cents)</u></u>	<u><u>0.65 cents</u></u>
Diluted	8(b)	<u><u>(31.69 cents)</u></u>	<u><u>(13.78 cents)</u></u>	<u><u>0.65 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

		As revised 2009 HK\$'000	As announced 2009 HK\$'000	2008 HK\$'000
	Note			
Non-current Assets				
Goodwill		912,166	968,024	645,566
Property, plant and equipment		1,171,136	1,416,802	1,484,614
Investment properties		34,075	25,179	25,181
Prepaid lease payments for land under operating leases		139,992	175,368	178,602
Intangible assets		12,203	27,742	36,655
Deposits for acquisition of property, plant and equipment		279,123	279,123	175,624
Other deposits and club debenture		350	350	170
		2,549,045	2,892,588	2,546,412
Current Assets				
Prepaid lease payments for land under operating leases		2,365	3,169	3,117
Financial assets at fair value through profit or loss		19,866	19,866	29,995
Inventories		56,141	56,141	94,880
Trade and other receivables	10	149,020	161,894	303,634
Fixed bank deposits		-	-	5,000
Cash and cash equivalents		35,514	35,514	187,919
		262,906	276,584	624,545
Current Liabilities				
Trade and other payables	11	(76,162)	(76,162)	(81,501)
Current portion of convertible preference shares		-	-	(199,431)
Bank loans		(215,308)	(215,308)	(180,000)
Current portion of obligations under finance leases		(3)	(3)	(32)
Tax payable	12	(29,827)	(29,827)	(21,820)
		(321,300)	(321,300)	(482,784)
Net Current (Liabilities)/Assets		(58,394)	(44,716)	141,761
Total Assets less Current Liabilities		2,490,651	2,847,872	2,688,173
Non-current Liabilities				
Obligations under finance leases		-	-	(5)
Deferred tax liabilities		(1,106)	(1,106)	(1,106)
		(1,106)	(1,106)	(1,111)
NET ASSETS		2,489,545	2,846,766	2,687,062
CAPITAL AND RESERVES				
Share capital		262,078	262,078	133,321
Reserves		2,170,860	2,521,524	2,486,887
Total equity attributable to equity shareholders of the Company		2,432,938	2,783,602	2,620,208
Minority interests		56,607	63,164	66,854
TOTAL EQUITY		2,489,545	2,846,766	2,687,062

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company												Total HK\$'000	Minority interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Share-based compensation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Convertible bond reserve HK\$'000	Convertible preference share reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interest HK\$'000			
At 1 January 2008	118,334	911,885	166,159	-	8,924	88,805	53,134	-	26,635	999,917	2,373,793	120,681	2,494,474		
Net profit for the year	-	-	-	-	-	-	-	-	-	8,187	8,187	25,378	33,565		
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	26,327	-	-	-	26,327	-	26,327		
Total comprehensive income for the year	-	-	-	-	-	-	26,327	-	-	8,187	34,514	25,378	59,892		
Exercise of warrants	4,699	56,385	-	-	-	-	-	-	-	-	61,084	-	61,084		
Exercise of share options	10,588	126,037	-	-	(21,702)	-	-	-	-	-	114,923	-	114,923		
Equity settled share-based payment transactions	-	-	-	-	37,596	-	-	-	-	-	37,596	-	37,596		
Share options lapsed during the year	-	-	-	-	(64)	-	-	-	-	64	-	-	-		
Repurchase of shares															
- Par value paid	(300)	-	-	300	-	-	-	-	-	(300)	(300)	-	(300)		
- Premium paid	-	(1,402)	-	-	-	-	-	-	-	-	(1,402)	-	(1,402)		
Acquisition of interest from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(79,205)	(79,205)		
Transfers of reserves	-	-	-	-	-	21,316	-	-	-	(21,316)	-	-	-		
	14,987	181,020	-	300	15,830	21,316	-	-	-	(21,552)	211,901	(79,205)	132,696		
At 31 December 2008	133,321	1,092,905	166,159	300	24,754	110,121	79,461	-	26,635	986,552	2,620,208	66,854	2,687,062		
Net loss for the year	-	-	-	-	-	-	-	-	-	(620,412)	(620,412)	(9,094)	(629,506)		
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	24,891	-	-	-	24,891	(1,153)	23,738		
Total comprehensive income for the year	-	-	-	-	-	-	24,891	-	-	(620,412)	(595,521)	(10,247)	(605,768)		
Issue of convertible bonds	-	-	-	-	-	-	-	160,000	-	-	160,000	-	160,000		
Exercise of share options	19,851	95,461	-	-	(23,582)	-	-	-	-	-	91,730	-	91,730		
Exercise of convertible bonds	44,444	115,556	-	-	-	-	-	(160,000)	-	-	-	-	-		
Allotment through open offer	64,462	93,862	-	-	-	-	-	-	-	-	158,324	-	158,324		
Equity settled share-based payment transactions	-	-	-	-	24,832	-	-	-	-	-	24,832	-	24,832		
Share options lapsed during the year	-	24,754	-	-	(24,754)	-	-	-	-	-	-	-	-		
Repurchase of convertible preference shares of a subsidiary	-	-	-	-	-	-	-	-	(26,635)	-	(26,635)	-	(26,635)		
	128,757	329,633	-	-	(23,504)	-	24,891	-	(26,635)	-	(187,270)	-	(197,517)		
At 31 December 2009	262,078	1,422,538	166,159	300	1,250	110,121	104,352	-	-	366,140	2,432,938	56,607	2,489,545		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL INFORMATION

Global Green Tech Group Limited (the “Company”) was incorporated as an exempted Company with limited liability in the Cayman Islands on 25 September 2000 under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is listed on Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”). The registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The principal activities of the Company are investment holding and its subsidiaries are principally engaged in manufacturing and sale of household products, industrial products, cosmetics and skincare products and bio-technology products with medical and cosmetics applications, provision of loan financing services and investment and/or trading in market securities, bonds, foreign currencies, various funds and other income generated fixed assets’ portfolios.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflect in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (collectively referred to as the “Group”).

The Group incurred a loss for the year attributable to equity shareholders of the Company of approximately HK\$620,412,000 and its current liabilities exceeded its current assets by HK\$58,394,000 as at 31 December 2009. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial supports from the substantial shareholders to cover the Group's operating costs and meet its financial commitments. The substantial shareholders have confirmed their intention and ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future.

In light of the measures described above, the directors are confident that the Group will have sufficient working capital to meet its financial obligation as and when they fall due. Accordingly, the directors are of opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. These consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the following assets and liabilities which are stated at their fair values:

- Financial instruments classified as financial assets at fair value through profit or loss;
- Investment properties; and
- Convertible preference shares.

The preparation of financial statements in conformity to HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 8, Operating segments

HKAS 1 (revised 2007), Presentation of financial statements

The "Improvements to HKFRSs (2008)"

Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

HKAS 23 (revised 2007), Borrowing costs

Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

HKFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segment.

Paragraph 28 of HKAS 8 requires certain disclosures to be made when the initial application of a Standard or Interpretation has an effect on the current period or any prior period (or would have such an effect except that it is impracticable to determine the amount of the adjustment), or might have an effect on future periods. The disclosures required are both qualitative and quantitative, and include, to the extent practicable, the adjustments for the current period and each prior period presented for each financial statement line item affected, including earnings per share, if disclosed. As with all HKFRSs, these requirements in HKAS 8 apply only to the extent that the effect would be material.

The above wording describes a range of changes relevant to the Group which have varying impacts on the Group's financial statements. It is important that care is taken to tailor the disclosures to suit the entity's circumstances, as there may be other changes in accounting policies which an entity needs to disclose but which have not been illustrated here and/or the impact of the changes highlighted may vary from one entity to another, depending on their facts and circumstances.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The “Improvements to HKFRSs (2008)” comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group’s accounting policies:

- As a result of amendments to HKAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4. TURNOVER

The principal activities of the Group are manufacturing and sale of household produces, industrial products, cosmetics and skincare products and biotechnology products with medical and cosmetic applications, provision of loan financing services and investment and/or trading in marketable securities, bonds, foreign currencies, various funds and other income generated fixed assets’ portfolios.

	2009	2008
	<i>HK\$’000</i>	<i>HK\$’000</i>
Household products	8,775	132,420
Industrial products	185,732	422,248
Cosmetics and skincare products	182,518	617,390
Biotechnology products	553	8,532
Investments	19,641	159,117
	397,219	1,339,707

5. OTHER REVENUE AND NET INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other revenue:		
Interest income	900	8,947
Rental income from operating leases	1,680	3,436
Bad debts recovery	–	731
Others	7,230	3,991
	<u>9,810</u>	<u>17,105</u>
Other net income:		
Gain on disposal of a subsidiary	2,180	–
Net exchange gain	2,796	143,426
	<u>4,976</u>	<u>143,426</u>
	<u><u>14,786</u></u>	<u><u>160,531</u></u>

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is arrived at after charging/(crediting):

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
a) Finance costs		
Written back of provision for redemption loss	(17,462)	–
Interest expense on bank advances and other borrowings wholly repayable within five years	6,962	63,438
Finance charges on obligations under finance leases	5	4
Other borrowing costs	3,795	150
	<u>(6,700)</u>	<u>63,592</u>
b) Staff costs (excluding directors' remuneration)		
Salaries, wages and other benefits	57,451	60,421
Equity settled share-based payment expenses	24,831	37,367
Contributions to defined contribution retirement plans	897	1,207
	<u>83,179</u>	<u>98,995</u>

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
c) Other items		
Auditors' remuneration	2,262	8,933
Cost of inventories	213,591	547,440
Depreciation		
– assets held under finance leases	18	18
– other assets	93,614	84,524
Amortisation		
– prepaid lease payments for land under operating leases	3,166	3,117
– intangible assets	8,909	7,436
Loss on disposal of property, plant and equipment	342	167
Operating lease charges: minimum lease payments		
– property rentals	13,763	10,301
Research and development costs	2,340	22,817
Valuation loss on financial assets at fair value through profit or loss	3,722	167,986
Write-down of inventories	3,407	69,363
	<u> </u>	<u> </u>

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

a) Income tax in the consolidated statement of comprehensive income represents:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax – Hong Kong profits tax		
Provision for the year	865	201
Under/(Over)-provision in prior years	852	(72)
	<u> </u>	<u> </u>
	1,717	129
Current tax – Overseas income tax		
Provision for the year	6,122	51,086
Deferred tax		
Origination of temporary differences	–	280
	<u> </u>	<u> </u>
	7,839	51,495
	<u> </u>	<u> </u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates is as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit before taxation	(264,446)	85,060
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the countries concerned	(64,145)	52,460
Tax effect of non-deductible expenses	54,956	18,634
Tax effect of non-taxable income	(2,901)	(16,943)
Tax effect of movement in unrecognised temporary differences	144	82
Tax effect of unused tax losses not recognised	3,227	46,841
Preferential tax treatment (note)	–	(52,549)
Over-provision in prior years	852	(72)
Others	15,706	3,042
	7,839	51,495

Note:

Overseas tax provision is required to be made in respect of Dongguan Proamine Chemical Co., Limited (“Dongguan Proamine”), Dongguan Gao Bao Chemical Co., Limited (“Gao Bao Chemical”), Global Cosmetics (China) Co., Limited (“Global Cosmetics”), and Dongguan Polygene Biotech R&D Co., Limited (“Dongguan Polygene”), all of them are subsidiaries of the Company established in the PRC. In accordance with the relevant income tax rules and regulations, the enacted income tax rate was 33%. In accordance with the relevant income tax rules and regulations of Guangdong Province, Global Cosmetics was entitled to preferential tax treatment by reducing the Foreign Enterprise Income Tax (“FEIT”) rate to 24%. After the implementation of New Law, the tax rate is unified at 25% for the year ended 31 December 2008.

Pursuant to a letter of approval issued by the local tax authority on 8 April 2005, Global Cosmetics was exempted from FEIT for the first two profitable years of its operations after offsetting prior years’ losses and is entitled to a 50% reduction on the FEIT for the following three years. Global Cosmetics began its first two profitable years in the year ended 31 December 2004 and 2005, and is subject to PRC FEIT at a rate of 12% for each of the three years ended 31 December 2008. On 27 December 2007, Global Cosmetics was further awarded Hi-and-New Tech Enterprise of Guangdong Province (“*高新技術企業外商投資企業*”) by the Guangdong Science and Technology Council. Due to the accreditation of this award Global Cosmetics enjoys a preferential income tax rate of 15% for years 2009 to 2013.

On 30 May 2003, Dongguan Proamine was accredited by the Department of Science and Technology of Guangdong Province as a Hi-and-New Tech Enterprise (“*高新技術企業外商投資企業*”) of Guangdong Province. On 16 January 2004, Dongguan Proamine received a written confirmation from Dongguan Local Tax Bureau that it was entitled to a reduced income tax rate of 15% for the period from 1 January 2003 to 31 December 2005. On 1 June 2005, Dongguan Proamine continued to be accredited as a Hi-and-New Tech Enterprise of Guangdong Province and the income tax rate remained as 15% for two years. On 28 April 2007, Dongguan Proamine renewed its status as Hi-and-New Tech Enterprise of Guangdong Province and continued to enjoy income tax rate of 15% for two years. On 16 December 2008, Dongguan Proamine renewed its accreditation as Hi-and-New Tech Enterprise of Guangdong Province for three years and it continued to enjoy preferential income tax rate of 15%.

Pursuant to a letter of approval issued by the local tax authority on 1 July 2005, Gao Bao Chemical was exempted from EIT for the first two profitable years of its operations after offsetting prior years' losses and are entitled to a 50% reduction on the EIT for the following three years. Gao Bao Chemical began its first profitable year in the year ended 31 December 2005 and obtained tax exemption for 2005 and 2006, and was entitled to a reduced income tax rate for 2007, 2008 and 2009.

8. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK\$620,412,000 (2008: profit of HK\$8,187,000) and the weighted average number of approximately 1,957,995,000 shares (2008: 1,260,214,000 shares) in issue during the year, calculated as follows:

	2009 '000	2008 '000
Issued ordinary shares at 1 January	1,333,211	1,183,347
Effect of warrants exercised	–	26,243
Effect of share options exercised	82,840	51,315
Effect of open offer subscription	518,238	–
Effect of convertible bonds exercised	23,706	–
Effect of share repurchased	–	(691)
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>1,957,995</u>	<u>1,260,214</u>

b) Diluted (loss)/earnings per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK\$620,412,000 (2008: profit of HK\$8,187,000) and the weighted average number of diluted ordinary shares of approximately 1,957,995,000 shares (2008: 1,264,945,000 shares), calculated as follows:

	2009	2008
	'000	'000
Weighted average number of ordinary shares at 31 December	1,957,995	1,260,214
Effect of deemed issue of shares attributable to the Company's share option scheme	–	4,731
	<hr/>	<hr/>
Weighted average number of ordinary shares diluted at 31 December	<u>1,957,995</u>	<u>1,264,945</u>

9. SEGMENT REPORTING

Segment revenues and result

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was business and geographical segments. The adoption of HKFRS 8 has not resulted in significant change in the presentation of the Group's reportable segment information as segment information has been previously presented on a basis consistent with the internal information reported to the Group's chief operating decision maker.

Business segments

The Group comprises the following main business segments:

- a) Household products segment – manufacture of household products for sale to wholesalers and retailers in the general consumer market;
- b) Industrial products segment – manufacture of industrial surfactants for sale principally to textile and garment manufactures and traders;
- c) Cosmetics and skincare products segment – manufacture of cosmetics and skincare products under the brand name of Marjorie Bertagne for sale to authorised distributors and retailers in the general consumer market;
- d) Biotechnology products segment – manufacture of biotechnology products with medical applications; and

- e) Investments segment – engaged in provision of loan financing services and investment and/or trading in market securities, bonds, foreign currencies, various funds and other income generated fixed assets’ portfolios.

Primary reporting format – business segments

	Household products		Industrial products		Cosmetics and skincare products		Biotechnology products		Investments		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	8,775	132,420	185,732	422,248	182,518	617,390	553	8,532	19,641	159,117	-	-	397,219	1,339,707
Inter-segment sales	6,005	49,585	33,598	51,227	3,014	-	-	-	-	-	-	-	42,617	100,812
Reportable segment revenue	14,780	182,005	219,330	473,475	185,532	617,390	553	8,532	19,641	159,117	-	-	439,836	1,440,519
Reportable segment results	(8,025)	49,380	(346,370)	72,923	(231,351)	271,791	(7,217)	873	(6,700)	(199,728)	-	-	(599,663)	195,239
Unallocated operating income and expenses													(28,704)	(46,587)
(Loss)/Profit from operations													(628,367)	148,652
Finance costs													6,700	(63,592)
(Loss)/Profit before taxation													(621,667)	85,060
Income tax													(7,839)	(51,495)
(Loss)/Profit for the year													(629,506)	33,565
Depreciation	612	11,420	9,085	30,144	83,236	42,442	23	536	-	-	676	-	93,632	84,542
Amortisation	580	-	8,603	-	2,871	2,827	22	7,726	-	-	-	-	12,075	10,553
Loss on disposal of property, plant and machinery	-	65	-	102	342	-	-	-	-	-	-	-	342	167
Net unrealised loss on financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	3,722	167,986	-	-	3,722	167,986
Impairment loss on trade and other receivables	-	16,150	-	25,070	-	-	-	-	-	-	-	-	-	41,220
Impairment loss on property, plant and equipment	-	-	185,415	-	60,251	-	-	-	-	-	-	-	245,666	-
Impairment loss on prepaid lease payments to land under operating leases	-	-	-	-	36,180	-	-	-	-	-	-	-	36,180	-
Impairment loss on goodwill	-	-	-	-	55,858	-	-	-	-	-	-	-	55,858	-
Impairment loss on intangible assets	-	-	15,539	-	-	-	-	-	-	-	-	-	15,539	-
Write-down of inventories	-	-	3,407	69,363	-	-	-	-	-	-	-	-	3,407	73,685
Write off of bad debts	15,121	5	89,074	14	53,633	-	-	1	9,278	-	-	-	167,106	20
Reportable segment assets	61,339	311,016	699,984	831,942	1,059,138	1,266,474	29,812	48,595	67,193	91,908	-	-	1,917,466	2,549,935
Investment properties													34,075	25,181
Cash and cash equivalents													35,514	192,919
Other unallocated assets													824,896	402,922
Total assets													2,811,951	3,170,957
Reportable segment liabilities	11,133	13,907	165,196	37,200	137,653	244,530	-	-	577	1,024	-	-	314,559	296,661
Unallocated liabilities													7,847	187,234
Total liabilities													322,406	483,895
Capital expenditure	349	126,161	5,172	195,843	19,041	88,667	-	-	-	-	-	-	24,562	410,671
Unallocated capital expenditure													-	738
													24,562	411,409

Geographical segments

The Group operates in two main geographical areas:

The PRC – manufacturing and trading of household products, industrial products, cosmetics and skincare products and biotechnology products with medical applications.

Hong Kong – trading of household products, industrial products and cosmetic and skincare products and provision of loan financing services and investments and/or trading in marketable securities, bonds, foreign currencies, various funds and other income generated fixed assets' portfolios.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of Company's subsidiaries. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		The PRC	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	132,189	254,805	265,030	1,084,902
Inter-segment sales	3,014	–	39,603	100,812
Reportable segment results	(61,868)	(165,805)	(537,795)	361,044
Reportable segment assets	793,625	290,579	1,123,841	2,259,356
Capital expenditure incurred during the year	3,946	738	20,616	410,671

Revenue from major customers

There is no single customer contributing over 10% of total sales of the Group for both years.

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	64,486	209,382	–	–
Bills receivables	2,040	2,040	–	–
Loan receivables (d)	44,907	63,142	–	–
Prepayments, deposits and other receivables	68,314	80,762	733	359
	179,747	355,326	733	359
Less: Allowance for doubtful debts	(30,727)	(51,692)	–	–
	149,020	303,634	733	359

- a) The aging analysis of the trade and bills receivables is as follows:

	The Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	28,965	97,284
31 – 60 days	15,600	87,291
61 – 90 days	4,943	12,792
Over 90 days	17,018	14,055
	<hr/>	<hr/>
	66,526	211,422
Less: Impairment loss on trade receivables	(30,727)	(30,574)
	<hr/>	<hr/>
	35,799	180,848
	<hr/> <hr/>	<hr/> <hr/>

The normal credit period granted to the customers of the Group is 30 to 180 days (2008: 30 to 180 days). Impairment loss on trade receivables was made and thereafter written off when collection of full amount was no longer probable. Bad debts are written off as incurred.

- b) Included in trade and bills receivables in the statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	The Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi (“RMB”)	40,551	156,684
United States Dollars (“US\$”)	10,385	830
	<hr/> <hr/>	<hr/> <hr/>

- c) The movement in the allowance for doubtful debts on trade and other receivables is as follows:

	The Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	51,692	9,620
Bad debt written off	(21,118)	–
Impairment loss recognised during the year	–	41,220
Exchange adjustment	153	852
	<hr/>	<hr/>
At 31 December	30,727	51,692
	<hr/> <hr/>	<hr/> <hr/>

- d) No single loan receivable is individually material, and the terms and conditions of all loan receivables are presented as follows:

	The Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate loan receivables	44,907	63,142

The ranges of effective interest rates on the Group's loan receivables are as follows:

	2009	2008
Effective interest rate:		
Fixed-rate loan receivables	2.00% to 5.00%	3.00% to 5.00%

The loan receivables are unsecured and repayable within 1 year and denominated in HK\$.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgement, including the current creditworthiness and the past collection history of each client.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that no impairment is required.

11. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	31,493	36,540	–	–
Accrued liabilities and other payables	44,669	44,961	751	420
	76,162	81,501	751	420

The aging analysis of the trade and bills payable is as follows:

	The Group	
	2009	2008
	<i>HK'000</i>	<i>HK'000</i>
Within 30 days	12,760	18,547
31-60 days	7,211	8,499
61-90 days	5,468	6,555
Over 90 days	6,054	2,939
	31,493	36,540

Included in trade payables in the statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	The Group	
	2009	2008
	<i>'000</i>	<i>'000</i>
RMB	18,152	22,238
US\$	3,636	1,136

12. TAX PAYABLE

During the year, several subsidiaries of the Company have been asked by the Hong Kong Inland Revenue Department (the "IRD") to provide information for the IRD to determine amounts of the assessable profits. As it is still at a preliminary fact-finding stage, its outcome cannot be ascertained. The Management of the Company has reviewed the situation and considered that sufficient tax related provisions have been made.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2009 is still a difficult year for the Group due to overall market depression and slowdown in PRC economic growth.

The Group recorded a turnover of HK\$397.22 million, representing a decrease of 70.35% from that of HK\$1,339.71 million a year ago. Gross profit was HK\$49.89 million, representing a decrease of 89.88% from that of HK\$492.80 million in the last year. Loss for the year amounted to HK\$629.51 million compared with a profit of HK\$33.57 million in last year. The basic loss per share was HK\$31.69 cents (2008: the basic earnings per share of HK\$0.65 cents).

In 2009, by an settlement agreement made with the lender, the Group fully repaid the convertible preference share at USD24 million by internal resources. The settlement had resulted in an interest saving of some HK\$17 million. In order to maintain adequate liquidity, the Group slowed down its planned promotional campaign. This resulted in a significant drop in sales, especially the new lines of products.

In view of the foreseeable drop in revenue, the Group imposed cost saving scheme and managed to control, on one hand, sales and marketing expenses from HK\$100.27 million in last year to HK\$58.88 million in current year and on the other hand, general and administrative expenses decreased significantly from HK\$363.17 million in last year to HK\$122.71 million in current year.

The cosmetics and skincare business and industrial products and household products are the Group's largest contributor to the revenues.

OPERATIONAL REVIEW

I. Household Products

For the period under review, turnover of household products was HK\$8.78 million, representing a decline of 93.37% from a year ago and accounting for 2.2% of the Group's total turnover.

The gross margin of this segment was gradually deteriorated by the fierce market competition. The Group will try to maintain its market share by competitive pricing and marketing strategy.

II. Industrial Products

For the year ended 31 December 2009, turnover of industrial products went down by 56.01% to HK\$185.73 million, accounting for 46.76% of the Group's total turnover.

Industrial surfactants, with a long operation history and a strong customer base, used to be the Group's primary business. Despite the difficult operating environment in 2008 and 2009 for PRC textile and garment industry who are our major clients as well as the shortage of promotional campaign in force, the Group was able to maintain considerable market shares in the sector.

After years of R&D and completion of the construction of the production facility for industrial enzymes in 2008, the Group started selling industrial enzymes to customers in the first half of 2008. Although current PRC market of industrial enzymes for textile industry is dominated by foreign players, the Group is confident of being capable of grabbing market share over the time with good product quality and relatively lower price.

III. Cosmetics And Skincare Products

During the review period, turnover of cosmetics and skincare products decreased by 70.44% to HK\$182.52 million, accounting for 45.95% of the Group's total turnover. This segment remained the key sales driver of the Group.

The global financial crisis also resulted in a profound effect on the economy of PRC, causing weaker consumer demand due to a slowdown in economic growth. In fact starting from the second half of 2008, the much weaker PRC consumer sentiment caused by the global economic turmoil, the own branded cosmetics and skincare products business of the Group had a weaker performance.

With a state-of-the-art GMPC compliant production base and R&D expertise, the Group continued its expansion into the European and North American markets by providing ODM cosmetics and skincare products in the formats of gift and premium packages.

In May 2008, the quality assurance and control test centre of our major cosmetics subsidiary in the PRC, Global Cosmetics (China) Company Limited was granted the Laboratory Accreditation Certificate by The China National Accreditation Service for Conformity Assessment. With such accreditation, the Group is now capable of testing its own products and issuing the quality control assessment report, instead of engaging other third party laboratories recognized by The China National Accreditation Service for Conformity Assessment for such purpose, which will expedite the development and production process of our ODM and OEM products.

IV. Biotechnology Products

The biotechnology products business comprises mainly production of patented biotech raw materials for medical companies and internally consumption.

V. Investments

In 2009, the conditions of international financial market started to recover. The Group managed to narrow down the investment losses through very careful investment strategy to HK\$6.7 million in current year as compared to a loss of HK\$199.73 million in 2008.

As at 31 December 2009, total market value of marketable securities held by the Group amounted to HK\$19.87 million.

ANALYSIS OF OPERATING EXPENSES

Selling and distribution expenses for the year ended 31 December 2009 amounted to HK\$58.88 million representing 14.82% of turnover as compared with that of HK\$100.27 million or 7.48% of turnover in the last year. During the year, the amount spent on advertising and promotion of cosmetics and skincare products were approximately HK\$25 million. Staff salaries and commission were approximately HK\$16 million. Freight and delivery charges were approximately HK\$5 million. Travelling expenses amounted to approximately HK\$1.6 million mainly due to regular MB counter's inspection and the number of regional managers and inspection staffs.

General and administrative expenses was HK\$122.71 million or 30.89% of turnover for the year ended 31 December 2009 as compared to HK\$363.17 million or 27.11% of turnover in the last year. Of the HK\$122.71 million expenses, it included the provision for share based payment amounted to HK\$24.83 million; staff salaries amounted to HK\$27.74 million and rental expenses amounted to HK\$9.79 million.

Net finance cost for the year was a credit of HK\$6.7 million due to a write back of HK\$17.46 million being the over accrual of interest on convertible bond in previous year. The actual finance costs for the year ended 31 December 2009 amounted to HK\$10.76 million, mainly due to interest expenses on the syndicated loan of the Group and provision for interest expenses.

USE OF PROCEEDS FROM ISSUE OF SHARES AND WARRANTS

During the year, 198,506,000 share options were exercised at an average exercise price of HK\$0.44 per ordinary share. During the year, the Company raised approximately HK\$161,000,000 before expenses by way of open offer of 644,620,488 offer shares to the qualifying shareholders at a price of HK\$0.25 per offer share, payable in full on application, on the basis of twelve offer shares for every twenty five shares held on the record date. During the year, 444,444,444 shares of HK\$0.1 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK\$0.36 per share. No warrants were exercised during the year.

The net proceeds from exercise of share options; open offer share and convertible bonds were used to finance general working capital requirements. The exercise of share options, shares issued by way of open offer and the conversion of convertible bonds during the year resulted in the issue of 1,287,570,000 additional ordinary shares of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalent of approximately HK\$35.51 million as at the end of the reporting period. The Group adopts conservative treasury policies in cash and financial management. Most of the retained cash was placed as Renminbi and Hong Kong Dollars short term deposits and therefore exposure to exchange fluctuations was minimal. The Group also invested in a combination of portfolio investments such as marketable securities, bonds, funds, foreign currencies and fixed income assets in order to increase the financial returns. Shareholders' funds as at 31 December 2009 was HK\$2,432.94 million compared with that of HK\$2,620.20 million as at 31 December 2008, representing a decrease of HK\$187.26 million or 7.15%.

Bio Beauty Group Ltd ("BBG"), a subsidiary of the Company, issued 91,500 convertible preference shares ("REPS") of US\$21,000,000 (equivalent to approximately HK\$164,475,000) on 7 August 2007 to an independent third party. During the year, the Company and BBG had entered into a settlement agreement with Macquarie Investment Holdings No. 2 Pty. Limited, Macquarie Capital Securities Limited and Macquarie Capital (Hong Kong) Limited (collectively called "Macquarie Group").

The Company and BBG agreed to pay and Macquarie Group agreed to accept US\$24 million (“Settlement Price”) in full and final settlement of the REPS. The Settlement Price was paid during the year.

A Sale and Purchase Agreement and a Supplemental Sale and Purchase Agreement were entered into on 1 December 2009 and 9 December 2009 respectively. Pursuant to the agreements the Company has conditionally agreed to purchase the entire issued share capital of an Australian company, Westralian Resources Pty. Ltd., and its mining subsidiary, Hunan Westralian Mining Co., Ltd. at a total consideration of approximately HK\$1,200 million which was satisfied by issues of new shares of HK\$305 million and convertible bond of HK\$895 million. On 31 March 2010, the purchase and sale agreement was formally completed.

The Group’s capital expenditure for the year ended 31 December 2009 amounted to HK\$24.56 million were funded from cash generated from operations and bank loans.

The indebtedness of the Group mainly comprises bank loans and finance leases which are largely denominated in Hong Kong Dollars and Renminbi. The Group’s borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

As at 31 December 2009, the Group’s banking facilities had been utilized to the extent of approximately HK\$215 million which are short term bank loans.

The Group’s inventory turnover period increased slightly from 41 days in last year to 52 days in current year. Debtor’s and creditor’s turnover periods were 33 days and 30 days respectively.

Net debt to equity ratio (see note 34(g)) and gearing ratio (total interest bearing debts over total assets) were 11.52% and 7.66% respectively whereas current ratio was 0.82.

ADDITIONAL DISCLOSURE ON FINANCIAL INFORMATION

1. Impairment loss on property, plant and equipment

As part of the audit procedures, the Company has been asked to obtain a valuation report on the property, plant and equipment of the Group. Subsequent to 30 April 2010, such valuation report has been prepared and provided to the Company. By reference to the valuation report, Management of the Company are of the opinion that the recoverable amount of certain property, plant and equipment of the Group is less than the carrying amount. An impairment loss was then recognized and the carrying amount was reduced to the recoverable amount.

2. Impairment loss on prepaid lease payments for land under operating leases

As part of the audit procedures, the Company has been asked to obtain a valuation report on the prepaid lease payments for land under operating leases of the Group. Subsequent to 30 April 2010, such valuation report has been prepared and provided to the Company. By reference to the valuation report, Management of the Company are of the opinion that the recoverable amount of certain prepaid lease payments for land under operating leases of the Group is less than the carrying amount. An impairment loss was then recognized and the carrying amount was reduced to the recoverable amount.

3. Impairment loss on goodwill

As part of the audit procedures, the Company has been asked to obtain valuation reports on equity interest in certain subsidiaries of the Group. Subsequent to 30 April 2010, such valuation report has been prepared and provided to the Company. By reference to the valuation reports, Management of the Company are of the opinion that the recoverable amount of certain goodwill of the Group is less than the carrying amount. An impairment loss was then recognized and the carrying amount was reduced to the recoverable amount.

4. Impairment loss on intangible assets

After reviewing the Group's intangible assets forecast, Management of the Company are of the opinion that the recoverable amount of certain intangible assets of the Group is less than the carrying amount. An impairment loss was then recognized and the carrying amount was reduced to the recoverable amount.

5. Bad debts written off

After tighter assessment of the Group's individual debtors, Management of the Company are of the opinion that certain debts are irrecoverable due to lost contact or long-outstanding in nature. As a result, certain receivables were written off as bad debts.

PROSPECTS

New Business with Enormous Potential – Green Recycle Energy

Regarding the green energy recycling project (the "Project"), the Hong Kong Science and Technology Parks Corporation of the HKSAR Government granted a site of approximately 24,000 square metres in Yuen Long Industrial Estate at approximately HK\$39.01 million for the Group to set up its recycle energy business. The Group has submitted application to Hong Kong Environmental Protection Department (EPD) and is now under negotiation with the Government. The Group believes that this business will become one of the major sources of revenue to the Group in the future.

The Group will first develop the Hong Kong market, mainly through wholesaling high quality petroleum and chemical (such as carbon black and/or active carbon) products to different clients including public transportation corporations. In the long run, the Group targets to expand the business to overseas markets under high oil price pressure, such as Singapore, Malaysia and Japan. The Group believes its development strategy will accelerate its growth and bring remarkable returns to shareholders.

Cosmetics and Skincare Products

Currently, the Group has both the retail line and professional line of product series which are under the Group's own brand name of "Marjorie Bertagne (MB)" and consistently develops and promotes new series of MB products. Besides, leveraging on our strong in-house product design and state-of-the-art production facilities, the Group is planning to launch another brand focusing on functional cleansing for younger generation of customers to capture more market shares. The Group expects to launch the new brand in PRC as its first market.

Other than that, the Group also designs and produces high quality skincare products, colour cosmetics and toiletries for its ODM and OEM customers in Europe and United States at competitive prices. As part of the "one-stop service" of this ODM and OEM business, the Group also provides research, development, sourcing, merchandising and technical enquires to its customers.

Biotech Products

Through years of collaboration with R&D team in The University of Hong Kong as well as the grant from Innovation and Technology Fund of the HKSAR Government, the Group has successfully commercialized the production of the industrial enzymes. The Directors believe that this business will keep bringing revenues to industrial segment going forward due to the rising awareness of environmental protection issue by the PRC Government. The Group also believes that the production of industrial enzymes will greatly reduce its reliance on overseas import as well as production costs.

EMPLOYEES AND REMUNERATION POLICIES

The Group's clear and effective management policies have enabled it to maintain good staff relations. It has not encountered any difficulties in recruiting experienced personnel and there has not been any interruption to its operations as a result of labour disputes. The Group provides social security benefits encompassing the mandatory provident fund and health insurance scheme to all its employees. It does not shoulder any material liability arising from the relevant statutory retirement scheme.

As at 31 December 2009, the Group had 760 salaried employees of which 692 and 68 were stationed in the PRC and Hong Kong respectively. Total staff costs paid during the year was approximately HK\$61.63 million.

CONTINGENT LIABILITY AND CHARGE ON GROUP ASSETS

The Group did not have any significant contingent liabilities as at 31 December 2009. As at 31 December 2009, the banking facilities of the Group were secured by corporate guarantees executed by a subsidiary of the Group and certain property, plant and equipment.

DIVIDEND

The Directors do not recommend payment of a final dividend for the year ended 31 December 2009 (2008: HK\$nil).

AUDIT COMMITTEE

The Company's Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Kwok Yu, Mr. Li Young Xiang and Miss Lin Ying.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKICPA. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee met twice during the year of 2009 in conjunction with the auditors to review the internal controls, interim results and final accounts of the Group prior to recommending them to the Board for approval.

The Audit Committee has reviewed this clarification announcement and the revised annual results.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws in the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had no purchase, redemption or sales of its own shares during the year ended 31 December 2009.

COMPLIANCE OF CODE OF CORPORATE GOVERNANCE PRACTICE OF LISTING RULES

The Company has adopted code of conduct governing securities transactions by directors and senior management of the Group on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2009.

During the year ended 31 December 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) except for the deviation from 1 January 2009 to 25 September 2009 as mentioned below:

- Code provision A.2.1 of the CG Code stipulated that the role of chairman and chief executive officer (“CEO”) should be separated and not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

Since the resignation of the ex-chairman and appointment of Mr. Yip Chung Wai, David, the role of the chief executive officer (“CEO”) of the Company have been performed by Mr. Yip.

Mr. Yip has since then taken the lead in formulating overall strategies and policies of the Group; ensures the effective performance by the Board of its functions, including compliance with good corporate governance practices and encourages and facilitates active contribution of Directors in Board activities. He also ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company since 9:30 a.m. on 30 April 2010 pending the release of this clarification announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 25 August 2010.

On behalf of the Board
Yip Chung Wai, David
Chief Executive Officer

Hong Kong, 24 August 2010

As at the date of this announcement, the executive Directors are Mr. Yip Chung Wai David, Mr. Wong Hiu Tung and Mr. Jia Xuele; and the independent non-executive Directors are Mr. Cheung Kwok Yu, Ms. Lin Ying and Mr. Li Yongxiang.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange and the website of the Company for at least 7 days from the date of its posting.

* For identification purposes only