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If you have sold or transferred all your shares in Hembly International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

HEMBLY

HEMBLY INTERNATIONAL HOLDINGS LIMITED
恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND SPECIFIC MANDATE TO ISSUE NEW SHARES

Financial Adviser to the Company

AmCap

Ample Capital Limited

豐盛融資有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

GD 粵海證券有限公司

GUANGDONG SECURITIES LIMITED

A letter from the Independent Board Committee (as defined in this circular) is set out on page 32 of this circular. A letter from Guangdong Securities Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders (as defined in this circular) is set out on pages 33 to 47 of this circular.

A notice convening the EGM (as defined in this circular) to be held at 2:30 p.m. on Tuesday, 9 December 2009, at 36th Floor, 1 Hung To Road, Kwun Tong, Hong Kong is set out on pages 300 to 301 of this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be) to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

23 November 2009

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition"	the acquisition of the Sale Shares from the Vendors by the Purchaser pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 8 September 2009 (as amended by the Supplemental Agreement) entered into amongst Simple Success, Bright King, Bright Good, the Purchaser, the Company and the Warrantor in relation to the Acquisition
"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Bright Good"	Bright Good Limited, a company incorporated in the BVI, which beneficially owns the Bright Good Sale Shares
"Bright Good Convertible Notes"	the convertible notes in the principal amount of HK$188.04 million to be issued by the Company to Bright Good at Completion to satisfy part of the consideration for the Bright Good Sale Shares
"Bright Good Promissory Note"	the promissory note in the principal amount of HK$80.5 million to be issued by the Company to Bright Good to satisfy part of the consideration for the Bright Good Sale Shares
"Bright Good Sale Shares"	2,324 issued ordinary shares of US$1.00 each in the capital of the Target Company
"Bright King"	Bright King Investments Limited, a company incorporated in the BVI, which beneficially owns the Bright King Sale Shares
"Bright King Promissory Note"	the promissory note in the principal amount of HK$55 million to be issued by the Company to Bright King to satisfy part of the consideration for the Bright King Sale Shares
"Bright King Sale Shares"	3,453 issued ordinary shares of US$1.00 each in the capital of the Target Company
"Bright King Subsidiary Promissory Note"	the promissory note in the principal amount of HK$200 million to be issued by Full Prosper to Bright King to satisfy part of the consideration for the Bright King Sale Shares

"Board"	board of Directors
"BVI"	the British Virgin Islands
"Company"	Hembly International Holdings Limited (stock code: 03989), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the Acquisition Agreement
"Consideration"	the aggregate consideration payable to the Vendors for the Acquisition under the Acquisition Agreement
"Conversion Rights"	the rights of the holder(s) of the Convertible Notes to convert the outstanding principal amount under the Convertible Notes registered in its name into Shares subject to the terms and conditions of the Convertible Notes
"Conversion Shares"	new Shares to be issued by the Company upon the exercise of the Conversion Rights
"Convertible Notes"	collectively the Simple Success Convertible Notes and the Bright Good Convertible Notes
"Director(s)"	director(s) of the Company
"Disclosure Letter"	the disclosure letter to be prepared and delivered by Bright King to the Purchaser containing qualifications to the warranties given by Bright King and the Warrantor under the Acquisition Agreement in the form and substance to the reasonable satisfaction of the Purchaser
"Disposal"	the disposal by Spring Castle Group Limited of 7,500 common shares with a par value of US$1.00 each in the share capital of Well Metro Group Limited to the Primewill Investments Limited pursuant to the Agreement dated 3 December 2008
"Disposal Group"	Well Metro Group Limited and its subsidiaries
"EGM"	an extraordinary general meeting of the Company to be convened at 2:30 p.m. on 9 December 2009 for the purpose of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the Acquisition, the issue of the Convertible Notes and the Conversion Shares) and the Specific Mandate

"Enlarged Group"	the Group as enlarged by the Acquisition
"Full Prosper"	Full Prosper Holdings Limited, a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Guangdong Securities" or "Independent Financial Adviser"	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis, established for the purpose of advising the Independent Shareholders regarding the Acquisition
"Independent Shareholders"	Shareholders other than the Warrantor, Bright King, Simple Success and their respective associates
"Independent Third Party(ies)"	person(s) or company(ies) who/which is/are not connected with the directors, chief executive, or substantial shareholders of the Company and its subsidiaries or any of their respective associates
"Independent Valuation Report"	valuation report on the fair value of 100% equity interest in the Target Company issued by BMI Appraisals Limited on 23 November 2009, the text of which is set forth in Appendix VI to this circular
"Initial Conversion Price"	HK$1.20 per Conversion Share (subject to adjustments)
"Latest Practicable Date"	19 November 2009, being the practicable date prior to the printing of this circular for the purpose of ascertaining and collating relevant information contained herein
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Performance Based Promissory Note"	the promissory note in the initial principal amount of HK$144 million (subject to adjustment) to be issued by the Company to Bright King to satisfy part of the consideration for the Bright King Sale Shares
"PRC"	the People's Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Property Valuation Report"	an independent property valuation report on the property interests of the Enlarged Group dated 23 November 2009 issued by Asset Appraisal Limited, the text of which is set forth in Appendix VII to this circular
"Purchaser"	Rising Boom Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Remaining Group"	the Company and its subsidiaries immediately after 30 October 2009.
"Sale Shares"	collectively, the Simple Success Sale Shares, the Bright Good Sale Shares and the Bright King Sale Shares
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Simple Success"	Simple Success Investments Limited, a company incorporated in the BVI, which as at Latest Practicable Date is the beneficial owner of 3,000 preferred shares of US$1.00 each in the capital of the Target Company convertible into 3,000 ordinary shares of US$1.00 each in the capital of the Target Company and which has undertaken under the Acquisition Agreement to exercise such conversion right prior to Completion and to use its best endeavours to complete the Simple Success' Acquisition. Simple Success is also a wholly-owned subsidiary of New World Development Company Limited, a company incorporated in Hong Kong and whose issued shares are listed on the Main Board of the Stock Exchange

"Simple Success' Acquisition"	the acquisition of 1,223 ordinary shares of US$1.00 each in the capital of the Target Company by Simple Success from Bright King
"Simple Success Convertible Notes"	the convertible notes in the principal amount of HK$488 million to be issued by the Company to Simple Success at Completion to satisfy the consideration for the Simple Success Sale Shares
"Simple Success Sale Shares"	the 4,223 ordinary shares of US$1.00 each in the capital of the Target Company
"Specific Mandate"	the authority to issue and allot the Conversion Shares which may be issued under the Convertible Notes proposed to be obtained from the Independent Shareholders at the EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 18 September 2009 entered into amongst Simple Success, Bright King, Bright Good, the Purchaser, the Company and the Warrantor in relation to the Acquisition
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
"Target Company"	Smartview Investment Holdings Ltd. a company incorporated in the BVI with limited liability, the entire issued share capital of which is owned by the Vendors
"Target Group"	the Target Company and its subsidiaries
"Vendors"	collectively Simple Success, Bright King and Bright Good
"Warrantor"	Mr. Ngok Yan Yu, an executive Director
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

HEMBLY INTERNATIONAL HOLDINGS LIMITED
恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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Executive directors:
Ngok Yan Yu *(Chairman)*
Lam Hon Keung, Keith
Tang Chui Yi, Janny
Wong Ming Yeung
Marcello Appella
Chan Tak Yan

Independent non-executive directors:
Lo Ming Chi, Charles
Pao Ping Wing
Kwan Hung Sang, Francis

Registered office:
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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business:
36th Floor,
No. 1 Hung To Road
Kwun Tong
Kowloon
Hong Kong

23 November 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND SPECIFIC MANDATE TO ISSUE NEW SHARES

INTRODUCTION

As announced in the Company's announcement dated 23 September 2009, the Company, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors and the Warrantor entered into the Acquisition Agreement on 8 September 2009.

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire the Sale Shares from the Vendors at a total consideration of HK$1,155.54 million (subject to adjustment). As the ultimate beneficial owner of Bright King, being one of the Vendors, is the Warrantor and the Warrantor is an executive Director of the Company and was interested in approximately 29.28% of the total number of issued Shares as at Latest Practicable Date, Bright King is a connected person of the Company. As at date of the Acquisition Agreement, an associate of Simple Success, being one of the Vendors, held more than 10% of interests in a subsidiary of the Company, Simple Success was therefore also a connected person of the Company as at the date of Acquisition Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bright Good and its ultimate beneficial owner are Independent Third Parties.

The Target Company is an investment holding company and the Target Group is carrying on the principal business of waste-to-energy technology and services and which specializes in technology development, design, system integration, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC.

The Consideration of HK$1,155.54 million shall be satisfied by the Group: (i) as to HK$488 million by issuing the Simple Success Convertible Notes to Simple Success at Completion; (ii) as to HK$268.54 million by issuing the Bright Good Convertible Notes in the principal value of HK$188.04 million and by issuing the Bright Good Promissory Note with a principal amount of HK$80.5 million to Bright Good at Completion; (iii) as to HK$255 million by issuing the Bright King Promissory Note to Bright King in the principal amount of HK$55 million and by procuring the issue of the Bright King Subsidiary Promissory Note by Full Prosper to Bright King in the principal amount of HK$200 million at Completion; and (iv) as to HK$144 million (subject to adjustment) by issuing the Performance Based Promissory Note to Bright King within seven days after certification of the 2010 Net Profit (as defined below) by the Company's auditor.

Completion of the Acquisition is subject to fulfilment or waiver (where applicable) of certain conditions precedent as set out in the section headed "Conditions precedent" below.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction on the part of the Company under Chapter 14A of the Listing Rules by reason of the fact that Bright King is a connected person of the Company. The Acquisition is therefore subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules at the EGM at which each of Warrantor and Simple Success and their respective associates will have to abstain from voting.

The Independent Board Committee, comprising all of the independent non-executive Directors, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, and Mr. Kwan Hung Sang, Francis, has been formed to advise the Independent Shareholders in relation to the Acquisition Agreement.

Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition Agreement is on normal commercial terms and whether the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide, among others, (i) details of the Acquisition Agreement; (ii) further details of the Target Group; (iii) the recommendations of the Independent Board Committee in respect of the Acquisition Agreement; (iv) the advice of Guangdong Securities in respect of the terms of the Acquisition Agreement; (v) financial information on the Target Group; (vi) pro forma financial information of the Enlarged Group; (vii) an Independent Valuation Report; (viii) Property Valuation Report; and (ix) the notice of EGM and the form of proxy.

THE ACQUISITION AGREEMENT

Date

8 September 2009 (as supplemented by the Supplemental Agreement dated 18 September 2009)

Parties

(i) Simple Success, as one of the vendors;

(ii) Bright King, as one of the vendors;

(iii) Bright Good, as one of the vendors;

(iv) Rising Boom Enterprises Limited, as the purchaser;

(v) the Company; and

(vi) the Warrantor.

Simple Success, Bright King and Bright Good are investment holding companies and will beneficially own the Simple Success Sale Shares, the Bright King Sale Shares and the Bright Good Sale Shares, respectively, which in aggregate, constitute the entire issued share capital of the Target Company immediately prior to the Completion. Bright King, being one of the Vendors, whose ultimate beneficial owner is the Warrantor, an executive Director of the Company and is interested in approximately 29.28% of the total number of issued Shares as at Latest Practicable Date, and is therefore a connected person of the Company. As at the date of the Acquisition Agreement, an associate of Simple Success (being one of the Vendors) holds more than 10% of interests in a subsidiary of the Company, Simple Success was therefore also a connected person of the Company under the Listing Rules as at the date of the Acquisition Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bright Good and its ultimate beneficial owner are Independent Third Parties. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Vendors has had any prior transaction with the Group that may require aggregation under Rule 14.22 of the Listing Rules. The Company had previously entered into transactions with an associate of the ultimate holding company of Simple Success, details of which were disclosed in the Company's announcement dated 3 December 2008 and such transactions have completed on 30 October 2009 and disclosed by the Company's announcement on 30 October 2009.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Simple Success, Bright Good and their respective ultimate beneficial owners are independent to each other.

Assets to be acquired

The Sale Shares will constitute the entire issued share capital of the Target Company as at Completion. As at the date of the Acquisition Agreement, the Target Company had in issue 7,000 ordinary shares of US$1.00 each, of which 4,676 of the said ordinary shares are beneficially owned by Bright King and 2,324 of the said ordinary shares are beneficially owned by Bright Good. The Target Company also had in issue 3,000 preferred shares of US$1.00 each which were beneficially owned by Simple Success as at the date of the Acquisition Agreement, which are convertible into 3,000 ordinary shares of US$1.00 each in the capital of the Target Company. It is one of the conditions precedents to the Completion of the Acquisition that Simple Success shall have completed the Simple Success Acquisition and exercised the conversion rights attached to the 3,000 preferred shares, which are convertible into 3,000 ordinary shares of US$1.00 each in the capital of the Target Company.

Consideration

The Consideration is HK$1,155.54 million, which shall be satisfied by the Group in the following manner:

(i) as to HK$488 million by issuing the Simple Success Convertible Notes to Simple Success at Completion;

(ii) as to HK$268.54 million

(a) by issuing the Bright Good Convertible Notes in the principal value of HK$188.04 million to Bright Good at Completion; and

(b) by issuing the Bright Good Promissory Note in the principal amount of HK$80.5 million to Bright Good at Completion;

(iii) as to HK$255 million

(a) by issuing the Bright King Promissory Note to Bright King in the principal amount of HK$55 million at Completion; and

(b) by procuring the issue of the Bright King Subsidiary Promissory Note by Full Prosper to Bright King in the principal amount of HK$200 million at Completion; and

(iv) as to HK$144 million (subject to adjustment) by issuing the Performance Based Promissory Note to Bright King within seven days after the issue of the certification of the 2010 Net Profit (as defined below) by the Company's auditor.

The principal amount of the Performance Based Promissory Note will be adjusted with reference to the net profit after taxation, minority interest and extraordinary items of the Target Group for the financial year ending 31 December 2010 as certified by the auditors of the Company (the **"2010 Net Profit"**).

In the event that the 2010 Net Profit is less than HK$96,000,000, the principal amount of the Performance Based Promissory Note shall be reduced by the amount equivalent to:

(HK$96,000,000 – 2010 Net Profit) x 12 x 12.46%

In the event that the Target Group records a net loss after taxation, minority interest and extraordinary items for the financial year ending 31 December 2010, zero shall be adopted as the 2010 Net Profit for the purpose of the above formula.

In the event that the 2010 Net Profit is more than HK$96,000,000, the principal amount of the Performance Based Promissory Note shall be increased by the amount equivalent to:

(2010 Net Profit – HK$96,000,000) x 12 x 12.46%

For the purpose of adjustment under this Performance Based Promissory Note, the 2010 Net Profit to be adopted in the above formula will be capped at HK$300 million.

The Performance Based Promissory Note will be issued to Bright King within seven days after the auditors of the Company have certified the 2010 Net Profit.

The Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and based on the figure of HK$96,000,000, the benchmark for adjustment to the Consideration, multiplied by a price-earnings ratio of twelve.

The formula for adjustment to the Performance Based Promissory Note was arrived at after arms' length negotiation between the parties to the Acquisition Agreement based on a price-earnings ratio of twelve and the ratio of the principal amount of the Performance Based Promissory Note (before adjustment) to the Consideration, which being approximately 12.46%.

Conditions

Completion is subject to the following conditions precedent:

(i) the result of a due diligence exercise to be carried out by the Purchaser on the assets and liabilities, business and prospects of the Target Group including the books, records, constitutional documents, contracts, accounting records and any other documents relating to the Target Group and its business being found to be reasonably satisfactory to the Purchaser;

(ii) submission by the Vendors to the Purchaser of an independent professional valuation of the Target Group carried out by a valuer acceptable to the Purchaser certifying the valuation of the Target Group as being not less than HK$1,155.54 million as at the date of the Acquisition Agreement;

(iii) Simple Success having been issued the Simple Success Sale Shares pursuant to its exercise of the conversion rights attaching to 3,000 preferred shares in the capital of the Target Company in issue and the completion of the Simple Success's Acquisition;

(iv) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong (including but not limited to the SFC and the Stock Exchange), banks and landlords (where applicable) in connection with the transactions contemplated under the Acquisition Agreement;

(v) the Stock Exchange, if required, approving the issue of the Convertible Notes and the Listing Committee granting the listing of, and permission to deal in the Conversion Shares;

(vi) the passing by the Independent Shareholders in general meeting of the necessary resolutions approving the Acquisition Agreement and all transactions contemplated in or incidental to the Acquisition Agreement (if any) in accordance with the Listing Rules;

(vii) all other necessary waivers, consents and approvals (if required) in relation to the Purchaser, its holding company(ies) and its (their) shareholders and directors from the relevant governmental or regulatory authorities in Hong Kong (including the Stock Exchange) and other applicable jurisdictions required for the Acquisition Agreement and the transactions contemplated herein being obtained;

(viii) Simple Success having obtained its internal approval, if required, on the sale of the Simple Success Sale Shares to the Purchaser on the terms set out in the Acquisition Agreement;

(ix) no indication from the SFC that the Vendors and parties acting in concert with it is required to make a mandatory general offer to all shareholders of the Company under the Takeovers Code and no indication from the Stock Exchange that the transactions contemplated under the Acquisition Agreement constitute a reverse takeover as defined in the Listing Rules;

(x) save as disclosed as allowed under the Acquisition Agreement, all warranties of Bright King and the Warrantor under the Acquisition Agreement remaining true and accurate as at Completion and the Vendors shall have performed or complied, in all material respects, with their covenants and agreements contained herein and required to be performed or complied with by the Vendors at or prior to the date of Completion;

(xi) the granting of a specific mandate by the Independent Shareholders in general meeting approving and authorizing the allotment and issue of the Conversion Shares in accordance with the Listing Rules;

(xii) the obtaining of a legal opinion issued by a PRC legal advisor to be appointed by the Purchaser in relation to the business and operation of the Target Group subject to the PRC jurisdiction;

(xiii) the form and substance of the Disclosure Letter delivered to the Purchaser by Bright King are reasonably satisfactory to the Purchaser; and

(xiv) all of the shareholders' loans advanced to the Target Group having been settled and/or waived in full.

If the above conditions precedent have not been satisfied (or as the case may be, waived by the Purchaser except in respect of conditions precedent (iii), (iv), (v), (vi), (vii), (viii), (ix) and (xi) which could not be waived) on or before 31 March 2010 (or such later date as the parties to the Acquisition Agreement may agree), the Acquisition Agreement shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for antecedent breaches of the terms of the Acquisition Agreement.

Completion

Completion shall take place upon the fulfilment (or waiver by the Purchaser, where applicable) of the conditions precedent referred to above or such other date as the parties to the Acquisition Agreement may agree.

Promissory Note

The principal terms of the Bright Good Promissory Note, the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note are the same except:

(i) the holder of the promissory notes;

(ii) the principal amount (see the information set out under the section headed "Consideration" above for further details);

(iii) the maturity date of the respective promissory notes;

(iv) the transferability of the respective promissory notes; and

(v) all the Bright Good Promissory Note, the Bright King Promissory Note, and the Performance Based Promissory Note are to be issued by the Company whereas the Bright King Subsidiary Promissory Note will be issued by Full Prosper.

The principal terms of the Bright Good Promissory Note, the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note are as follows:

Maturity date:	For the Bright Good Promissory Note, the third anniversary of the date of issue of the relevant promissory notes. For the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note, the fifth anniversary of the date of issue of the relevant promissory notes.
Redemption:	The issuer of the promissory note shall redeem the notes at their respective the principal amount in whole at the maturity date.
Interest:	Nil
Transferability:	The Bright Good Promissory Note is transferable by Bright Good. None of the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note is transferable.

Convertible Notes

The principal terms of the Simple Success Convertible Notes and the Bright Good Convertible Notes are the same except (i) holder of the relevant convertible notes; and (ii) the principal amount (see the information set out under the section headed "Consideration" above for further details). The principal terms of Simple Success Convertible Notes and the Bright Good Convertible Notes are as follows:

Issuer:	The Company
Principal amount:	HK$488 million for the Simple Success Convertible Notes; HK$188.04 million for the Bright Good Convertible Notes.
Maturity date:	The fifth anniversary of the date of issue of the Convertible Notes.
Redemption:	The Company may not redeem the Convertible Notes before the maturity date. Any amount of the Convertible Notes which remains outstanding on the maturity date shall be redeemed at par.

Interest:	Nil
Transferability:	The Convertible Notes may be assigned or transferred to any transferee provided that such transferee may not be a connected person of the Company (as defined in the Listing Rules). The Convertible Note may be assigned or transferred in whole or in part (in whole multiples of HK$1,000,000) of its outstanding principal amount.
Conversion:	Holder of the Convertible Notes shall have the right at any time from the date of issue of the Convertible Notes to (and excluding) the fifth business day immediately before the maturity date to convert the whole or part of the outstanding principal amount of the Convertible Notes into Shares in full board lot of shares or multiples thereof provided further that any conversion shall be made in amounts of not less than a whole multiple of HK$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Notes is less than HK$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Notes may be converted.
Initial Conversion Price:	The Convertible Notes shall be converted at the Initial Conversion Price of HK$1.20 per Conversion Share (subject to adjustment).

The Initial Conversion Price of HK$1.20 represents:

(i) a premium of approximately 22.45% over the closing price of HK$0.98 per Share as quoted on the Stock Exchange on 1 September 2009, being the last trading day (the "**Last Trading Day**") prior to suspension of trading in the Shares on the Stock Exchange pending release of this announcement;

(ii) a premium of approximately 53.06% over the average of the closing prices of HK$0.784 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 69.01% over the average of the closing prices of approximately HK0.71 per Share as quoted on the stock Exchange for the last consecutive ten trading days up to and including the Last Trading Day; and

(iv) a discount of approximately 45.70% to the closing price of HK$2.21 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Initial Conversion Price is subject to adjustments upon the occurrence of consolidation or subdivision of Shares, capitalization issues, capital distribution, rights issues and issue of new Shares or convertible securities at issue or conversion price at more than 5% discount to the then market price per Share.

Voting rights: The holder of the Convertible Notes will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Convertible Notes.

Ranking: The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Conversion Shares issued upon exercise of the Conversion Right will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be on or before the relevant conversion date.

Listing: The Convertible Notes will not be listed on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Lock-up: There is no lock-up restriction on subsequent transfer of the Conversion Shares.

Undertakings:	The instrument constituting the Convertible Notes will contain undertakings that a noteholder of the Convertible Notes that (i) it shall fully comply with all applicable laws, rules and regulations including but not limited to the Listing Rules and the Takeovers Code in respect of the holding of the Convertible Notes, the exercise of its Conversion Rights, acceptance of Conversion Shares and settlement of the outstanding principal sum of the Convertible Notes and (ii) it shall not exercise the Conversion Rights to the extent that following such conversion it would result in change in control (as defined under the Takeovers Code) of the Company. The Company is entitled to refuse to comply with request for conversion of the Convertible Notes if the exercise of such Conversion Rights will breach the undertaking on the part of the noteholder.
Settlement:	Holders of the Convertible Notes may, by serving a written notice to the Company not less than six months before the maturity date of the Convertible Notes designate that the Company shall settle the outstanding amount of the Convertible Notes by the issue of Conversion Shares at the applicable conversion price on the maturity date.

The issue of the Convertible Notes will not result in a change of control of the Company (i.e. there is no change in any controlling shareholder who is entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of the Company).

An application will be made by the Company to the Stock Exchange for the approval of the issue of the Convertible Notes, if required, and the listing of, and permission to deal in the Conversion Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the shareholding structure of the Company (i) as at Latest Practicable Date; (ii) immediately after the issue of the Conversion Shares upon exercise of the Conversion Rights under the Bright Good Convertible Notes in full and the issue of the Conversion Shares upon exercise of the Conversion Rights under the Simple Success Convertible Notes to the extent that such exercise does not result in a change of control in the Company; and (iii) for illustrative purpose only, the issue of the Conversion Shares upon full conversion of the Bright Good Convertible Notes and the issue of the Conversion Shares upon full conversion of the Simple Success Convertible Notes:

	As at Latest Practicable Date		**Immediately after the issue of the Conversion Shares upon exercise of the Conversion Rights under the Bright Good Convertible Notes in full and the issue of the Conversion Shares upon exercise of the Conversion Rights under the Simple Success Convertible Notes to the extent that such exercise does not result in a change of control in the Company**		**Immediately after the issue of the Conversion Shares upon exercise of the Conversion Rights under the Bright Good Convertible Notes in full and the issue of the Conversion Shares upon exercise of the Conversion Rights under the Simple Success Convertible Notes (for illustrative purpose only)** *(Note 2)*	
	Number of Shares	*Approximate percentage of shareholding* %	*Number of Shares*	*Approximate percentage of shareholding* %	*Number of Shares*	*Approximate percentage of shareholding* %
Charm Hero *(Note 1)*	152,744,205	29.28	152,744,205	15.77	152,744,205	14.08
Directors (other than Mr. Ngok Yan Yu)	3,968,030	0.76	3,968,030	0.41	3,968,030	0.37
Simple Success and parties acting in concert with it *(Note 2)*	–	–	289,932,320	29.94	406,666,666	37.47
Bright Good and parties acting in concert with it *(Note 2)*	–	–	156,700,000	16.18	156,700,000	14.44
Public	364,959,765	69.96	364,959,765	37.70	364,959,765	33.64
Total	**521,672,000**	**100.00**	**968,304,320**	**100.00**	**1,085,038,666**	**100.00**

Notes:

1. These Shares are held by Charm Hero Investments Limited, a wholly-owned subsidiary of Mensun Limited, which was controlled by Mr. Ngok Yan Yu, chairman and an executive Director.

2. Each of Simple Success and Bright Good will undertake to the Company under the instrument constituting the Convertible Notes not to exercise the conversion rights if such conversion would result in change in control (as defined in the Takeovers Code). The shareholding of Simple Success in the Company of about 37.53% set out in the last column is for illustrative purpose only.

INFORMATION ON THE TARGET GROUP

The Target Group has commenced its existing business operation in 2002 and the Target Company is a company incorporated in the BVI on 8 January 2003 with limited liability to become the holding company of the Target Group. The entire issued share capital of the Target Company was collectively owned by the Vendors as at Latest Practicable Date. The Target Company is principally engaged in investment holding. The Target Group comprises over 40 companies with approximately 80 full time employees as at Latest Practicable Date and has representative offices in Germany, Beijing, Shanghai and Guangzhou of the PRC.

The Target Group is engaged in the investment, engineering, procurement of equipment, operation and maintenance of waste treatment and waste-to-energy plants in first tier cities in the PRC. The plants primarily operate on a build-operate-transfer ("**BOT**") with a concessionary period of 25 to 30 years.

The Target Group generates revenue from the operation of waste-to-energy plants, through receiving waste treatment fees and on-grid electricity tariffs, and from engineering and procurement (EP), which includes providing consultancy services, system integration, designing of waste treatment installations, and the procurement of waste treatment materials and equipments.

Based on present information available to the Directors, the Directors estimated that capital expenditure for building a plant to be in the range of RMB300,000 to RMB500,000 per daily tonne of capacity.

The Target Group has secured interest in projects in Beijing, Shanghai, Shenzhen, Nanchang, Nanjing and Likeng. The plants primarily treat municipal solid waste ("**MSW**").

The Shenzhen Pinghu plant

The Target Group has entered into acquisition agreements to acquire 46% interest in the Shenzhen Pinghu plant. The incineration plant, which has commenced operation since 2006, is located in Pinghu County, Longgang District, Shenzhen. The concessionary period is 25 years.

The designed daily treatment capacity of the plant is 675 tons with a designed annual electricity generation capacity of 74 million kWh. The waste treatment fee to be received by the Target Group for every ton of waste treated is approximately RMB90.

The Beijing Dongcun plant

The Beijing Dongcun plant, designed to adopt ADT for waste treatment, is expected to commence operation by April 2010. The plant is located in Dongcun of Taihu County in the Chaoyang District of Beijing.

The designed daily waste treatment capacity is 650 tons with an estimated annual electricity generation capacity of 36 million kWh. The waste treatment fee is approximately RMB85 per ton of waste treated. The concessionary period, inclusive of the construction period, is 27 years.

The Target Group currently owns 60% in the Beijing Dongcun plant.

The Shanghai Putuo plant

The plant, designed to adopt ADT for waste treatment, is expected to commence operation in July 2010. The plant is located in the Taopu County of the Putuo District in Shanghai.

The designed daily waste treatment capacity is approximately 1,100 tons of MSW with an estimated annual electricity generation capacity of up to 69 million kWh. The waste treatment fee is approximately RMB148 per ton of waste treated. The concessionary period of the BOO contract is for 30 years inclusive of the construction period of the plant.

The Target Group signed a letter of intent and acquisition agreement to acquire 23.2% and 37% interest in Shanghai Putuo Plant on April 2008 and May 2008 respectively. Accordingly, the Target Group's equity interest in the Shanghai Putuo plant will be increased from 33.8% to 94%.

The Nanchang Quanling plant

The incineration plant is located in Quanling Town of Jinxian County in Nanchang and is expected to commence operations in July 2011.

The designed daily waste treatment capacity is 1,200 tons with an estimated annual electricity generation capacity of 131 million kWh. The waste treatment fee is approximately RMB78 per ton of waste treated. The concessionary period, inclusive of the construction period, is 27 years.

The Nanchang Quanling plant is wholly owned by the Target Group.

The Nanjing Jiangbei plant

The incineration plant is located in Huangyao Village of Taishan County in Pukou District, Nanjing. The plant is expected to commence operations in July 2011.

The designed daily waste treatment capacity is 1,200 tons with an estimated annual electricity generation capacity of 131 million kWh. The waste treatment fee is approximately RMB79 per ton of waste treated. The concessionary period, inclusive of the construction period, is 28 years.

The Target Group has entered into acquisition agreements to acquire 50% attributable interest in the Nanjing Jiangbei plant.

The Shanghai Jinshan plant

The incineration plant is located in Yongjiu Village of Jinwei County in Jinshan District, Shanghai. The plant is expected to commence operations in July 2011.

The designed daily waste treatment capacity is 600 tons with an estimated annual electricity generation capacity of 65 million kWh. The waste treatment fee is approximately RMB108 per ton of waste treated. The concessionary period, inclusive of the construction period, is 27 years.

The Shanghai Jinshan plant is wholly owned by the Target Group.

The Guangzhou Likeng plant

The Target Group won a tender for a BOT project in July 2007. The target location of the ADT plant is in Longgui County of Baiyun District, Guangzhou and is expected to commence operations in January 2012.

The target designed daily waste treatment capacity will be 1,000 tons with an estimated annual electricity generation capacity of 63 million kWh, and the concessionary period, inclusive of the construction period, is 28 years. The proposed waste treatment fee is approximately RMB69 per ton of waste treated.

The Target Group has the right to invest in a 30% attributable interest in the Guangzhou Likeng plant.

Financial information of the Target Group

Set out below is the financial information of the Target Group for the three years ended 31 December 2006, 2007 and 2008 and the seven months ended 31 July of 2008 and 2009 as extracted from Appendix II to this circular:

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Revenue	2,996	128,669	160,051	2,639	39,330
(Loss)/Profit before income tax	(12,651)	20,585	39,174	(22,375)	(7,128)
(Loss)/profit for the year/period	(12,705)	15,272	22,277	(22,733)	(8,995)

The audited net asset value of the Target Group as at 31 July 2009 was approximately HK$314,932,000.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the results, assets and liabilities of the Target Company together with its subsidiaries will be consolidated into the Group's financial statements.

INFORMATION ON WASTE-TO-ENERGY TECHNOLOGY AND SERVICES BY THE TARGET GROUP

The Target Group utilizes both anaerobic digestion technology ("**ADT**") and incineration to treat municipal waste, making it a unique and comprehensive waste treatment solutions provider in the PRC.

The Target Group is one of the pioneers of ADT in the PRC. The Target Group has secured license agreements with European technology leaders, granting the Target Group the right to use ADT in the PRC. In addition, the Company also understands that the Target Group has entered into a license agreement with a global leader in waste sorting systems.

The Company understands that ADT is a biological technology treatment which uses micro-organisms inherent in waste to decompose organic matters in the absence of oxygen, producing biogas rich in methance and carbon dioxide as a by-product. The resultant biogas can be used to generate electricity. In addition, the residual after waste size reduction using ADT can be further processed into compost, which is a nutrient-rich substance that can be used as a soil conditioner or fertilizer.

Compared to conventional landfill composting, ADT has the advantage of reducing the size of residue after decomposition, thus decreasing the need for landfills. In addition, ADT will not induce secondary pollution, which differentiates it from common forms of waste treatment technology used in the PRC, such as landfills and incineration.

Anaerobic digestion facilities have been recognized by the United Nations Development Program as one of the most useful decentralized sources of energy supply as they are less capital intensive than large power plants.

The Target Group also treats waste and generates electric power using waste incineration technology, which involves the combustion of waste material to reduce the volume of waste while generating steam, and consequently electricity, as a by-product.

Waste incineration in the PRC is traditionally characterized by the use of fluidized bed combustion and addition of hard coal due to the low calorific value of waste. The Target Group applies grate technology, which typically has a lower operating cost than fluidized bed combustion, but requires higher calorific value waste. The Target Group ensures higher calorific value waste since most of its plants are set up in first tier cities in the PRC.

The incineration technology used by the Target Group is also equipped with flue gas cleaning systems to breakdown dioxins and selective catalytic reduction (SCR)/selective non catalytic reduction (SCNR) to control nitrogen oxide emissions. This technology has met international emission standards, including complete waste combustion, energy usage, and emission control standards.

By utilizing ADT, which is effective against waste with higher organic and water content, and incineration, which is suited towards higher calorific value waste, the Target Group can effectively treat and generate energy from a wide variety of municipal waste and meet the respective demands of different clients.

INFORMATION ON THE WASTE TREATMENT INDUSTRY IN THE PRC

Market Overview

Based on Organisation for Economic Co-operation and Development (OECD) estimate in 2004, the world produces 1.2 billion tonnes of municipal waste annually. In urban China alone, municipal waste creation was roughly 180 million tonnes, which amounts to 15% of the world's waste creation. From the past 15 years up to 2005, the rate of waste production in the PRC has been growing at a rate of 8% per year; at this rate, the PRC will become one of the largest waste creators in the world.

Along with the urbanization and rise of the PRC as a global economic force the municipal waste creation will also increase. Urban China currently produces 550kg/capita/year, which is significantly higher than the 100-300kg/capita/year in low income countries such as Thailand, Philippines and Mexico. This figure is more closely aligned with developed areas, such as Hong Kong or the European Union, which produce 450-600kg/capita/year of municipal waste, indicating that waste creation rises in proportion to economic growth.

As of 2007, the waste treatment rate in the PRC was below 65%, meaning that over 35% of municipal waste was illegally dumped or dispatched to uncontrolled landfills. Compare this figure to the United States, Europe or Japan, which have waste treatment rates of above 95%, it is evident that there is room for improvement in the PRC regarding the treatment of waste.

Waste Treatment Technologies

Waste treatment in the PRC includes incineration, recycling, biological treatment, and predominantly controlled landfills.

Landfill is the primary waste treatment method in the PRC, currently representing over 60% of treated waste. The main advantage of landfill is its low cost compared to other treatment methods. However, landfills are rapidly declining in popularity in more developed countries given its imminent drawbacks.

Of most concern is the enormous environmental hazard that a badly managed landfill can have. The generation of hazardous gases and leachate can pose serious secondary pollution, and is often costly or difficult to treat. A secondary but no less imminent issue is landfill space. With rising urbanization and land prices, it is increasingly expensive to use landfill in major cities, where land resources are scarce. These major cities will have to adopt other technologies to complement landfills as existing landfill reach full utilization.

Incineration has been gaining traction since its introduction to the PRC over 20 years ago, with fludized bed and moving grate technology being the most commonly used incineration technology in the PRC. Its main advantage lies in the significant reduction in waste size, making it preferential in coastal cities where land resources are scarce. One of the main problems with incineration is the creation of secondary pollution, such as dioxins, which are hazardous to human health. Incineration also mainly treats combustible waste, and is less suitable for waste with high organic or water content, meaning additional fuel would have to be added to burn the waste in areas with less combustible waste.

Recycling and biological waste treatment constitute a minimal portion of the waste treated in the PRC as of now, but looks to increase in prominence along with the growing awareness of environmental protection in the PRC. In more developed countries, biological treatment, such as anaerobic digestion, has become more popular due to its pollution-free properties and ability to produce biogas to generate electricity.

Government Policies

Governments play a prominent role in the structure and dynamics of the waste markets, and increasingly in the PRC there is an initiative to propel the growth of the waste treatment industry.

In 1996, the PRC government enacted the first law regulating the management of municipal waste in the PRC. The "Law on Prevention and Control of Environmental Pollution Caused By Solid Waste in the PRC[1]" set guidelines for the proper treatment of waste and was later revised in 2004 to introduce the concepts of non-polluting, size-minimizing, and resource-generating as the principles of waste treatment.

Since then, the Chinese government has held a more active and well-defined role as a proponent of proper waste treatment.

The 11th Five-Year Plan for the 2006 to 2010 period set specific targets for the waste treatment and waste-to-energy sector to meet in the PRC, which include the following:

- Waste treatment rate in major cities to reach 70% by 2010,
- Waste-to-energy plants to reach 300 in 2015, from 75 plants in 2007, and
- Waste-to-energy electricity generation to reach 3 million mWh/year by 2010, from 160,000 mWh/year in 2007.

Under the 11th Five-Year Plan for Environmental Protection, the Chinese government will set tighter emission controls, improve environmental protection standards, enhance waste utilization, and vigorously promote scientific innovations aimed toward better control and treatment of waste.

In addition, the document mentioned initiatives for international environmental cooperation to introduce environmental protection technologies, which may include technologies such as anaerobic digestion.

1 《中華人民共和國固體廢物污染環境防治法》

To ensure the targets are promptly met and to incentivize the sector, a string of measures were introduced; they include:

- Mandatory purchase of electricity from waste-to-energy plants by state grids,

- Subsidies for electricity generated from renewable sources, including waste-to-energy, and

- Favourable tax treatment for waste-to-energy plants.

REASONS FOR THE ACQUISITION

The Group is principally engaged in manufacturing and sales of apparel and accessories and distribution and retailing of apparel and footwear.

The Board is of the view that given the economic downturn for the past year and current global economic outlook where consumers are on the whole reducing their spending, the return of the existing business is likely to remain sluggish. The Company has been both considering and seeking opportunities to diversify its business in light of the recent economic climate and noted that the waste treatment, renewable energy and services sector is an area worthy of exploration given the wave of global environmental awareness, supportive government policies around the world including the PRC and the various traditional energy-related crises. Under the 11th Five-Year Plan of the PRC, it is expected that the electricity generated from waste-to-energy technology will be 0.5 Gigawatts and it will grow to 3.3 Gigawatts by 2020. The Renewable Energy Law of the PRC was also passed in 2005 which states that it is a national and public obligation to transform waste to energy.

Having carried out initial research on the Target Group, the Board considers that it offers growth potential in this area. Research by renowned securities house indicated that turning waste into energy is gaining popularity. The US burns 14% of its trash in waste-to-energy plants and the percentage for Denmark is 54%. The Board is of the view that there is considerable unexploited potential for waste-to-energy business in the PRC.

The Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS

The Group

In the first half of 2009, the Group's revenue reached approximately HK$564.0 million (including supply chain services which is classified as "Continuing Operations" and distribution and retailing business which is classified as "Discontinued Operations"), representing a decrease of 23.3% over the same period in 2008. Loss attributable to the Company's equity holders was approximately HK$143.7 million for the first half of 2009, as compared to profit attributable to the Company's equity holders of HK$61.8 million for the same period in 2008.

During the first half of 2009, although the Group's supply chain business was affected by the continuous economic downturn, the Group continued to retain the existing clients' portfolio and the Group's supply chain business continued to contribute significantly towards the Group's turnover.

As called upon by the Group's internal corporate restructurings during the first half of 2009, more of the Group's supply chain services shifted from manufacturing to trading mode, coupled with the effect of pricing pressure exerted by RMB appreciation, it resulted in reduced gross profit margin and a reduction in the Group's gross profit for its supply chain business for the first half of 2009. Meanwhile, the continuing downturn in the global economy and financial markets has also negatively impacted on the luxury retail segments within the PRC. For the first half of 2009, the Group's attained a gross profit of approximately 17.3%, as compared to approximately 32.1% for the same period in 2008.

Supply Chain Services

The continuous global financial downturn had adversely affected all industries, with the global luxury and affordable luxury garment segments being one of its prime casualties. The Group's supply chain business is classified in the Condensed Consolidated Statements of Comprehensive Income for the Six Months Ended 30 June 3009 within the Company's Interim Report 2009 as "Continuing Operations". The Group's revenue for supply chain services only attained approximately HK$508.4 million for the first half of 2009, as compared to approximately HK$573.7 million for the same period in 2008. This accounted for approximately 90.1% of the Group's revenue in the first half of 2009.

In light of the economic tsunami, the Group had since late 2008 and the beginning of 2009 carried out a series of actions to implement its internal corporate restructurings, which witnessed the closure of the Group's plant which was based in Nanjing, the PRC. This had resulted in impairments and expenditures to the Group as well as shifting more of the Group's business from manufacturing to trading mode, which carry reduced margins, but reduced overhead and reduced capital requirement, coupled with the effect of pricing pressure exerted by RMB appreciation as compared to the same period in 2008, our gross profit margin for supply chain services recorded a decrease from approximately 29.1% to approximately 14.1% during the first half of 2009. Moreover, the loss for the first half of 2009 for the supply chain amounted to HK$97.2 million, as compared to a profit of HK$59.6 million for the same period in 2008.

Distribution and Retailing

The continuing downturn in the global economy and financial markets has hugely impacted on the luxury retail segments within the PRC negatively. The Group's distribution and retailing business naturally suffered within this context of malaise.

The Group's distribution and retailing business is classified in the Condensed Consolidated Statements of Comprehensive Income for the Six Months Ended 30 June 2009 within the Company's Interim Report 2009 as "Discontinued Operations". During the first half of 2009, revenue for the Group's distribution and retailing business totaled approximately HK$55.7 million, recording a decrease of approximately 65.6%, as compared to the same period last year and this accounted for approximately 9.9% of the Group's revenue. Gross margin for the distribution and retailing business for the first half of 2009 is ascertained to be approximately 47.1% for the first half of 2009, as compared to 42.7% for the same period in 2008. The loss for the first half of 2009 for the distribution and retailing business amounted to HK49.1 million as compared to a profit of HK$2.2 million for the same period in 2008.

Significant Disposal and Acquisition

In early December 2008, with the view to exercise stringent financial control amidst difficult times, the Board approved for the Group's conditional disposal of its shares at Well Metro Group Limited (i.e., the business of distribution and retailing of apparel and accessories in the PRC) to Luxba Group Limited ("**Luxba**") (previously named Primewill Investments Limited) for an aggregate cash consideration calculated with reference to the net asset value of Well Metro Group Limited and its subsidiaries. The aforesaid disposal was completed on 30 October 2009.

In light of the global economic outlook where consumers are on the whole reducing their spending, the Board viewed that the return of the existing business is likely to remain sluggish. As the Group had consequentially been considering and seeking opportunities to diversify its business in light of the recent economic climate, it noted that the waste treatment, renewable energy and services sector is an area worthy of exploration given the wave of global environmental awareness, supportive government policies around the world including the PRC and the various traditional energy-related crises.

Having carried out initial research on the Target Group, the Board considered that it will offer growth potential for the Group, as the Target Group is engaged in the principal business of waste-to-energy technology and services and which specializes in technology development, design, system integration, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC. As such, in early September 2009, the Board approved for the Group to conditionally make the proposed Acquisition. As two of the vendors of the Target Group are connected parties to the Company, with one of such vendor being ultimately owned by Billy, Ngok Yan Yu, the Chairman, executive director and a substantial shareholder of the Company, the aforesaid conditional acquisition also constituted a connected transaction of the Company.

Operating Expenses

During the first half of 2009, the distribution and selling expenses for the supply chain services dwindled by approximately 32.1% to approximately HK$14.6 million, as compared to the corresponding period in 2008 for the supply chain services. This decrease has mainly resulted from a decrease in freight charges incurred. Meanwhile, the distribution and selling expenses as a percentage of revenue decreased from approximately 3.7% to approximately 2.9% for the supply chain services.

The administrative expenses decreased slightly by approximately 4.2% to approximately HK$56.4 million for the first half of 2009, as compared to the corresponding period in 2008. As a percentage of turnover, the administrative expenses increased from approximately 10.2% to approximately 11.1% as compared to the same period in 2008 for the supply chain services. This decrease was mainly attributable to the costs incurred as a result of the Group's internal corporate restructuring.

Finance Costs

Finance costs decreased by approximately 26.6% to approximately HK$16.6 million, for the first half of 2009 as compared to the same period in 2008. This substantial decrease is mainly attributable to the decrease of bank borrowings.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2009, the Group had cash and bank balances of approximately HK$120.9 million, primarily denominated in RMB and HK$, (31 December 2008: HK$309.1 million), and total bank borrowings of approximately HK$548.8 million, (31 December 2008: HK$578.6 million), of which approximately 60.7% constituted short-term bank borrowings and approximately 39.3% constituted long-term bank borrowings. The Group's bank borrowings were primarily denominated in RMB, HK$ and US$. As at 30 June 2009, approximately 40%, 35%, and 25% of the Group's total bank borrowings were denominated in RMB, HK$ and US$, respectively, with approximately 41% of the total bank borrowings subject to fixed interest rates and 59% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and cash equivalent) over the total shareholders' equity of the Company, increased from approximately 0.45 as at 31 December 2008 to approximately 0.89 as at 30 June 2009. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from approximately 1.57 as at 31 December 2008 to approximately 1.54 as at 30 June 2009. The high debt gearing as at 30 June 2009 was mainly due to the impact of the seasonal demand cycle on the increase in working capital, which was well supported by bank trading facilities.

Foreign Exchange Exposure

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK$ and US$. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the first half of 2009.

Charges on Assets

As at 30 June 2009, the Group's bank deposits of approximately HK$22.3 million, available-for-sale securities of approximately HK$2.8 million, financial assets at fair value through profit or loss of approximately HK$6.2 million, property, plant and equipment with an aggregate net book value of approximately HK$157.9 million, investment property at fair value of HK$44.6 million, and land use rights with an aggregate net book value of approximately HK$65.9 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

Capital Commitment

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	746	8,896

During the year ended 31 December 2008, the Group entered into a franchise agreement with an independent third party for the grant of license and manufacture and distribution of the footwear and apparel under the brand name of Stonefly, for a period of ten years up from 1 January 2008 to December 2018. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops and 320 wholesales shop in the PRC within four years. At 30 June 2009, the Group has opened 31 retail shops and 15 wholesales shops and has committed to open an additional 305 wholesale shops within two years.

During the year ended 31 December 2007, the Group entered into a franchise agreement with an independent third party for the grant of franchise and distribution right in relation to footwear and apparel, under the brand name of Moschino, in the PRC for a period of ten years up to May 2017. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops in the PRC within five years. At 30 June 2009, the Group has opened 18 retail shops and has committed to open another 12 retail shops within three years.

Contingent Liabilities

As at 30 June 2009, the Group had no material contingent liabilities.

Employment and Emolument Policy

As at 30 June 2009, the Group had about 1,500 employees in total, stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their individual contributions to the Group.

The Enlarged Group

Upon Completion, the Target Group will become subsidiaries of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma revenue and gross profit of the Remaining Group for the year ended 31 December 2008 was approximately HK$1,115,630,000 and HK$243,679,000, respectively, and the unaudited pro forma revenue and gross profit of the Enlarged Group will increase to approximately HK$1,275,681,000 and HK$308,464,000 respectively.

Looking forward, in 2009/2010, after Completion, the Enlarged Group will continue with its existing business of the Group in its supply chain business. In addition, the Acquisition will enable the Enlarged Group to expand into the new business of waste-to-energy projects by which municipal solid wastes would be processed and used for power generation, which the Target Group is principally involved in.

The Directors are of the view that the Acquisition will enhance the income and assets base of the Group. The Directors also believe that the Acquisition will lead to the diversification of the Group's previous principal business in supply chain services, thereby providing significant growth potential for the Group.

While the proposed Acquisition will enlarge the Group's income and asset base, in view of the higher borrowings of the Target Group, the gearing in the Enlarged Group will increase. In addition, the Enlarged Group will be subject to more complex loan and security arrangements than those currently utilized by the Group.

In particular, following the proposed Acquisition, the Enlarged Group will be required to maintain certain financial ratios and will be subject to limitations on its total indebtedness. Consents and amendments to these financial covenants would be required if the Enlarged Group is not able to maintain such financial ratios or if the Enlarged Group needs to incur additional indebtedness. The Enlarged Group's ability to satisfy these and other covenants may be affected by factors beyond the Directors' control. If the Enlarged Group fails to satisfy its covenants and the creditors do not agree to any necessary waivers or consents to these covenants, such failure could constitute a default under the loan arrangements which could result in an acceleration of repayment of the outstanding indebtedness. The Directors believe that, as of 31 December 2008/30 June 2009, the Target Group has reached its existing indebtedness limit but is in compliance with its financial ratios. The Directors believe that the Enlarged Group will continue to be able to fulfill its financial obligations and service its debts following the Acquisition.

In view of the benefits of the proposed Acquisition, the Directors believe that the risks associated with the higher borrowings of the Enlarged Group are outweighed by the potential benefits of the proposed Acquisition. Therefore, the Directors believe that the proposed Acquisition is in the interest of the Company and its Shareholders as a whole.

FINANCIAL IMPACT OF THE ACQUISITION ON THE GROUP

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma total assets of the Remaining Group as at 31 December 2008, were approximately HK$1,540,665,000 and the unaudited pro forma total assets of the Enlarged Group would amount to approximately HK$2,553,514,000. The unaudited pro forma total liabilities of the Remaining Group as at 31 December 2008 were approximately HK$954,438,000 and the unaudited pro forma total liabilities of the Enlarged Group as at 31 December 2008 would amount to approximately HK$1,560,765,000. The unaudited pro forma net assets of the Remaining Group and the unaudited pro forma equity attributable to equity holders of the Company as at 31 December 2008 were approximately HK$586,227,000 and HK$595,103,000, respectively. The unaudited pro forma net assets of the Enlarged Group and the unaudited pro forma equity attributable to equity holders of the Company will increase to approximately HK$992,749,000 and HK$929,016,000, respectively. The net profits attributable to the equity holders of the Company would change from approximately HK$19,473,000 (based on the unaudited pro forma net profits of the Remaining Group for the year ended 31 December 2008) to the net loss of approximately HK$48,600,000 (based on the unaudited pro forma loss of the Enlarged Group for the year ended 31 December 2008). The Directors do not expect that the Acquisition will have any adverse effect on the financial position and earnings of the Group. On Completion, the fair value of the net identifiable assets, liabilities and contingent liabilities of the Group will have to be reassessed. As a result of such reassessment, the assets and liabilities of the Group upon Completion may be different from the estimations based on the basis stated for the purpose of preparation of the unaudited pro forma financial information which does not purport to describe the financial position had the Acquisition been completed.

GENERAL

As the relevant applicable percentage ratios of the Acquisition pursuant to Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Further, since the Warrantor, being the ultimate beneficial owner of Bright King, is also an executive Director and was interested in approximately 29.28% of the total number of issued Shares as at Latest Practicable Date, Bright King is an associate of the Warrantor and thus connected person of the Company under the Listing Rules. As at date of the Acquisition Agreement, an associate of Simple Success (being one of the Vendors) held more than 10% of interests in a subsidiary of the Company, Simple Success is therefore also a connected person of the Company under the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction on the part of the Company and is therefore subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules at the EGM at which the Warrantor and Simple Success and their associates will have to abstain from voting.

The Acquisition is an attempt of the Company to diversify its business. It is the present intention of the Company to continue its existing principal business notwithstanding completion of the Acquisition. The Company confirms that the Acquisition does not constitute nor is part of a transaction or arrangement or series of transactions or arrangements which constitute an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants as required under Chapter 8 of the Listing Rules.

The acquisition costs for the Simple Success Sale Shares by Simple Success and the Bright King Sale Shares by Bright King were approximately HK$413 million and HK$477.4 million respectively.

EGM

Your attention is drawn to pages 300 to 301 of this circular where you will find a notice of the EGM to be convened and held at 2:30 p.m. on Tuesday, 9 December 2009 at 36th Floor, 1 Hung To Road, Kwun Tong, Hong Kong. At the EGM, a resolution will be put forward to the Independent Shareholders to approve the Acquisition Agreement and the Specific Mandate. Voting on the resolution will be taken by poll.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

The Warrantor, and Simple Success and their associates will have to abstain from voting on the resolution to be proposed at the EGM to approve the Acquisition Agreement and the Specific Mandate.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 32 of this circular and the letter from Guangdong Securities as set out on pages 33 to 47 of this circular which set out its recommendations in respect of the Acquisition and the principal factors considered by it in arriving at its recommendations.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By the order of the Board of
Hembly International Holdings Limited
Ngok Yan Yu
Chairman

HEMBLY INTERNATIONAL HOLDINGS LIMITED
恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03989)

23 November 2009

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND SPECIFIC MANDATE TO ISSUE NEW SHARES

We refer to the circular to the Shareholders dated 23 November 2009 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder including the Acquisition and the Specific Mandate. Guangdong Securities Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

We wish to draw your attention to the "Letter from Guangdong Securities" as set out on pages 33 to 47 of the Circular. We have considered the terms and conditions of the Acquisition Agreement and the Specific Mandate, the advice of Guangdong Securities and the other factors contained in the "Letter from the Board" as set out on pages 6 to 31 of the Circular.

In our opinion, the terms of the Acquisition Agreement and the transactions contemplated thereunder including the Acquisition and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the Specific Mandate.

Yours faithfully,
For and on behalf of the Independent Board Committee

Lo Ming Chi, Charles	**Pao Ping Wing**	**Kwan Hung Sang, Francis**
Independent non–executive Director	*Independent non–executive Director*	*Independent non–executive Director*

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

23 November 2009

To: The independent board committee and the independent shareholders of Hembly International Holdings Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 23 November 2009 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced that on 8 September 2009, the Company, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors and the Warrantor entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire for the Sale Shares from the Vendors at the Consideration of HK$1,155.54 million (subject to adjustment). The Sale Shares will represent the entire issued share capital of the Target Company as at Completion.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction on the part of the Company under Chapter 14A of the Listing Rules given that each of Bright King and Simple Success is a connected person of the Company. The Acquisition is therefore subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules at the EGM at which the Warrantor, Simple Success and their respective associates shall be required to abstain from voting.

An Independent Board Committee comprising Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) whether the Independent Shareholders are recommended to vote for or against the resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group and the Target Group and we have not been furnished with any such evaluation or appraisal, save as and except for the Independent Valuation Report as set out in Appendix VI to the Circular. The Independent Valuation Report was prepared by an independent valuer, BMI Appraisals Limited (the "**Valuer**" or "**BMI**"). Since we are not experts in the valuation of companies, we have relied solely upon the Independent Valuation Report for the market value of 100% equity interest in the Target Company as at 9 October 2009 (the "**Valuation**").

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

Background of the Acquisition

Information on the Group

As referred to in the Board Letter, the Group is principally engaged in the manufacturing and sales of apparel and accessories and distribution and retailing of apparel and footwear.

Set out below are the financial results of the Group for the six months ended 30 June 2009 and the two years ended 31 December 2008, as extracted from the Company's interim report for the six months ended 30 June 2009 (the "**2009 Interim Report**") and its annual report for the year ended 31 December 2008 (the "**2008 Annual Report**") respectively:

	For the six months ended 30 June 2009	**For the year ended 31 December 2008**	**For the year ended 31 December 2007**	**% change from 2007 to 2008**
	(unaudited)	*(audited)*	*(audited)*	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Revenue	564,016	1,356,445	1,036,956	30.81
Gross profit	97,804	365,140	339,750	7.47
(Loss)/Profit attributable to owners of the Company	(156,526) *(Note)*	7,798	107,747	(92.76)

Note: The figure represents the total comprehensive expense attributable to owners of the Company.

From the above table, we noted that the Group's profitability shrank significantly by approximately 92.76% during the year ended 31 December 2008 regardless of the expansion of its revenue during the same year under review. For the six months ended 30 June 2009, the Company further recorded a loss attributable to owners of the Company of approximately HK$156.53 million. With reference to the 2009 Interim Report and the 2008 Annual Report, the Group's decreasing profitability was mainly attributable to the continuous global financial downturn which had adversely affected the worldwide luxury and affordable luxury garment segment and the luxury retail segments within the PRC. In early December 2008, with the view to exercise stringent financial control, the Board approved for the Group's conditional disposal of its distribution and retail of apparel and accessories business in the PRC. The said disposal was completed on 30 October 2009.

As referred to in the 2009 Interim Report, the Board expected that the return of the Group's existing business is likely to remain sluggish. Therefore, the Group has been actively considering and seeking opportunities to diversify its scope of business. In this regard, the Board is of the view that the waste treatment, renewable energy and services sector is an area worthy of exploration having considered the wave of national environmental awareness supportive policies together with the various possible traditional energy-related crises.

Information on the Target Group

As extracted from the Board Letter, the Target Company is incorporated in the BVI on 8 January 2003 with limited liability to become the holding company of the Target Group, which has commenced its existing business operation since 2002. The Target Group comprises over 40 companies with approximately 80 full time employees and has representative offices in Germany, Beijing and Guangzhou of the PRC.

As at the date of the Acquisition Agreement, the entire issued share capital of the Target Company was collectively owned by the Vendors.

The Target Group is engaged in the investment, engineering, procurement of equipment, operation and maintenance of waste treatment and waste-to-energy plants in the first tier cities in the PRC. The plants primarily operate on a BOT basis with a concessionary period of 25 to 30 years.

The Target Group generates revenue from the operation of waste-to-energy plants, through receiving waste treatment fees and on-grid electricity tariffs, and from engineering and procurement, which includes providing consultancy services, system integration, designing of waste treatment installations, and the procurement of waste treatment materials and equipments.

As at the Latest Practicable Date, the Target Group had secured interest in projects in Beijing, Shanghai, Shenzhen, Nanchang, Nanjing and Likeng of the PRC. The plants primarily treat MSW.

Independent Shareholders may refer to the Board Letter and the announcement of the Company dated 19 October 2009 for further information on the business activities of and plants operated by the Target Group and the waste-to energy technology and services offered by the Target Group.

Set out below is the audited financial information of the Target Group for the two years ended 31 December 2008 as extracted from Appendix II to the Circular:

	For the seven months ended 31 July 2009	**For the year ended 31 December 2008**	**For the year ended 31 December 2007**	**% change from 2007 to 2008**
	HK$'000	*HK$'000*	*HK$'000*	
Revenue	2,639	160,051	128,669	24.39
(Loss)/Profit before income tax	(22,375)	39,174	20,585	90.30
(Loss)/Profit for the period/year	(22,733)	22,277	15,272	45.87

	As at 31 July 2009	As at 31 December 2008	As at 31 December 2007	% change from 2007 to 2008
Net asset value	314,932	337,860	13,635	2,377.89

We noted from the above table that with the increase of the Target Group's revenue of approximately 24.39% during the year ended 31 December 2008, the Target Group enjoyed a significant advancement in profitability from the 2007 financial year to the 2008 financial year. During the seven months ended 31 July 2009, the Target Group recorded relatively low revenue and suffered from a loss for the period of approximately HK$22.73 million. As advised by the Directors, the revenue of the Target Group was mainly represented by the provision of sale of waste recycling machineries, the provision of construction service and engineering consultancy service. All these services are project-base revenue and the timing for the provision of these services are also dependent on the construction phrase and status of each project. The Directors further confirmed that due to the fluctuation of demand and the gap in-between those construction phrases and/or projects during the seven months ended 31 July 2009, the Target Group's financial performance had been worsening for the same said period under review.

As also referred to in the Management Discussion and Analysis of the Financial Position of the Target Group as set out in Appendix IV to the Circular, the major revenue contributors of the Target Group for the three years ended 31 December 2008 and seven months ended 31 July 2009 are the Shanghai and Beijing projects. Shanghai project had commenced in 2007 and had already been completed in 2008. The total revenue recognised for the Shanghai project during these periods amounted to HK$94 million. On the other hand, Beijing project had commenced in 2007 and had been completed in 2009. The total revenue recognised for the Beijing project during these periods amounted to HK$117 million. Apart from the above, there are other projects commenced in 2008 which are still in their early stage of construction phrase. Although these projects had only contributed insignificantly to the revenue for the first seven months of 2009, their contributions are expected to increase in the 2010 financial year onwards.

In light of (i) the number and scale of the existing waste-to-energy projects which the Target Group has secured; (ii) the development strategies of the Target Group; and (iii) the possible positive outlook of the waste treatment, renewable energy and services sector as anticipated by the Directors, the Directors expected that the Target Group's loss making position during the seven months ended 31 July 2009 is short-term only and the Target Group is likely to continue its growing momentum in the future.

Reasons for the Acquisition

With reference to the Board Letter, the Board is of the view that given the economic downturn over the past years and the current global economic outlook where consumers are on the whole reducing their spending, the return of the existing business of the Group is likely to remain sluggish. As aforementioned, the Group has therefore been actively considering and seeking opportunities to diversify its scope of business. In this regard, the Board is of the view that the waste treatment, renewable energy and services sector is an area worthy of exploration having considered the wave of national environmental awareness supportive policies together with the various possible traditional energy-related crises.

As put forth in the Board Letter, under the 11th Five-Year Plan of the PRC, it is expected that the amount of electricity being generated from the waste-to-energy technology will increase to 3.3 Gigawatts by 2020. The Renewable Energy Law of China, which states that it is a national and public obligation to transform waste to energy, was also passed in 2005.

Furthermore, the Company found from a research on the PRC environmental services sector carried out by other renowned securities house that turning waste into energy is gaining popularity. In accordance with the relevant statistics from the Energy Information Administration of US which we were provided by the Company and had also read through, the US burns 14% of its trash in waste-to-energy plants and the percentage for Denmark is 54%. The Board is thus of the opinion that there is considerable unexploited potential for the waste-to-energy business in the PRC and the Target Group has future growth potential.

We have further enquired into the Directors regarding the reasons for the Acquisition and were advised by the Directors that, given (i) the decreasing profitability of the Group's existing business since the 2007 financial year; (ii) the future possible sluggish return of the existing business of the Group as anticipated by the Directors; (iii) the huge advancement in profitability of the Target Group from the 2007 financial year to the 2008 financial year despite the loss recorded by the Target Group for the seven months ended 31 July 2009 which the Directors consider to be temporary; and (iv) the possible positive outlook of the waste treatment, renewable energy and services sector as anticipated by the Directors, the Directors are confident that the Acquisition can provide the Group an opportunity to excise its diversification strategy and improve its future financial performance.

In view of the above reasons for the Acquisition, we concur with the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Acquisition Agreement

The Acquisition Agreement

The Acquisition Agreement (as supplemented by the Supplemental Agreement dated 18 September 2009) was entered into among the Company, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors (being Simple Success, Bright King and Bright Good) and the Warrantor on 8 September 2009. Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire for the Sale Shares from the Vendors at the Consideration of HK$1,155.54 million (subject to adjustment). The Sale Shares will represent the entire issued share capital of the Target Company as at Completion.

Basis of the Consideration

As referred to in the Board Letter, the Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and based on the figure of HK$96,000,000, being the benchmark for adjustment to the Consideration, multiplied by a price-earnings ratio of 12.

As part of our analyses, we have attempted to assess the Consideration by comparing the price to earnings ratio and price to book ratio of the Target Group as implied by the Consideration with other possible comparable companies. Nonetheless, as far as we are aware of and to the best of our knowledge and after consulting the Company, there are no listed companies in Hong Kong which are engaging in similar businesses, being merely the waste treatment and waste-to-energy businesses, as the Target Group. Therefore, the trading multiples analysis is considered to be inapplicable in this case.

The Valuation

According to the Independent Valuation Report, the Valuation was HK$1,500,000,000 as at 9 October 2009.

We have reviewed the Independent Valuation Report and enquired into BMI on the methodology adopted and the basis and assumptions made in arriving at the Valuation.

BMI adopted the market approach for the Valuation. In this regard, we understand from BMI that (i) the cost approach was regarded not appropriate for the Valuation as it only considers the costs of recreating the Target Company and the costs may not represent the market value; and (ii) the income approach was also considered inadequate for the Valuation as numerous assumptions are required and any inappropriate assumption will greatly affect the accuracy of the Valuation.

BMI further confirmed that the guideline public company method under the market approach was the most appropriate for the Valuation as it involves less assumptions and uncertainties. We also noted from the calculation worksheets which we requested from BMI that the Valuation was determined by using the "Enterprise value to sales" ("**EV/Sales**") of other globally listed companies which are involving in and generating significant portion of revenue from the waste-to-energy business. BMI considered EV/Sales to be applicable since it allows for easier comparisons among companies in the same sector and can also eliminate distortions arising from different debt levels, minorities or non-operational assets. Upon our enquiry, BMI also confirmed that EV/Sales is a commonly used multiple in valuation of companies and the Valuation is in accordance with the international valuation standards.

We have also discussed with BMI regarding other basis and assumptions used in the Independent Valuation Report. In addition, we have requested and obtained the supporting documents (including but not limited to academic evidences on the application of the control premium, marketability discount and formula of the enterprise value) and explanation for those principal basis and assumptions which BMI used. Based on the due diligence work we performed and BMI's representation and professional judgement, we consider the basis and assumptions in arriving at the Valuation to be acceptable. Taking into account all the foregoing, we are of the view that the Valuation is a fair and reasonable benchmark for assessing the Consideration.

Given that the Consideration represents a discount of approximately 22.96% to the Valuation based on the Independent Valuation Report, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Payment of the Consideration

The Consideration of HK$1,155.54 million shall be satisfied by the Group in the following manner:

(i) as to HK$488 million by issuing the Simple Success Convertible Notes to Simple Success at Completion;

(ii) as to HK$268.54 million

(a) by issuing the Bright Good Convertible Notes in the principal value of HK$188.04 million to Bright Good at Completion; and

(b) by issuing the Bright Good Promissory Note in the principal amount of HK$80.5 million to Bright Good at Completion;

(iii) as to HK$255 million

(a) by issuing the Bright King Promissory Note to Bright King in the principal amount of HK$55 million at Completion; and

(b) by procuring the issue of the Bright King Subsidiary Promissory Note by Full Prosper to Bright King in the principal amount of HK$200 million at Completion; and

(iv) as to HK$144 million (subject to adjustment) by issuing the Performance Based Promissory Note to Bright King within seven days after the issue of the certification of the 2010 Net Profit by the Company's auditor (the principal amount of the Performance Based Promissory Note will be adjusted with reference to the 2010 Net Profit according to the formulae as set out under the section headed "The Acquisition Agreement" in the Board Letter (the "**Formulae**")).

Issue of the Promissory Notes

The principal terms of the Bright Good Promissory Note, the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note (altogether, the "**Promissory Notes**") are the same except for: (i) the holder; (ii) the principal amount (see the information set out above); (iii) the maturity date; (iv) the transferability; and (v) all the Bright Good Promissory Note, the Bright King Promissory Note and the Performance Based Promissory Note are to be issued by the Company whereas the Bright King Subsidiary Promissory Note will be issued by Full Prosper.

The major terms of the Bright Good Promissory Note, the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note are as follows:

Maturity date:	For the Bright Good Promissory Note, the third anniversary of the date of issue of the relevant promissory notes. For the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note, the fifth anniversary of the date of issue of the relevant promissory notes.
Redemption:	The issuer of the Promissory Notes shall redeem the notes at their respective principal amount in whole at the maturity date.
Interest:	Nil
Transferability:	The Bright Good Promissory Note is transferable by Bright Good. None of the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note is transferable.

Given that the issue of the non-interest bearing Promissory Notes would not give rise to any interest payment burden on the Company and would not induce immediate cash outflow from the Group as a result of the Acquisition, we are of the view that the issue of the Promissory Notes, being non-interest bearing, is in the interests of the Company and the Shareholders as a whole.

Possible adjustments to the principal amount of the Performance Based Promissory Note

In accordance with the terms of the Performance Based Promissory Note, the principal amount of the Performance Based Promissory Note is subject to adjustment with reference to the 2010 Net Profit based on the Formulae (the "**Possible Adjustments**"). As referred to in the Board Letter, the Formulae were arrived at after arm's length negotiation among the parties to the Acquisition Agreement, on the basis of a price to earnings ratio of 12 and the ratio of the principal amount of the Performance Based Promissory Note (before adjustment) to the Consideration of approximately 12.46%.

Under the Possible Adjustments, the principal amount of the Performance Based Promissory Note which the Company has to issue to Bright King will be adjusted downward in the event that the Target Group records a net loss after taxation, minority interest and extraordinary items for the 2010 financial year or the 2010 Net Profit is less than HK$96,000,000. For Shareholders' easy reference, the audited total net profits recorded by the Target Group were approximately HK$22.28 million and HK$15.27 million for the 2008 financial year and the 2007 financial year respectively.

Nevertheless, in the event that the 2010 Net Profit exceeds HK$96,000,000, the principal amount of the Performance Based Promissory Note will be increased. Since the 2010 Net Profit for the Possible Adjustments is capped at HK$300 million, the principal amount of the Performance Based Promissory Note to be issued by the Company will be approximately HK$449.02 million at maximum. Under such scenario, the Consideration would become approximately HK$1,460.56 million, representing a discount of approximately 2.63% to the Valuation.

In light of that (i) the Possible Adjustments would safeguard the Group's interest against possible unsatisfactory financial performance of the Target Group for the 2010 financial year; and (ii) the Consideration is capped to an amount which still represents slight discount to the Valuation under the Possible Adjustments, we are of the view that the Possible Adjustments (with the Formulae being benchmarked to HK$96,000,000) are beneficial to the Company.

Issue of the Convertible Notes

The principal terms of the Simple Success Convertible Notes and the Bright Good Convertible Notes are the same except for: (i) the holder; and (ii) the principal amount (see information under the section headed "Payment of the Consideration" above).

The major terms of the Simple Success Convertible Notes and the Bright Good Convertible Notes are as follows:

Issuer: The Company

Maturity date: The fifth anniversary of the date of issue of the Convertible Notes.

Redemption: The Company may not redeem the Convertible Notes before the maturity date.

Any amount of the Convertible Notes which remains outstanding on the maturity date shall be redeemed at par.

Interest: Nil

Initial Conversion Price: The Convertible Notes shall be converted at the Initial Conversion Price of HK$1.20 per Conversion Share (subject to adjustment).

The Initial Conversion Price of HK$1.20 represents:

(i) a discount of approximately 45.70% to the closing price of HK$2.21 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 22.45% over the closing price of HK$0.98 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 53.06% over the average of the closing prices of HK$0.784 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 69.01% over the average of the closing prices of approximately HK0.71 per Share as quoted on the Stock Exchange for the last consecutive ten trading days up to and including the Last Trading Day.

The Initial Conversion Price is subject to adjustments upon the occurrence of consolidation or subdivision of Shares, capitalisation issues, capital distribution, rights issues and issue of new Shares or convertible securities at issue or conversion price at more than 5% discount to the then market price per Share.

From our search on the web-site of the Stock Exchange at www.hkex.com.hk, we noted that the Initial Conversion Price represents premia over the closing prices of the Shares as quoted on the Stock Exchange on all trading days from 1 September 2008 up to the Last Trading Day. Accordingly, we consider that the Initial Conversion Price is in the interests of the Company and the Shareholders as a whole.

In order to further evaluate the fairness and reasonableness of the terms of the Convertible Notes, we have also identified, to the best of our knowledge and as far as we are aware of, six transactions, during the period from 8 August 2009 to 8 September 2009 (being the date of the Acquisition Agreement), by listed companies in Hong Kong which involved the issue of convertible bonds/notes (the "**CN Comparables**"). Shareholders should note that the businesses, operations and prospects of the Company are not the same as the CN Comparables and we have not conducted any in-depth investigation into the businesses and operations of the CN Comparables. The CN Comparables are hence only used to provide a general reference for the common market practice of companies listed on the Stock Exchange in transactions which involved the issue of convertible bonds/notes. The table below illustrates our relevant findings:

Date of announcement	Company name	Stock code	Term	Annual interest rate	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to/the date of the release of announcement/agreement in relation to the respective issue of convertible notes/bonds
			Years	*%*	*%*
11 August 2009	Poly Development Holdings Ltd.	1141	5	0.0	(16.72)
14 August 2009	Sino Union Petroleum & Chemical International Ltd.	346	3	0.0	3.40
25 August 2009	EPI (Holdings) Ltd.	689	20	0.0	(28.10)
25 August 2009	Ming Fung Jewellery Group Ltd.	860	1.5	3.0	1.12
04 September 2009	Broad Intelligence Int'l Pharmaceutical Holdings Ltd.	1149	5	0.0	(1.52)
07 September 2009	Winbox International (Holdings) Ltd.	474	5	0.0	(26.67)
Minimum				0.0	(28.10)
Maximum				3.0	3.40
Average				0.5	(11.42)
23 September 2009	**The Company**	**3989**	**5**	**0.0**	**22.45**

Source: the Stock Exchange web-site (www.hkex.com.hk)

(a) The Initial Conversion Price

The conversion prices of the CN Comparables ranged from a discount of approximately 28.10% to a premium of approximately 3.40% to/over the closing prices of their shares as at the last trading days prior to/the date of the release of the relevant issue of convertible bonds/notes announcements/agreements. The Initial Conversion Price, which represents a premium of approximately 22.45% over the closing price of the Shares as at the Last Trading Day, is hence above the said market range.

(b) Annual interest rate

As presented by the above table, the CN Comparables carried an annual interest rate of 0% to 3.0%. The Convertible Notes, which do not bear any interest, is hence at minimum of the said market range.

Given the Share price comparison and the market analysis as detailed above, we consider that the terms of the Convertible Notes (including the Initial Conversion Price) are fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Acquisition Agreement

We have also reviewed the other terms of the Acquisition Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Possible dilution effect on the shareholding interests of the existing public Shareholders

The table below demonstrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) after conversion of the Convertible Notes with the public float restrictions:

Name of Shareholder	**As at the Latest Practicable Date**		**Immediately after the issue of the Conversion Shares upon exercise of the Conversion Rights under the Bright Good Convertible Notes and the Simple Success Convertible Notes respectively to the extent that such exercise does not result in a change of control in the Company**	
	No. of Shares	*Approximate % of issued Shares*	*No. of Shares*	*Approximate % of issued Shares*
Charm Hero *(Note 1)*	152,744,205	29.28	152,744,205	15.77
Directors (other than Mr. Ngok Yan Yu)	3,968,030	0.76	3,968,030	0.41
Simple Success and parties acting in concert with it *(Note 2)*	0	0.00	289,932,320	29.94
Bright Good and parties acting in concert with it *(Note 2)*	0	0.00	156,700,000	16.18
Public Shareholders	364,959,765	69.96	364,959,765	37.70
Total	**521,672,000**	**100**	**968,304,320**	**100**

Notes:

1. These Shares are held by Charm Hero Investments Limited, a wholly-owned subsidiary of Mensun Limited, which was controlled by Mr. Ngok Yan Yu, the Chairman of the Company and an executive Director.

2. Each of Simple Success and Bright Good will undertake to the Company under the instrument constituting the Convertible Notes not to exercise the Conversion Rights if such conversion would result in change in control (as defined in the Takeovers Code).

As demonstrated by the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted by approximately 32.26 percent point as a result of the issue of the Conversion Shares to the extent that the conversion of the Convertible Notes does not result in a change of control in the Company. Taking into account (i) the reasons for the Acquisition and the possible benefits of the Acquisition to the Group; and (ii) the terms of the Acquisition Agreement and the Convertible Notes being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

Possible financial effects of the Acquisition

*Effect on net asset value (“**NAV**”)*

As extracted from the 2009 Interim Report, the unaudited consolidated NAV of the Group was approximately HK$467.61 million as at 30 June 2009. According to the unaudited pro-forma financial information of the Enlarged Group as contained in Appendix V to the Circular, upon Completion, the consolidated NAV of the Enlarged Group would be increased to approximately HK$992.75 million.

Effect on earnings

Taking into account the future prospects of the Target Group, the Directors expected that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group as the Company will be able to fully consolidate the financial results of the Target Group into its consolidated financial statements upon Completion.

Effect on gearing and working capital

Based on the 2009 Interim Report, the Group's net gearing ratio (calculated as total bank borrowings (net of cash and cash equivalent) over the total shareholders' equity of the Company) was approximately 0.89 times as at 30 June 2009. From the unaudited pro-forma financial information of the Enlarged Group as contained in Appendix V to the Circular, the total bank borrowings (net of cash and cash equivalent) and the total shareholders' equity of the Company would become approximately HK$164.70 million and HK$929.02 million respectively upon Completion. The net gearing ratio of the Enlarged Group would hence be decreased to approximately 0.18 times.

As confirmed by the Directors, since the Acquisition does not incur any cash consideration, the Acquisition would not lead to any immediate change in the Enlarged Group's working capital position.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon Completion.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. THREE YEARS FINANCIAL SUMMARY

The following is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three years ended 31 December 2008 and the interim consolidated results and assets and liabilities of the Group for the six months ended as extracted from the respective published audited financial statements.

Consolidated Income Statement

	Year ended 31 December			Six months ended 30 June	
	2008	**2007**	**2006**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000* (unaudited)
Revenue	1,356,445	1.036.956	611,689	508,359	573,718
Profit before tax	15,775	129,952	90,789	(94,918)	75,796
Income tax expense	(14,301)	(21,828)	(13,296)	(2,322)	(16,164)
Profit for the year/period	1,474	108,124	77,493	(146,374)	(61,888)
Attributable to:					
Equity holders of the Company	7,798	107,747	78,128	(143,711)	61,768
Minority interests	(6,324)	377	(635)	(2,663)	120
Earning per share – Basic	HK2.76 cents	HK40.32 cents	HK36.50 cents	HK(38.13) cents	HK21.82 cents
Dividends per share	HK3 cents	HK10 cents	HK10 cents	N/A	HK20.97 cents

Consolidated Balance Sheet

	As at 31 December			As at 30 June	
	2008	**2007**	**2006**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	(unaudited)
None-current assets	438,707	406,710	245,089	246,453	438,707
Current assets	1,205,536	1,247,517	609,718	1,257,304	1,205,536
Current liabilities	766,194	719,016	399,122	816,556	766,194
Non-current liabilities	295,779	352,651	110,474	219,596	295,779
Total equity	582,270	582,560	345,211	467,605	582,270
Attributable to:					
Equity holders of the Company	591,146	574,907	345,190	479,013	591,146
Minority interests	(8,876)	7,653	21	(11,408)	(8,876)
	582,270	582,560	345,211	467,605	582,270

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

The following are the audited financial statements of the Group as extracted from the annual report of the Group for the year ended 31 December 2008.

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	1,356,445	1,036,956
Cost of sales		(991,305)	(697,206)
Gross profit		365,140	339,750
Fair value change of an investment property	18	(3,371)	13,249
Discount on acquisition of additional interest in a subsidiary		4,922	–
Other income	9	20,545	15,095
Administrative expenses		(150,042)	(134,107)
Distribution and selling costs		(133,389)	(63,518)
Impairment loss on goodwill	21	(36,862)	–
Impairment loss on intangible assets	21	(2,138)	–
Impairment loss on property, plant and equipment	21	(23,425)	–
Impairment loss on prepaid lease payments	21	(2,405)	–
Gain on change in fair value of conversion option derivative liability	37	19,873	–
Gain on disposal of a jointly controlled entity	42	15,134	–
Finance costs	10	(58,207)	(40,517)
Profit before tax	11	15,775	129,952
Income tax expense	12	(14,301)	(21,828)
Profit for the year		1,474	108,124
Attributable to:			
Equity holders of the Company		7,798	107,747
Minority interests		(6,324)	377
		1,474	108,124
Dividends recognised as distribution during the year	15	28,303	26,236
Earnings per share	16		
Basic		HK2.76 cents	HK40.32 cents
Diluted		HK1.31 cents	HK39.93 cents

Consolidated Balance Sheet
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	323,432	230,983
Investment property	18	29,885	71,505
Intangible assets	19	12,177	10,186
Goodwill	20	–	20,800
Prepaid lease payments	22	66,044	64,911
Loan to a jointly controlled entity	24	–	5,168
Available-for-sale investments	25	575	2,870
Financial assets at fair value through profit or loss	39	5,968	–
Deferred tax assets	38	626	287
		438,707	406,710
Current assets			
Inventories	26	291,844	178,559
Trade receivables	27	402,210	243,759
Deposits, prepayments and other receivables		59,999	109,058
Prepaid lease payments	22	1,497	1,389
Loans to jointly controlled entities	24	–	8,273
Amount due from a minority shareholder	28	–	6,689
Amount due from a related company	29	99,171	174,388
Amounts due from jointly controlled entities	30	12,417	6,609
Amount due from a former jointly controlled entity	30	918	–
Available-for-sale investments	25	3,021	3,174
Pledged bank deposits	31	41,719	48,099
Bank deposits with original maturity of more than three months	31	218,391	313,767
Bank balances and cash	31	48,969	112,223
		1,180,156	1,205,987
Assets classified as held for sale	32	25,380	41,530
		1,205,536	1,247,517
Current liabilities			
Trade payables	33	148,592	131,260
Other payables and accruals		77,609	84,736
Deposit received for disposal of a subsidiary	53	80,000	–
Loans from joint venturers of jointly controlled entities	34	–	13,441
Amounts due to joint venturers of jointly controlled entities	30	9,155	17,097
Amounts due to jointly controlled entities	30	20,028	5,812
Taxation payable		32,894	26,064
Obligations under finance leases - due within one year	35	798	910
Bank borrowings - due within one year	36	345,932	426,009
Bank overdrafts	36	26,073	607
		741,081	705,936

	Notes	2008 HK$'000	2007 HK$'000
Liabilities associated with assets classified as held for sale	32	25,113	13,080
		766,194	719,016
Net current assets		439,342	528,501
Total assets less current liabilities		878,049	935,211
Non-current liabilities			
Obligations under finance leases – due after one year	35	1,219	2,019
Bank borrowings – due after one year	36	206,627	257,128
Convertible redeemable preference shares	37	79,292	68,071
Conversion option derivative liability	37	2,149	22,022
Deferred tax liabilities	38	6,492	3,411
		295,779	352,651
		582,270	582,560
Capital and reserves			
Share capital	40	28,303	28,283
Reserves		562,843	546,624
Equity attributable to equity holders of the Company		591,146	574,907
Minority interests		(8,876)	7,653
		582,270	582,560

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Enterprise expansion reserve HK$'000 *(Note a)*	Statutory reserve HK$'000 *(Note b)*	Translation reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000 *(note c)*	Investment revaluation reserve HK$'000	Step acquisition revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	25,288	94,496	2,015	7,460	10,958	1,889	30,052	(112)	–	173,144	345,190	21	345,211
Exchange differences arising on translation of foreign operations	–	–	–	–	27,786	–	–	–	–	–	27,786	566	28,352
Gain on fair value change of available-for-sale investments	–	–	–	–	–	–	–	620	–	–	620	–	620
Income recognised directly in equity	–	–	–	–	27,786	–	–	620	–	–	28,406	566	28,972
Profit for the year	–	–	–	–	–	–	–	–	–	107,747	107,747	377	108,124
Total recognised income for the year	–	–	–	–	27,786	–	–	620	–	107,747	136,153	943	137,096
Issue of shares	2,380	99,722	–	–	–	–	–	–	–	–	102,102	–	102,102
Share issuance expenses	–	(3,153)	–	–	–	–	–	–	–	–	(3,153)	–	(3,153)
Exercise of share options	615	16,095	–	–	–	–	–	–	–	–	16,710	–	16,710
Transfer to share premium upon exercise of share options	–	3,525	–	–	–	(3,525)	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	4,141	–	–	–	–	4,141	–	4,141
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	6,689	6,689
Transfer	–	–	–	3,471	–	–	–	–	–	(3,471)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	(26,236)	(26,236)	–	(26,236)
At 31 December 2007	28,283	210,685	2,015	10,931	38,744	2,505	30,052	508	–	251,184	574,907	7,653	582,560
Exchange differences arising on translation of foreign operations	–	–	–	–	33,912	–	–	–	–	–	33,912	(783)	33,129
Loss on fair value change of available-for-sale investments	–	–	–	–	–	–	–	(45)	–	–	(45)	–	(45)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary recognised directly in equity *(note 41)*	–	–	–	–	–	–	–	–	1,118	–	1,118	–	1,118
Net (expense) income recognised directly in equity	–	–	–	–	33,912	–	–	(45)	1,118	–	34,985	(783)	34,202
Profit for the year	–	–	–	–	–	–	–	–	–	7,798	7,798	(6,324)	1,474
Transfer to profit or loss on disposal of available-for-sale investment	–	–	–	–	–	–	–	(168)	–	–	(168)	–	(168)
Released on disposal of a jointly controlled entity	–	–	–	–	(1,442)	–	–	–	–	–	(1,442)	–	(1,442)
Total recognised income and expense for the year	–	–	–	–	32,470	–	–	(213)	1,118	7,798	41,173	(7,107)	34,066
Exercise of share options	20	560	–	–	–	–	–	–	–	–	580	–	580
Transfer to share premium upon exercise of share options	–	100	–	–	–	(100)	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	2,789	–	–	–	–	2,789	–	2,789
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(9,422)	(9,422)
Transfer	–	–	–	6,483	–	–	–	–	–	(6,483)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	(28,303)	(28,303)	–	(28,303)
At 31 December 2008	28,303	211,345	2,015	17,414	71,214	5,194	30,052	295	1,118	224,196	591,146	(8,876)	582,270

Notes:

(a) According to their respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion reserve out of profit after tax of the statutory financial statements and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion reserve can be used to expand the capital of the PRC subsidiaries.

(b) The statutory reserve of the Group refer to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

(c) The special reserve arose during the year ended 31 December 2006 represents the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper Holdings Limited acquired by the Company pursuant to a group reorganisation in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Profit before tax		15,775	129,952
Adjustments for:			
Discount on acquisition of additional interest in a subsidiary		(4,922)	–
Depreciation of property, plant and equipment		29,218	15,007
Amortisation of prepaid lease payments		1,463	1,278
Share-based payment expense		2,789	4,141
Interest expense on convertible redeemable preference shares		11,221	–
Interest expense		46,986	40,517
Interest income		(7,916)	(7,853)
Gain on disposal of a jointly controlled entity	42	(15,134)	–
Impairment loss recognised in respect of trade receivables		1,234	3,226
Reversal of impairment loss on loan to a jointly controlled entity		–	(677)
Allowance for inventories		317	1,675
Gain on disposal of available-for-sale investments		(168)	(278)
Change in fair value of financial assets at through profit and loss		194	–
Loss on disposal of property, plant and equipment		1,443	1,061
Amortisation of intangible assets		2,409	631
Change in fair value of an investment property		3,371	(13,249)
Impairment loss on goodwill		36,862	–
Impairment loss on intangible assets		2,138	–
Impairment loss on property, plant and equipment		23,425	–
Impairment loss on prepaid lease payments		2,405	–
Gain on change in fair value of conversion option derivative liability		(19,873)	–
Operating cash flows before movements in working capital		133,237	175,431
Increase in inventories		(112,850)	(66,209)
Increase in trade receivables		(150,108)	(56,049)
Decrease (increase) in deposits, prepayments and other receivables		48,673	(48,318)
Increase in amounts due from jointly controlled entities		(6,601)	–
Decrease in amount due from a minority shareholder		–	1,300

	Note	2008 HK$'000	2007 HK$'000
Decrease (increase) in amount due from a related company		75,217	(174,388)
Increase in trade payables		15,792	69,648
Increase in other payables and accruals		17,329	25,726
Increase in amounts due to joint venturers of jointly controlled entities		12,919	10,415
Increase in amount due to a jointly controlled entity		22,205	5,812
Cash from (used in) operations		55,813	(56,632)
Hong Kong Profits Tax (paid) refund		(9)	1,472
Tax paid for other jurisdictions		(6,361)	(3,446)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		49,443	(58,606)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(92,560)	(57,527)
Purchase of available-for-sale investments		(805)	–
Acquisition of additional interest in a subsidiary		–	(20,800)
Acquisition of additional interest in a former jointly controlled entity	*41*	(7,042)	–
Purchase of investment property		–	(56,181)
Purchase of intangible assets		(4,789)	(10,817)
Purchase of financial assets at fair value through profit and loss		(6,162)	–
Increase in prepaid lease payments		(36)	(2,818)
Increase in amounts due from jointly controlled entities		–	(497)
Deposit received for disposal of a subsidiary		80,000	–
Decrease (increase) in bank deposits with original maturity of more than three months		71,212	(163,767)
Interest received		7,916	7,853
Proceeds on disposal of property, plant and equipment		3,176	159
Decrease in pledged bank deposits		6,342	9,363
Repayment from (loans to) jointly controlled entities		12,046	(2,000)
Disposal of a jointly controlled entity	*42*	5,193	–
Proceeds on disposal of available-for-sale investments		3,208	2,238
NET CASH FROM (USED IN) INVESTING ACTIVITIES		77,699	(294,794)

	Note	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		(2,364,804)	(1,761,726)
Interest paid		(46,986)	(40,517)
Dividend paid		(28,303)	(26,236)
(Repayment of) loans from joint venturers of jointly controlled entities		(14,836)	2,000
Repayment of obligations under finance leases		(913)	(329)
New bank borrowings raised		2,215,210	2,047,297
Additional capital contribution from minority interest of a subsidiary		6,689	–
Issuance of convertible redeemable preference shares		–	90,859
Proceeds from issue of ordinary shares		580	118,812
Share issuance expenses		–	(3,153)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(233,363)	427,007
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(106,221)	73,607
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		20,984	7,103
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		111,616	30,906
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		26,379	111,616
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		48,969	112,223
Bank overdrafts		(26,073)	(607)
Cash and cash equivalents included in a disposal group held for sale		3,483	–
		26,379	111,616

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

The Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 July 2006. The addresses of 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 and its subsidiaries (hereinafter collectively referred as the "Group") are the manufacture and sales of apparel and accessories, and distribution and retailing of apparel and footwear.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to Hong Kong Accounting Standards ("HKAS") and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on the results or financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[2]

HKFRS 8	Operating Segment[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Accounting for Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for the Group's business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 23 (Revised) requires borrowing costs related to qualifying assets of the Group to be capitalised prospectively. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, goodwill is measured at the excess of the consideration over aggregate of the carrying amounts of identified assets and liabilities of the subsidiaries acquired.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. Any adjustment to those fair values relating to previously held interests of the Group is credited to the revaluation reserve.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment at the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating units, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale in which case it is accounted for under *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Non-current assets held for sale

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition.

Disposal groups classified as held for sale are measured at the lower of the disposal groups' previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Royalty fee income is recognised when the rights to receive payment are established.

Sourcing income are recognised when the services are rendered.

Delivery charge and management fee income are recognised when services are rendered.

Interest income from a financial asset excluding financial assets at fair value through profit and loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purpose other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	4.5%
Leasehold improvement	Shorter of useful life or the lease terms
Plant and machinery	9% to 20%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	10% to 20%

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the asset is derecognised.

When there is any transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Rentals payable under operating leases are charged to the consolidated income statements on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in consolidated income statement in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated income statement in the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in consolidated income statement in the year in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss ("FVTPL").

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from a minority shareholder, a related company, a former jointly controlled entity and jointly controlled entities, loans to jointly controlled entities, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets designated as at FVTPL on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables, amounts due from minority shareholder, a related company, jointly controlled entities and a former jointly controlled entity, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and other receivables, amounts due from minority shareholder, a related company, jointly controlled entities and a former jointly controlled entity, amount due from a related company are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible redeemable preference shares

Convertible redeemable preference shares issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible redeemable preference shares are allocated to the liability and conversion option components in proportion to their relative fair values at initial recognition. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade payables, other payables, deposit received for disposal of a subsidiary, amounts due to joint venturers of jointly controlled entities and jointly controlled entities, loans from joint venturers of jointly controlled entities, obligations under finance leases, bank overdrafts and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred assets, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefit costs

Payments to the defined contributions retirement benefit plans are charged as expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key sources of estimation uncertainty

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade receivable is approximately HK$402,210,000 (2007: HK$243,759,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the loans from joint venturers of jointly controlled entities, obligations under finance leases, bank borrowings and convertible redeemable preference shares disclosed in notes 34, 35, 36 and 37, respectively, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
FVTPL	5,968	–
Loans and receivables (including cash and cash equivalents)	886,052	1,028,033
Available-for-sale investments	3,596	6,044
Financial liabilities		
Amortised cost	994,387	975,569
Conversion option derivative liability	2,149	22,022

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, available-for-sale investments, financial assets at FVTPL, bank deposits and bank balances, amounts due from (to) a minority shareholder, a former jointly controlled entity, jointly controlled entities, joint venturers of jointly controlled entities and a related party, trade payables, other payables, deposit received for disposal of a subsidiary, loans from joint venturers of jointly controlled entities, convertible redeemable preference shares, conversion option derivative liability, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade receivables and trade payables of the Group are denominated in Renminbi, United States Dollars ("USD") and Euro, which expose the Group to foreign currency risk. Approximately 60% (2007: 75%) of the sales of the Group are denominated in currencies other than functional currencies of the group entity making the sale, whilst almost 35% (2007: 37%) costs are denominated in currencies other than the group entity's functional currencies. For sales made in USD, the currency risk is minimal as the exchange rate of HKD is pegged with USD.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	2008	2007
	HK$'000	*HK$'000*
Assets		
Renminbi	–	4,517
Euro	4,311	472
Liabilities		
Renminbi	32	12,553
Euro	18,789	3,559
USD	272,758	130,769

Sensitivity analysis

The Group is mainly exposed to the fluctuations in Renminbi and Euro against Hong Kong Dollars, which is the functional currency of respective group entities.

The following table details the Group's sensitivity to a 7% (2007: 7%) increase and decrease in Renminbi and Euro against Hong Kong Dollars. 7% (2007: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2007: 7%) change in foreign currency rate. A negative number below indicates a decrease in profit of the Group where Renminbi and Euro strengthen 7% (2007: 7%) against Hong Kong Dollars. For a 7% (2007: 7%) weakening of Renminbi and Euro against Hong Kong Dollars, there would be an equal and opposite impact on the profit of the Group.

	Renminbi		Euro	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year (i)	(2)	(562)	(1,013)	(105)

(i) This is mainly attributable to the exposure to outstanding Renminbi and Euro receivables and payables in the Group at year end.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan to a jointly controlled entity, fixed-rate loans from joint venturers of jointly controlled entities, pledged bank deposits, fixed-rate bank borrowing and convertible redeemable preference shares (see Notes 24, 31, 34, 36 and 37 for details). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 36 for details of these borrowings).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-Bank Borrowing Rate ("HIBOR") arising from the Group's USD and Hong Kong dollar ("HK$") denominated borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate bank balances and bank borrowings at the balance sheet date. For variable-rate bank borrowings and bank balances, the analysis is prepared assuming that the balances outstanding as at balance sheet date were outstanding throughout the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2008, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by HK$1,721,000 (2007: HK$2,928,000).

Other price risk

The Group is exposed to equity price risk through its available-for-sale investments, which linked to the performance of certain equity index in Hong Kong and Asia, conversion option derivative liability and financial assets at FVTPL as disclosed in note 25, 37 and 39, respectively. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the fair value of the respective funds in available-for-sale investments had been 5% (2007: 5%) higher/lower, investment valuation reserve would increase/decrease by approximately HK$151,000 (2007: increase/decrease by approximately HK$302,000) for the Group as a result of the change in fair value of available-for-sale investments.

If the prices of the respective financial assets at FVTPL had been 5% higher/lower, profit for the year would increase/decrease by approximately HK$298,000 for the Group as a result of the change in fair value of financial assets at FVTPL. No financial assets at FVTPL has been recognised as at 31 December 2007.

If the volatility used in the binomial model for calculating the fair value of the conversion option derivative liability had been 5% (2007: 5%) higher/lower and all other variables were held constant, profit for the year of the Group would increase/decrease by approximately HK$549,000 and HK$494,000, respectively (2007: HK$1,515,000 and HK$1,475,000) as a result of the change in fair value of conversion option derivative liability.

In management's opinion, the sensitivity analysis are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the conversion option derivative liability of the redeemable convertible preference shares involves multiple variables and certain variables are interdependent.

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counter parties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has been largely dependent on a small number of customers for a substantial portion of its business. The largest 5 (2007: 5) customers accounted for a total of 53% (2007: 45%) of the Group's trade receivables as at 31 December 2008 and 2007, respectively. The failure of any of these customers to make required payments could have a substantial negative impact on the Group's profits. The Group manages this risk by applying a limit on the credit to these customers.

The Group's concentration of credit risk by geographical locations is mainly in Asia and Europe, which accounted for 75% and 25%, respectively, (2007: 55% and 45%, respectively) of the total trade receivable as at 31 December 2008.

The Group's concentration of credit risk also arises from amount due from a related company, in which a director of the Company has beneficial interest, amounting to approximately HK$99,171,000 as at 31 December 2008 (2007: HK$174,388,000). The Group considers the risk is minimal as there is continue trade and settlement with the related company.

The credit risk on bank balances is limited because the counterparties are reputable banks in the PRC and Hong Kong.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenant.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2008 and 2007. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both undiscounted cash flows and principal cash flows.

	Weighted average interest rate	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	1 to 2 years *HK$'000*	Over 2 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at balance sheet date *HK$'000*
2008								
Trade and other payables	–	–	71,955	130,843	–	–	202,798	202,798
Deposit received for disposal of a subsidiary	–	–	–	80,000	–	–	80,000	80,000
Amounts due to join venturers of jointly controlled entities	–	–	–	31,620	–	–	31,620	31,620
Amount due to a jointly controlled entity	–	–	–	20,028	–	–	20,028	20,028
Convertible redeemable preference shares *(Note)*	15.6%	–	–	–	105,181	–	105,181	79,292
Obligations under finance leases	3.2%	–	223	668	761	516	2,168	2,017
Bank borrowings								
– Fixed rate	7.0%	–	444	1,331	227,139	–	228,914	208,307
– Variable rate	3.4%	–	342,111	5,026	–	–	347,137	344,252
Bank overdrafts	5.3%	26,188	–	–	–	–	26,188	26,073
		26,188	414,733	269,516	333,081	516	1,044,034	994,387

	Weighted average interest rate	Less than 1 month *HK$'000*	1-3 months *HK$'000*	3 months to 1 year *HK$'000*	1 to 2 years *HK$'000*	Over 2 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at balance sheet date *HK$'000*
2007								
Trade and other payables	–	–	164,352	20,123	–	–	184,475	184,475
Loans from joint venturers of jointly controlled entities	5.0%	–	–	14,113	–	–	14,113	13,441
Amounts due to joint venturers of jointly controlled entities	–	–	–	17,097	–	–	17,097	17,097
Amount due to a jointly controlled entity	–	–	–	5,812	–	–	5,812	5,812
Convertible redeemable preference shares *(Note)*	15.6%	–	–	–	–	105,181	105,181	68,071
Obligations under finance leases	3.2%	–	262	786	891	1,277	3,216	2,929
Bank borrowings								
– Fixed rate	5.7%	–	–	–	52,183	–	52,183	48,206
– Variable rate	5.5%	–	294,656	143,599	130,611	96,979	665,845	634,931
Bank overdrafts	7.0%	617	–	–	–	–	617	607
		617	459,270	201,530	183,685	203,437	1,048,539	975,569

Note: The convertible redeemable preference share can be converted to ordinary share of a subsidiary at anytime (Note 37). The undiscounted cash flow above represents coupon and principal payable to the holder of convertible redeemable preference shares based on the contractual terms.

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (including financial assets at FVTPL and certain available-for-sale investments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions or dealer quotes for similar instruments;

- the fair value of conversion option derivative liability is measured using the binominal model.

The directors consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents the amounts received and receivable for income arising from manufacture and sales of apparel and accessories, and distribution and retailing of apparel and footwear.

	2008	**2007**
	HK$'000	*HK$'000*
Manufacture and sales of apparel and accessories	1,094,892	913,424
Distribution and retailing of apparel and footwear	261,553	123,532
	1,356,445	1,036,956

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two (2007: two) operating divisions – manufacture and sales of apparel and accessories and distribution and retailing of apparel and footwear. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

Year ended 31 December 2008

	Manufacture and sales of apparel and accessories	Distribution and retailing of apparel and footwear	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	1,094,892	261,553	–	1,356,445
Inter-segment sales	23,351	–	(23,351)	–
Total	1,118,243	261,553	(23,351)	1,356,445
Inter-segment sales are charged at prevailing market rates.				
RESULT				
Segment result	98,194	(60,215)	–	37,979
Unallocated income				7,943
Unallocated corporate expense				(8,498)
Gain on disposal of a jointly controlled entity				15,134
Fair value change of an investment property				(3,371)
Gain on change in fair value of conversion option derivative liability				19,873
Discount on acquisition of additional interest in a subsidiary				4,922
Finance costs				(58,207)
Profit before tax				15,775
Income tax expense				(14,301)
Profit for the year				1,474

BALANCE SHEET

	Manufacture and sales of apparel and accessories	**Distribution and retailing of apparel and footwear**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	964,885	326,544	1,291,429
Unallocated corporate assets			352,814
Consolidated total assets			1,644,243
LIABILITIES			
Segment liabilities	(205,091)	(74,938)	(280,029)
Unallocated corporate liabilities			(781,944)
Consolidated total liabilities			(1,061,973)

OTHER INFORMATION

	Manufacture and sales of apparel and accessories	**Distribution and retailing of apparel and footwear**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	5,277	96,563	–	101,840
Amortisation of prepaid lease payments	1,128	335	–	1,463
Amortisation of intangible assets	–	2,409	–	2,409
Depreciation of property, plant and equipment	15,495	13,723	–	29,218
Loss on disposal of property, plant and equipment	204	1,239	–	1,443
Allowance of trade receivables	694	540	–	1,234
Allowance of inventories	317	–	–	317
Impairment loss on goodwill	–	36,862	–	36,862
Impairment loss on intangible assets	–	2,138	–	2,138
Impairment loss on property, plant and equipment	–	23,425	–	23,425
Impairment loss on prepaid lease payments	–	2,405	–	2,405

Year ended 31 December 2007

	Manufacture and sales of apparel and accessories *HK$'000*	Distribution and retailing of apparel and footwear *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	913,424	123,532	–	1,036,956
Inter-segment sales	7,381	–	(7,381)	–
Total	920,805	123,532	(7,381)	1,036,956
Inter-segment sales are charged at prevailing market rates.				
RESULT				
Segment result	157,376	1,627	–	159,003
Unallocated income				8,076
Unallocated corporate expense				(9,859)
Fair value change of an investment property				13,249
Finance costs				(40,517)
Profit before tax				129,952
Income tax expense				(21,828)
Profit for the year				108,124

BALANCE SHEET

	Manufacture and sales of apparel and accessories *HK$'000*	Distribution and retailing of apparel and footwear *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	879,793	167,479	1,047,272
Unallocated corporate assets			606,955
Consolidated total assets			1,654,227
LIABILITIES			
Segment liabilities	(181,329)	(40,451)	(221,780)
Unallocated corporate liabilities			(849,887)
Consolidated total liabilities			(1,071,667)

OTHER INFORMATION

	Manufacture and sales of apparel and accessories *HK$'000*	Distribution and retailing of apparel and footwear *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital additions	32,190	41,306	–	73,496
Amortisation of prepaid lease payments	1,044	234	–	1,278
Amortisation of intangible assets	–	631	–	631
Depreciation of property, plant and equipment	11,111	3,896	–	15,007
Loss on disposal of property, plant and equipment	2	1,059	–	1,061
Allowance of trade receivables	2,098	1,128	–	3,226
Allowance of inventories	–	1,675	–	1,675

Geographical segments

The analysis of the Group's revenue by geographical market, irrespective of the origin of the goods for the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Europe	657,982	722,370
The PRC, excluding Hong Kong	645,737	270,699
Others	52,726	43,887
	1,356,445	1,036,956

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets As at 31 December		Addition to property, plant and equipment, intangible assets and prepaid lease payments Year ended 31 December	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	970,702	653,889	67,269	68,674
Hong Kong	178,452	188,624	29,627	4,779
Macau	63,486	165,793	41	42
Europe	78,789	38,966	4,903	1
	1,291,429	1,047,272	101,840	73,496

9. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Bank interest income	7,792	7,482
Interest income from a jointly controlled entity	124	371
Total interest income	7,916	7,853
Net exchange gain	950	–
Delivery charge received from customers and suppliers	3	89
Gain on disposal of available-for sale investments	168	278
Management fee income from jointly controlled entities	1,415	2,276
Management fee income from outsiders	3,989	1,214
Management fee income from a related company	990	–
Reversal of impairment loss on loans to jointly controlled entities	–	677
Royalty fee income	150	385
Sale of raw materials	1,749	745
Sundry income	3,215	1,578
	20,545	15,095

10. FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interest on:		
Bank borrowings and overdrafts wholly repayable		
– within five years	46,550	40,012
Convertible redeemable preference shares	11,221	–
Obligations under finance leases	136	134
Loans from joint venturers of jointly controlled entities	300	371
	58,207	40,517

11. PROFIT BEFORE TAX

	2008 *HK$'000*	2007 *HK$'000*
Profit before tax has been arrived at after charging:		
Auditors' remuneration		
– Current year	1,757	1,822
– Underprovision of prior year	274	–
Cost of inventories recognised as an expense	990,988	695,531
Amortisation of intangible assets	2,409	631
Depreciation of property, plant and equipment	29,218	15,007
Amortisation of prepaid lease payments	1,463	1,278
Allowance for inventories	317	1,675
Impairment loss recognised in respect of trade receivables	1,234	3,226
Loss on disposal of property, plant and equipment	1,443	1,061
Change in fair value on financial assets at FVTPL	194	–
Net exchange loss	–	579
Staff costs		
– directors' remuneration *(Note 13)*	15,709	12,372
– other staff costs	94,005	71,032
– share-based payments excluding directors	1,101	3,268
– retirement benefit scheme contribution excluding directors	7,456	4,647
	118,271	91,319

12. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	20	16
Other jurisdictions	13,512	18,755
	13,532	18,771
(Over)under provision in prior years:		
Hong Kong	(12)	94
Other jurisdictions	(1,137)	(72)
	(1,149)	22
Deferred tax: *(Note 38)*		
Current year	1,918	3,035
	14,301	21,828

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC have changed to 25% from 1 January 2008 onwards (2007: preferential tax rate of 24%).

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries were exempted from PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from their first profit-making year, followed by a 50% reduction for next three years ("Tax Incentive"). Accordingly, tax provision for these subsidiaries have been provided for after taking into account of these tax exemption and tax concession during the years ended 31 December 2008 and 2007, respectively.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before tax	15,775	129,952
Tax at the domestic income tax rate of 25% (2007: 24%) *(Note)*	3,944	31,189
Deferred tax on distributable earnings of PRC subsidiaries and jointly controlled entities	3,926	–
Tax effect of expenses not deductible for tax purpose	24,455	5,716
Tax effect of income not taxable for tax purpose	(13,847)	(21,979)
Tax effect on tax concession	(10,744)	(7,934)
Effect of different tax rates of subsidiaries operating in other jurisdictions other than PRC subsidiaries	378	1,034
Tax effect of tax losses not recognised	9,147	14,190
Utilisation of other deductible temporary differences not recognised	(1,944)	(224)
Net (over)underprovision in prior years	(1,149)	22
Others	135	(186)
Income tax expense for the year	14,301	21,828

Note: Majority of the operation of the Group is operated by its PRC subsidiaries which entitle to tax rate of 25% (2007: preferential tax rate of 24%).

13. DIRECTORS' EMOLUMENTS

	Ngok Yan Yu	Tang Chui Yi, Janny	Wong Ming Yeung	Tang Wai Ha	Marcello Appella	Antonio Piva	Lam Hon Keung, Keith	Je Kin Ming	Lo Ming Chi, Charles	Pao Ping Wing	Kwan Hung Sang, Francis	Total 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*note b*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK'000*
2008												
Fee	–	–	–	–	549	274	360	360	240	240	240	2,263
Other emoluments												
Salaries and other benefits	2,100	3,300	900	1,668	–	–	–	–	–	–	–	7,968
Contribution to retirement benefit schemes	12	12	12	12	–	–	–	–	–	–	–	48
Bonus *(note a)*	2,676	550	272	–	244	–	–	–	–	–	–	3,742
Share-based compensation	380	440	264	26	260	55	208	55	–	–	–	1,688
Total emoluments	5,168	4,302	1,448	1,706	1,053	329	568	415	240	240	240	15,709
2007												
Fee	28	–	–	–	517	771	360	360	240	240	240	2,756
Other emoluments												
Salaries and other benefits	1,800	4,000	730	365	396	–	–	–	–	–	–	7,291
Contribution to retirement benefit schemes	12	12	12	3	119	–	–	–	–	–	–	158
Bonus *(note a)*	300	500	120	–	292	52	30	–	–	–	–	1,294
Share-based compensation	203	164	103	–	103	99	102	99	–	–	–	873
Total emoluments	2,343	4,676	965	368	1,427	922	492	459	240	240	240	12,372

Note:

(a) The bonus paid to directors is determined on discretionary basis.

(b) Appointed on 9 October 2007 and resigned on 18 February 2009.

No director waived or agreed to waive any emoluments for the years ended 31 December 2008 and 2007. No emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year, 1,800,000 share options (2007: 5,750,000) were granted to directors of the Company in respect of their services provided to the Group, further details of which are set out in note 49.

14. EMPLOYEES' EMOLUMENTS

Of the five highest emoluments in the Group, four (2007: four) were directors of the Company whose emoluments are included in Note 13 above. The emolument of the remaining one individual for the year ended 31 December 2008 (2007: one) is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	1,440	1,321
Retirement benefits scheme contributions	12	12
Share-based compensation	10	–
	1,462	1,333

No employees waived or agreed to waive any emoluments for the years ended 31 December 2008 and 2007. No emoluments have been paid to the employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. DIVIDENDS

	2008	**2007**
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Interim dividend of HK3 cents per share (2007: HK3 cents)	8,491	8,479
2007 final dividend of HK7 cents per share (2007: 2006 final dividend HK7 cents)	19,812	17,757
	28,303	26,236

The directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: final dividend HK7 cents).

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

Earnings

	2008	**2007**
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	7,798	107,747
Adjustment to the share of profit of a subsidiary based on potential dilution of its earnings per share in respect of convertible preference shares	(4,100)	(372)
Earnings for the purpose of diluted earnings per share	3,698	107,375

	Number of shares	
	2008	**2007**
	'000	*'000*
	(Note)	*(Note)*
Weighted average number of ordinary shares for the purpose of basic earnings per share	283,026	267,204
Effect of dilutive potential ordinary shares for share options	9	1,717
Weighted average number of ordinary shares for the purpose of diluted earnings per share	283,035	268,921

Note: The computation of diluted earnings per share does not assume the exercise of certain outstanding share options as the respective exercise price is higher than the applicable average market price for year 2008 and 2007.

The weighted number of ordinary shares for the purpose of basic earnings per share has not been adjusted for the open offer of shares as (as detailed in note 53(b)) the subscription price per offer is higher than the share price immediately before the subscription date.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Construction in progress	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2007	140,407	–	5,907	18,654	21,919	6,015	192,902
Exchange realignment	9,662	704	327	1,318	1,312	415	13,738
Additions	7,398	23,562	9,230	2,349	12,068	5,254	59,861
Disposals	–	–	(529)	(160)	(669)	–	(1,358)
At 31 December 2007	157,467	24,266	14,935	22,161	34,630	11,684	265,143
Exchange realignment	12,828	3,327	1,195	1,823	2,094	504	21,771
Additions	291	50,941	22,054	843	18,428	3	92,560
Transfer	2,021	(2,021)	–	–	–	–	–
Transfer from investment property	42,697	–	–	–	–	–	42,697
Acquired on acquisition of additional interest in a former jointly controlled entity	–	–	588	–	1,517	114	2,219
Disposals	–	–	(4,640)	–	(2,221)	(1,264)	(8,125)
Disposal of a jointly controlled entity	–	–	(1,620)	–	(3,941)	(146)	(5,707)
Reclassified as held for sale	–	–	(2,608)	–	(2,333)	–	(4,941)
At 31 December 2008	215,304	76,513	29,904	24,827	48,174	10,895	405,617
DEPRECIATION AND IMPAIRMENT							
At 1 January 2007	6,787	–	1,756	2,676	4,357	2,220	17,796
Exchange realignment	721	–	48	264	303	159	1,495
Provided for the year	4,014	–	2,457	1,685	5,097	1,754	15,007
Eliminated on disposals	–	–	(41)	(21)	(76)	–	(138)
At 31 December 2007	11,522	–	4,220	4,604	9,681	4,133	34,160
Exchange realignment	1,073	–	405	354	419	188	2,439
Provided for the year	8,056	–	8,895	2,043	8,387	1,837	29,218
Eliminated on disposals	–	–	(2,177)	–	(490)	(840)	(3,507)
Eliminated on disposal of a jointly controlled entity	–	–	(405)	–	(1,051)	(11)	(1,467)
Impairment loss recognised	6,422	11,296	2,497	–	2,910	300	23,425
Reclassified as held for sale	–	–	(879)	–	(1,204)	–	(2,083)
At 31 December 2008	27,073	11,296	12,556	7,001	18,652	5,607	82,185
CARRYING VALUES							
At 31 December 2008	188,231	65,217	17,348	17,826	29,522	5,288	323,432
At 31 December 2007	145,945	24,266	10,715	17,557	24,949	7,551	230,983

The Group's leasehold land and buildings are situated in the PRC under medium term lease.

The carrying values of motor vehicles include an amount of approximately HK$2,065,000 (2007: HK$3,024,000) in respect of assets held under finance leases. Also, the carrying values of furniture, fixtures and equipment include an amount of approximately HK$32,000 (2007: HK$93,000) in respect of assets held under finance leases. Impairment loss on property, plant and equipment recognised during the year is detailed in note 21.

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2007	–
Additions	56,181
Increase in fair value recognised in the consolidated income statement	13,249
Exchange realignment	2,075
At 31 December 2007	71,505
Transfers to property, plant and equipment	(42,697)
Decrease in fair value recognised in the consolidated income statement	(3,371)
Exchange realignment	4,448
At 31 December 2008	29,885

The fair value of the Group's investment property at 31 December 2008 and 2007 has been arrived at on the basis of a valuation carried out on that date by GA Appraisal Limited and Asset Appraisal Limited, respectively. Both valuers, which are members of the Hong Kong Institute of Surveyors are independent qualified professional valuers not connected with the Group and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's property interests held under operating leases with medium lease term in the PRC are for rental purposes and are measured using the fair value model and are classified and accounted for as investment properties.

19. INTANGIBLE ASSETS

	Franchise	Trademarks	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 January 2007	–	–	–
Additions	10,817	–	10,817
At 31 December 2007	10,817	–	10,817
Additions	–	4,789	4,789
Arising from acquisition of additional interest in a former jointly controlled entity	–	2,236	2,236
Exchange realignment	–	(581)	(581)
At 31 December 2008	10,817	6,444	17,261
AMORTISATION AND IMPAIRMENT			
At 1 January 2007	–	–	–
Provided for the year	631	–	631
At 31 December 2007	631	–	631
Provided for the year	1,082	1,327	2,409
Exchange realignment	–	(94)	(94)
Impairment losses recognised	1,360	778	2,138
At 31 December 2008	3,073	2,011	5,084
CARRYING AMOUNT			
At 31 December 2008	7,744	4,433	12,177
At 31 December 2007	10,186	–	10,186

During the year ended 31 December 2008, the Group has acquired trademarks of "Bond Street" and "Fortuny House Club" at an aggregate consideration of approximately HK$4,789,000 (EUR390,000) from an independent third party. The trademarks are amortised over the term of the trademarks agreements.

During the year ended 31 December 2007, the Group entered into a franchise agreement with an independent third party for the grant of franchise and distribution right in relation to footwear and apparel in the PRC for a period of ten years up to May 2017 at a consideration of approximately HK$10,817,000 (EUR1,000,000). The franchise and distribution right is amortised over the term of the franchise agreement.

As detailed in note 53 (b), on 3 December 2008, the Company entered into a conditional sale agreement to dispose 100% equity interest in Well Metro Group Limited ("Well Metro") and its subsidiaries (collectively referred as "Well Metro Group"). As the future cash flows from Well Metro Group until disposal are likely to be negligible, the value in use of the Well Metro Group will mainly consist of the net disposal proceeds. In view of this, the management considered that the disposal plan is an indicator for the impairment of intangible assets of the Group. Impairment loss on the intangible assets recognised during the year ended 31 December 2008 is detailed in note 21.

20. GOODWILL

	2008	2007
	HK$'000	*HK$'000*
COST		
At 1 January	20,800	–
Arise on acquisition of additional interest in a former jointly controlled entity *(note 41)*	16,062	20,800
At 31 December	36,862	20,800
IMPAIRMENT		
Impairment loss recognised during the year and at 31 December	(36,862)	–
CARRYING AMOUNTS		
At 31 December	–	20,800

On 28 April 2008, the Group acquired additional 50% equity interest in STF (China) Limited ("STF"), previously a jointly controlled entity of the Group which became a wholly owned subsidiary of the Group, at a consideration of approximately HK$7,380,000 (EUR 600,000). Before the acquisition, the Group recognised its 50% interests in STF as jointly controlled entity using proportionate consolidation. This acquisition of additional 50% equity interest has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$16,062,000.

On 26 June 2007, the Group acquired additional equity interests in Well Metro from a minority shareholder, at a cash consideration of HK$20,800,000. Since Well Metro had a net liability at the acquisition date, the total cash consideration of HK$20,800,000 paid by the Group was recognised as goodwill.

Impairment loss of HK$36,862,000 (2007: Nil) recognised during the year ended 31 December 2008 is detailed in note 21.

21. IMPAIRMENT TEST ON GOODWILL/INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT/ PREPAID LEASE PAYMENTS

For the purposes of impairment testing, goodwill set out in note 20 has been allocated to an individual cash generating unit ("CGU"), Well Metro, which is under distribution and retailing of apparel and footwear segment.

The basis of the recoverable amounts of the CGU and their major underlying assumptions adopted for the impairment testing in prior year are summarised below:

The recoverable amount of Well Metro has been determined based on a value in use calculation. That calculation uses cash flow projection based on financial budget approved by management covering a three-year period at a discount rate of 12% per annum for Well Metro. Cash flow beyond the three-year period are extrapolated at zero growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions will not cause the aggregate carrying amounts of the above CGU to exceed the aggregate recoverable amounts of the above CGU.

During the year ended 31 December 2007, the management of the Group recognised no impairment of goodwill as the performance of Well Metro was satisfactory and positive net asset value was noted as at 31 December 2007.

As detailed in note 53 (b), on 3 December 2008, the Company entered into a conditional sale agreement to dispose of 100% equity interest in Well Metro for cash consideration of HK$100 million. The disposal is subject to the approval by independent shareholders at an extraordinary general meeting.

An impairment loss has been recognised for the CGU as the recoverable amount of the CGU, determined based on the cash consideration of HK$100 million, is less than its net carrying amount. The impairment loss was allocated to reduce the carrying amount of assets of the CGU in the following order:

(a) first, to reduce the carrying amount of goodwill of HK$36,862,000 allocated to the CGU; and

(b) then, to the non-current assets of the CGU pro rata on the basis of the carrying amount of intangible assets, property, plant and equipment and prepaid lease payments of the CGU of HK$2,138,000, HK$23,425,000 and HK$2,405,000, respectively.

22. PREPAID LEASE PAYMENTS

	2008	**2007**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	67,541	66,300
Analysed for reporting purposes as:		
Current asset	1,497	1,389
Non-current asset	66,044	64,911
	67,541	66,300

The amounts represent land use rights located in the PRC and is released to consolidated income statement over the term of the relevant rights of 50 years. Impairment loss on prepaid lease payments recognised during the year is detailed in note 21.

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 December 2008 and 2007, the Group had interests in the following principal jointly controlled entities:

Name of entity	Place of incorporation/ operation	Class of shares held	Proportion of nominal values of issued share capital indirectly held by the Company		Principal activity
			2008	2007	
STF	Hong Kong	Ordinary Shares *(note 1)*	–	46.7%	Investment holding
STF (Nanjing) Garment Company Limited	PRC	Registered capital *(note 2)*	–	46.7%	Sourcing, distribution of apparel and footwear
STF (Shanghai) Company Limited	PRC	Registered capital *(note 2)*	–	46.7%	Sourcing, distribution of apparel and footwear
Shanghai Sisley Trading Co. Limited	PRC	Registered capital	–	46.7%	Sourcing, distribution of apparel and footwear
M.T.T. Yangzhou Garment Co. Limited	PRC	Registered capital	–	50.0%	Garment manufacturing and trading
Lotto China Limited ("Lotto")	Hong Kong	Ordinary Shares *(note 3)*	–	46.7%	Investment holding
Lotto (Nanjing) Garment Co. Limited	PRC	Registered capital *(note 4)*	–	46.7%	Sourcing, distribution of apparel and footwear
Lotto (Shanghai) Company Limited	PRC	Registered capital *(note 4)*	–	46.7%	Sourcing, distribution of apparel and footwear

Notes:

1. STF was a jointly controlled entity of the Company before 28 April 2008. The Company acquired remaining 50% equity interest in STF on 28 April 2008 and STF became a wholly owned subsidiary of the Company. Details of the acquisition are disclosed in note 41.

2. These are wholly owned subsidiaries of STF, a former jointly controlled entity of the Company. The Company acquired remaining 50% equity interest in STF on 28 April 2008 and these companies became wholly owned subsidiaries of the Group. Details of the acquisition are disclosed in note 41.

3. The company was a jointly controlled entity of the Company before July 2008. The Company disposed of its 50% shareholdings in Lotto to a joint venturer of Lotto in July 2008. Details of the disposal are disclosed in note 42.

4. These are wholly owned subsidiaries of Lotto, a former jointly controlled entity of the Company. The Company disposed of its 50% equity interest in Lotto to a joint venturer of Lotto in July 2008. Details of the disposal are disclosed in note 42.

The table above lists the jointly controlled entitles of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors of the Company, result in particulars of excessive length.

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities accounted for by the Group using proportionate consolidation are set out below:

	2008	2007
	HK$'000	*HK$'000*
Current assets	59,117	88,217
Non-current assets	5,428	15,539
Current liabilities	38,669	92,629
Non-current liabilities	22,414	12,345
Income	63,869	87,724
Expenses	(73,527)	(88,930)

24. LOAN TO A JOINTLY CONTROLLED ENTITY/LOANS TO JOINTLY CONTROLLED ENTITIES

Loan to a jointly controlled entity under non-current assets as at 31 December 2007 was unsecured, interest bearing at 5% per annum and was not repayable within twelve months from the balance sheet date. As disclosed in note 41, the Group acquired additional 50% equity interest in STF during the year ended 31 December 2008. It became a wholly owned subsidiary of the Company. Loan to this former jointly controlled entity under non-current asset was fully eliminated at consolidation as at year ended 31 December 2008.

Loans to jointly controlled entities under current assets as at 31 December 2007 included an amount of HK$2,250,000 which is unsecured, interest bearing at 5% per annum and repayable within one year. The remaining balances are unsecured and non-interest bearing and repayable within one year.

25. AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
	HK$'000	*HK$'000*
Unlisted securities		
– Funds in Hong Kong *(note a)*	2,791	6,044
– Fund in the PRC *(note b)*	230	–
– Equity securities in the PRC *(note c)*	575	–
	3,596	6,044
Analysed for reporting purpose as:		
Non-current asset	575	2,870
Current asset	3,021	3,174
	3,596	6,044

Notes:

(a) The Funds represents Hang Seng 108% Capital Guaranteed HK Equity Fund (2007: Hang Seng 100% and 108% Capital Guaranteed HK Equity Fund). The potential return of the investments includes full repayment of investment cost plus a return linked to the performance of certain equity index in Hong Kong and Asia with a guaranteed return of 8% over the investment cost, which are measured at fair value at balance sheet date.

(b) The Fund represents an unlisted open-ended fund established in the PRC, which is measured at fair value at balance sheet date.

(c) The unlisted equity securities are issued by a private entity established in the PRC. They are measured at cost less accumulated impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

26. INVENTORIES

	2008	**2007**
	HK$'000	*HK$'000*
Raw materials	155,898	20,119
Work in progress	75,385	133,538
Finished goods	70,316	24,902
	301,599	178,559
Less: Reclassified to assets held for sale	(9,755)	–
	291,844	178,559

27. TRADE RECEIVABLES

	2008	**2007**
	HK$'000	*HK$'000*
Trade receivables	409,337	247,156
Less: allowance for doubtful debts	(4,585)	(3,397)
	404,752	243,759
Less: Reclassified to held for sale	(2,542)	–
	402,210	243,759

The Group allows an average credit periods normally ranging from 60 days to 90 days (after invoice date) to its trade customers.

The aged analysis of trade receivables (net of impairment) at the balance sheet dates is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	337,606	223,661
91 – 180 days	56,551	8,810
181 – 360 days	9,307	9,834
Over 360 days	1,288	1,454
	404,752	243,759

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limit by customer.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$50,950,000 (2007: HK$31,545,000) which are past due at 31 December 2008 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	*HK$'000*
0-90 days	23,067	11,447
91-180 days	17,288	8,810
181-360 days	9,307	9,834
Over 360 days	1,288	1,454
Total	50,950	31,545

Movement in the allowance for doubtful debts

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	3,397	133
Exchange realignment	(46)	38
Impairment losses recognised on receivables	1,234	3,226
Balance at end of the year	4,585	3,397

28. AMOUNT DUE FROM A MINORITY SHAREHOLDER

In December 2007, Well Metro, one of the non-wholly owned subsidiaries of the Company issued certain ordinary shares to a minority shareholder at HK$6,689,000, which remains unsettled as at year ended 31 December 2007. The amount was fully settled during the year ended 31 December 2008.

29. AMOUNT DUE FROM A RELATED COMPANY

Name of related company	**2008** *HK$'000*	**2007** *HK$'000*
Sergio Tacchini International S.P.A. (formerly known as H4T S.r.l.) *(Note)*	99,171	174,388

Note: Mr. Ngok Yan Yu, a director and major shareholder of the Company, has beneficial interests in this company.

The above amount represents trade receivable which is unsecured, interest free and the Group allows a credit period of 120 days.

The aged analysis of the amount due from this related company (net of impairment) at the balance sheet date is as follows:

	2008 *HK$'000*	**2007** *HK$'000*
0 – 90 days	37,523	83,132
91 – 180 days	7,476	85,036
181 – 360 days	54,172	6,220
Total	99,171	174,388

Included in the Group's amount due from a related company is aggregate carrying amount of HK$60,768,000 (2007: HK$20,070,000) which is past due at 31 December 2008 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amount is still considered recoverable. The Group does not hold any collateral over the balance.

Aging of amount due from a related company which is past due but not impaired

	2008 *HK$'000*	**2007** *HK$'000*
91-180 days	6,596	13,850
181-360 days	54,172	6,220
Total	60,768	20,070

30. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/AMOUNTS DUE TO JOINT VENTURERS OF JOINTLY CONTROLLED ENTITIES AND AMOUNT DUE FROM A FORMER JOINTLY CONTROLLED ENTITY

The amounts are unsecured, interest free and repayable on demand.

31. PLEDGED BANK DEPOSITS/BANK DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS/BANK BALANCES AND CASH

Pledged bank deposits are used to secure the Group's banking facilities. The pledged deposits carry average fixed interest rate of 1.22% (2007: 2.6%) per annum for the year ended 31 December 2008. Bank deposits with original maturity of more than three months carry interest at market rates which range from 2.3% to 3.5% (2007: 3.3% to 3.7%) per annum. The bank balances carry interest at market rates which range from 0.01% to 0.7% (2007: 1.0% to 2.0%) per annum.

The Group has bank balances and deposits of approximately HK$255,492,000 (2007: HK$378,560,008) where the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

32. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATES WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 31 December 2008, the Board of Directors decided to dispose of one of the Group's jointly controlled entity, Benlim Limited ("Benlim"), which principally engaged in the business of sourcing and distribution of apparel and footwear. The Group has not recognised any impairment losses upon the classification of the disposal as held for sale.

The Group's share of major classes of assets and liabilities of Benlim as at 31 December 2008, which have been presented separately in the consolidated balance sheet, are as follows:

	31.12.2008
	HK$'000
Property, plant and equipment	2,858
Inventories	9,755
Trade receivables	2,542
Deposits, prepayments and other receivables	6,742
Amount due from group companies	6,122
Bank balances and cash	3,483
	31,502
Less: Amounts due from group companies	(6,122)
Assets classified as held for sale	25,380
Trade payables	(308)
Other payables and accruals	(2,340)
Amount due to a joint venturer of a jointly controlled entity	(22,465)
Amounts due to group companies	(3,500)
	(28,613)
Less: Amounts due to group companies	3,500
Liabilities associated with assets classified as held for sale	(25,113)

The Group has entered into a sales agreement with the joint venture of Benlim in 2009. The disposal became effective on 1 January 2009.

In December 2007, Hembly Italia S.r.l, one of the wholly-owned subsidiaries of the Company, acquired 100% interest in Pianeta Terra S.r.l. ("PT") for an amount of approximately HK$28,450,000 (EUR2.5 million). PT was incorporated in 2007 and owns a patent in Europe contributed by the former shareholder. The Group acquired PT with an intention to expand its retail business in Europe. However, upon the completion of acquisition, the director of the Company decided to dispose of PT, PT is therefore accounted for as held for sale on initial recognition. In February 2008, PT was disposed of to an independent third party. No gain or loss was resulted from the disposal of PT.

33. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2008	**2007**
	HK$'000	*HK$'000*
0 – 90 days	104,953	111,138
91 – 180 days	27,364	15,138
181 – 360 days	11,603	4,446
Over 360 days	4,980	538
	148,900	131,260
Less: Reclassified to liabilities associated with assets classified as held for sale	(308)	–
	148,592	131,260

The average credit period on purchases of goods is 90 days.

34. LOANS FROM JOINT VENTURERS OF JOINTLY CONTROLLED ENTITIES

At 31 December 2007, loans from joint venturers of jointly controlled entities included an amount of HK$7,418,000 which was unsecured, interest bearing at 5% and repayable on demand. The remaining were unsecured, non-interest bearing and repayable on demand. The loans were fully settled during the year ended 31 December 2008.

35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	891	1,048	798	910
More than one year, but not exceeding two years	761	891	713	798
More than two years, but not exceeding three years	516	761	506	713
More than three years, but not exceeding four years	–	516	–	508
	2,168	3,216	2,017	2,929
Less: Future finance charges	(151)	(287)	–	–
Present value of lease obligations	2,017	2,929	2,017	2,929
Less: Amounts due for settlement within one year shown under current liabilities			(798)	(910)
Amounts due for settlement after one year			1,219	2,019

It is the Group's policy to lease certain of its motor vehicles and furniture, fixtures and equipment under finance leases. The average lease term is 5 years. For the years ended 31 December 2008, the average effective borrowing rates were 3.2% (2007: 3.2%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

36. BANK BORROWINGS

During the year ended 31 December 2008, the Group has raised an interest-bearing loan in the amount of HK$156 million and it bears interest at HIBOR plus 3% per annum and repayable on demand.

During the year ended 31 December 2007, the Group has obtained a syndicated unsecured loan in the amount of HK$200 million. The loan was for a 3 years transferable term loan facility, beared interest at HIBOR plus 1.55% per annum and was repayable by the following 2 tranches, namely: (i) tranche 1 in the amount of HK$133.33 million repayable by 9 equal quarterly installments commencing 12 months from the date of the loan; and (ii) tranche 2 in the amount of HK$66.67 million being repayable and re-borrowable on a revolving basis during the period between the date of the loan and one month prior to the loan's maturity, subject to non-occurrence of events of default and/or potential default of the loan, with all outstanding principal to be repaid in one lump sum at the loan's maturity. The effective interest rate of this syndicated unsecured loan was 8.0% as at 31 December 2007. The proceeds were used to finance general working capital and capital expenditure of the Group. The loan has been fully repaid during 2008.

	2008	2007
	HK$'000	*HK$'000*
Bank borrowings	552,559	683,137
Bank overdrafts	26,073	607
	578,632	683,744
Analysed as:		
Secured	381,977	387,134
Unsecured	196,655	296,610
	578,632	683,744
Carrying amount repayable:		
Within one year	345,932	426,009
More than one year, but not exceeding two years	206,627	172,724
More than two years, but not exceeding three years	–	82,748
More than three years, but not exceeding four years	–	909
More than four years, but not exceeding five years	–	747
	552,559	683,137
Less: Amounts due within one year shown under current liabilities	(345,932)	(426,009)
Amounts due after one year shown under non-current liabilities	206,627	257,128

The Group's variable-rate borrowings, other than the HK$200 million syndicated loan and HK$156 million loan mentioned above, carry interest at HIBOR. Interest is repriced every year.

The exposure of the Group's fixed-rate borrowings amounting to approximately HK$208,307,000 (2007: HK$48,206,000). The contractual maturity dates are more than one year, but not exceeding two years for borrowings at 31 December 2007. For fixed rate borrowings as at 31 December 2008, approximately of HK$1,680,000 and HK$206,627,000 are due within one year and two years, respectively.

The bank borrowings are secured by the assets of the Group as disclosed in note 44.

The range of effective interest rates, which is same as interest rates carried on the Group's bank loans are as follows:

	2008	2007
Effective interest rate		
Fixed-rate borrowings	6.5% to 8.5%	5.7%
Variable-rate borrowings	3.0% to 6.0%	5.0% to 8.0%

The Group's borrowings that are denominated in currencies other than the functional currency of the Group entity are set out below:

	2008	2007
	HK$'000	*HK$'000*
Denominated		
– RMB	–	7,177
– USD	151,783	130,769
– Euro	5,803	1,584

37. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

On 28 December 2007, Well Metro has issued 1,500 shares of convertible redeemable preference share with a yield to maturity in an amount equal to 5% of the issue price per annum, compounded annually, to an independent third party at a consideration of approximately HK$90,859,000 ("Consideration"). One convertible redeemable preference share can be converted to one ordinary share of Well Metro at any time after date of issuance, subject to certain adjustments including adjustment on conversion ratio based on actual profit of Well Metro and its subsidiaries, and is redeemable at an amount equal to Consideration plus any accrued yield by the holder after three years from date of issuance.

The convertible redeemable preference shares contain two components, liability component of approximately HK$79,292,000 (2007: HK$68,071,000) and convertible option derivative of approximately HK$2,149,000 (2007: HK$22,022,000). The relevant transaction cost for the issuance of the convertible redeemable preference shares of approximately HK$766,000 are included in the liability component. The effective interest rate of the liability component is 15.6%. The conversion option derivative is measured at fair value with changes in fair value recognised in consolidated income statement.

At 31 December 2008, the fair value of convertible option derivative decreased from HK$22,022,000 to HK$2,149,000. The gain on fair value of HK$19,873,000 was recognised in consolidated income statement immediately.

The inputs and methodology used for the calculation of fair values of the convertible option derivative are as follows:

	2008	**2007**
Methodology	Binomial model	Binomial model
Risk-free rate	0.547%	2.825%
Time to maturity	2 years	3 years
Dividend yield	0%	5
Volatility	65.85%	80.0%

The volatility used was based on the 400 days (2007: 250 days) volatility of comparable companies price return.

38. DEFERRED TAXATION

The following are the deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Intangible asset	Revaluation of investment property	Tax losses	Withholding tax on distributable earnings of PRC subsidiaries and jointly controlled entities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	(1,005)	–	–	1,005	–	–
Exchange realignment	10	–	(99)	–	–	(89)
(Charge) credit to consolidated income statement *(note 12)*	(37)	–	(3,312)	314	–	(3,035)
At 31 December 2007	(1,032)	–	(3,411)	1,319	–	(3,124)
Exchange realignment	(27)	–	(238)	–	–	(265)
Acquisition of additional interest in a former jointly controlled entity *(note 41)*	–	(559)	–	–	–	(559)
(Charge) credit to consolidated income statement *(note 12)*	561	559	1,083	(195)	(3,926)	(1,918)
Effect of change in tax rate	51	–	–	(51)	–	–
At 31 December 2008	(447)	–	(2,566)	1,073	(3,926)	(5,866)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offsets. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets	626	287
Deferred tax liabilities	(6,492)	(3,411)
	(5,866)	(3,124)

The Group has unused tax loss of approximately HK$110,213,000 (2007: HK$99,741,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of approximately HK$6,501,000 (2007: HK$5,203,000). No deferred tax asset has been recognised in respect of the remaining tax loss of HK$103,712,000 (2007: HK$94,538,000) due to the unpredictability of future profit streams of the relevant subsidiaries. The unrecognised tax losses will be expired in:

	2008	**2007**
	HK$'000	*HK$'000*
2011	5,439	5,439
2012	10,181	15,032
2013	20,265	–
	35,885	20,471

All other remaining tax losses may be carried forward indefinitely.

39. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 Non-current Assets	**2007 Non-current Assets**
	HK$'000	*HK$'000*
Equity linked note *(note a)*	2,731	–
Foreign currencies yield differential accrual perpetual index notes *(note b)*	3,237	–
	5,968	–

Notes:

(a) The maturity date of the investments is 1 July, 2013. The periodic interest payments of the investments are linked to the performance of a basket of equity stocks listed in Taiwan. The investment was designated at fair value through profit or loss on initial recognition. During the year ended 31 December 2008, a loss of HK$311,000 arising from changes in fair value was recognised in the consolidated income statement.

(b) The maturity date of the investments is 5 May, 2011. The investments have zero interest payments and the redemption value is linked to the yield difference on a pool of foreign currencies captured by the FX Yield Differential Accrual Perpetual Index. The investment was designated at fair value through profit or loss on initial recognition. During the year ended 31 December 2008, a gain of HK$117,000 arising from changes in fair value was recognised in the consolidated income statement.

40. SHARE CAPITAL

	Number of share	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2007 and 31 December 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2007	252,880,000	25,288
Issue of shares	23,800,000	2,380
Exercise of share options	6,150,000	615
At 31 December 2007	282,830,000	28,283
Exercise of share options	200,000	20
At 31 December 2008	283,030,000	28,303

The following changes in the share capital of the Company took place during the year ended 31 December 2008 and 2007:

(a) Pursuant to a subscription agreement entered on 29 June 2007, the Company issued 23,800,000 new ordinary shares of HK$0.10 each at HK$4.29 per share for cash.

(b) During the year ended 31 December 2007, a total of 6,150,000 ordinary shares of the Company were issued upon the exercise of 1,000,000, 4,800,000, and 350,000 share options at an exercise price of HK$1.88, HK$2.90 and HK$2.60, respectively, upon the exercise of share options.

(c) During the year ended 31 December 2008, 200,000 new ordinary shares of the Company of HK$0.10 each were issued at an exercise price of HK$2.90 per share upon the exercise of share options.

41. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY/FORMER JOINTLY CONTROLLED ENTITY

On 28 April 2008, the Group acquired remaining 50% equity interest in STF at a consideration of approximately HK$7,380,000 (EUR600,000). Before the acquisition, the Group recognised its 50% interests in STF as jointly controlled entity using proportionate consolidation. This acquisition of additional 50% equity interest has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$16,062,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Intangible asset	–	2,236	2,236
Property, plant and equipment	4,438	–	4,438
Inventories	17,574	–	17,574
Trade receivables	12,478	–	12,478
Deposits, prepayments and other receivables	5,634	–	5,634
Bank balances and cash	676	–	676
Trade payables	(1,436)	–	(1,436)
Other payables and accruals	(4,514)	–	(4,514)
Amounts due to related companies	(43,532)	–	(43,532)
Bank borrowings	(9,800)	–	(9,800)
Deferred tax liabilities	–	(559)	(559)
	(18,482)	1,677	(16,805)
Less: Net liabilities previously held by the Group using proportionate consolidation			9,241
Step acquisition revaluation reserve			(1,118)
Goodwill			16,062
Total consideration satisfied by cash			7,380
Net cash outflow arising on acquisition:			
Cash consideration paid			7,380
Bank balances and cash acquired			(338)
			7,042

STF contributed HK$13,226,000 to the Group's profit for the period from the date of acquisition to 31 December 2008.

If the acquisition had been completed on 1 January 2008, total group revenue for the year would have been HK$1,361,336,000, and profit for the year ended 31 December 2008 would have been HK$1,076,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

Goodwill arose in the business combination because the consideration paid effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled work force of STF.

On 26 June 2007, the Group acquired additional equity interests in Well Metro Group from a minority shareholder, at a consideration of HK$20,800,000. Goodwill of HK$20,800,000 arise on the acquisition of additional interest in a subsidiary is detailed in note 20.

42. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

On 30 June 2008, the Group entered into a sale agreement to dispose of 50% shareholdings in a jointly controlled entity, Lotto, to a joint venturer of Lotto, which carried out distribution and retailing of apparel and footwear, to a joint venturer of Lotto at a consideration of HK$6,000,000. The transaction was completed in July 2008.

The Group's share of net liabilities of Lotto at the date of disposal were as follows:

	HK$'000
NET LIABILITIES DISPOSED OF	
Property, plant and equipment	4,240
Inventories	11,906
Trade and other receivables	6,568
Bank balances and cash	807
Trade and other payables	(5,727)
Amount due to a shareholder	(12,329)
Amount due to the Group	(12,023)
Amounts due to fellow subsidiaries	(1,134)
	(7,692)
Release of translation reserve	(1,442)
Gain on disposal	15,134
Total consideration, satisfied by cash	6,000
Net cash inflow arising on disposal:	
Cash consideration	6,000
Bank balances and cash disposed of	(807)
	5,193

The jointly controlled entity disposed of during the year contributed to the Group's revenue and losses of approximately HK$7,491,000 and HK$2,973,000, respectively.

No tax charge or credit arose on gain on the disposal.

43. MAJOR NON-CASH TRANSACTIONS

As at 31 December 2008, HK$4,500,000 consideration on acquisition of additional interest in a subsidiary has not been settled.

As disclosed in note 28, Well Metro issued certain shares to a minority shareholder at an consideration of approximately HK$6,689,000 as at year ended 31 December 2007, which was fully settled during the year.

As disclosed in note 32, the consideration payable for the acquisition of PT of approximately HK$28,450,000 was unsettled as at year ended 31 December 2007 and was recorded as other payable in the consolidated balance sheet. The amount was fully settled by the buyer directly during year ended 31 December 2008.

During the year ended 31 December 2007, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$2,334,000.

44. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged the following assets to secure the general banking facilities and bank borrowings granted to the Group.

	2008	**2007**
	HK$'000	*HK$'000*
Available-for-sale investments	2,791	6,044
Bank deposits	41,719	48,099
Financial assets at FVTPL	5,968	–
Prepaid lease payments	67,541	31,471
Investment property	29,885	71,505
Property, plant and equipment	188,231	145,636
	336,135	302,755

45. OPERATING LEASE COMMITMENT

The Group as lessee

	2008	**2007**
	HK$'000	*HK$'000*
The Group made rental payment for properties under operating lease as follows:		
Minimum lease payments	31,056	19,372
Contingent rental payments	9,719	1,380
	40,775	20,752

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of rental premises which fall due as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	30,842	12,822
In the second to fifth years	22,195	13,405
	53,037	26,227

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for terms ranged from one to three years. In addition, the Group paid rental expenses in respect of certain retail shop which are dependent on the level of revenue achieved by such retail shop.

The Group as lessor

Property rental income earned during the year was HK$572,000 (2007: HK$Nil) which included in other income. All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 2.1% on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$'000	*HK$'000*
Within one year	878	–
In the second to fifth years inclusive	146	–
	1,024	–

46. COMMITMENTS

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	8,896	59,565

Commitment of Well Metro in respect of opening retail shops in the PRC

During the year ended 31 December 2008, the Group entered into a franchise agreement with an independent third party for the grant of license and manufacture and distribution of the footwear and apparel, under the brand name of Stonefly, for a period of ten years up from 1 January 2008 to December 2018. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops and 320 wholesale shops in the PRC within four years. At 31 December 2008, the Group has opened 24 retail shops and 15 wholesale shops and has committed to open 6 retail shops and 305 wholesale shops within three years.

During the year ended 31 December 2007, the Group entered into a franchise agreement with an independent third party for the grant of franchise and distribution right in relation to footwear and apparel, under the brand name of Moschino, in PRC for a period of ten years up to May 2017. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops in the PRC within five years. At 31 December 2008, the Group has opened 18 retail shops and has committed to open 12 retail shops within four years.

47. CONTINGENT LIABILITY

As at 31 December 2007, the Group had given guarantee of approximately HK$70,200,000 to banks in respect of banking facilities granted to a related company, Sergio Tacchini International S.P.A., in which a director of the Company has beneficial interests. The related company utilised approximately HK$70,200,000 as at 31 December 2007. Such guarantee has been released during the year ended 31 December 2008.

48. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group monthly contributes at the lower of HK$1,000 or 5% of the relevant payroll costs to the MPF Scheme.

The employees of the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The relevant subsidiaries are required to make contributions to the state-managed retirement benefits schemes in the PRC based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The only obligation of the Group costs respect to the retirement benefit schemes is to make the specified contributions.

The Group also operates various defined contribution retirement benefits schemes for those employees other than in Hong Kong and the PRC. Contributions are made based on the percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of these schemes. The assets of these schemes are held separately from those of the Group in various independently administered funds. The Group's employer contributions vest fully with the employees when contributed into these schemes.

During the year, the pension scheme contributions made by the Group were approximately HK$7,504,000 (2007: HK$4,805,000).

49. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution of the shareholders of the Company and will expire on 14 June 2016. The purpose of the Scheme is to recognise the significant contributions of the eligible persons to the growth of the Group by rewarding them with opportunities to obtain the ownership interest in the Company and to further motivate and give incentives to those persons to continue to contribute to the Group's long term success and prosperity. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for share in the Company. The Scheme became effective on 13 July 2006 (being the date of listing of the shares of the Company on the Stock Exchange).

At 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 14,850,000 (2007: 7,150,000), representing 5.2% (2007: 2.5%) of the shares of the Company in issue at that date. The maximum number of share which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. In addition, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 13 July 2006, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days after the date of grant, upon payment of HK$1.0 per option. Options may be exercised at any time during the period as determined by the directors of the Company but may not be exercised after the expiry of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

Date of grant	Number of of options	Vesting period	Exercise period	Exercise Price
13.7.2006	3,800,000	Nil	13.7.2006 to 12.7.2009	HK$1.88
14.9.2006	860,000	Nil	14.9.2006 to 13.9.2009	HK$2.60
	1,290,000	14.9.2006 to 13.9.2007	14.9.2007 to 13.9.2009	HK$2.60
	2,150,000	14.9.2006 to 13.9.2008	14.9.2008 to 13.9.2009	HK$2.60
7.5.2007	6,000,000	Nil	7.5.2007 to 7.5.2010	HK$2.90
9.10.2007	840,000	Nil	9.10.2007 to 8.10.2010	HK$4.90
	435,000	9.10.2007 to 8.10.2008	9.10.2008 to 8.10.2010	HK$4.90
	725,000	9.10.2007 to 8.10.2009	9.10.2009 to 8.10.2010	HK$4.90
18.8.2008	360,000	Nil	18.8.2008 to 17.8.2018	HK$1.57
	540,000	18.8.2008 to 17.8.2009	18.8.2009 to 17.8.2018	HK$1.57
	900,000	18.8.2008 to 17.8.2010	18.8.2010 to 17.8.2018	HK$1.57
11.11.2008	1,830,000	Nil	11.11.2008 to 10.11.2018	HK$0.36
	1,830,000	11.11.2008 to 10.11.2009	11.11.2009 to 10.11.2018	HK$0.36
	2,440,000	11.11.2008 to 10.11.2010	11.11.2010 to 10.11.2018	HK$0.36

The following table discloses movements of the Company's share options held by employees and directors during the year:

Share options grant date	Outstanding at 1.1.2008	Granted during year	Exercised during year	Outstanding at 31.12.2008
14.9.2006	3,950,000	–	–	3,950,000
7.5.2007	1,200,000	–	(200,000)	1,000,000
9.10.2007	2,000,000	–	–	2,000,000
18.8.2008	–	1,800,000	–	1,800,000
11.11.2008	–	6,100,000	–	6,100,000
	7,150,000	7,900,000	(200,000)	14,850,000
Exercisable at the end of the year	3,840,000			8,415,000
Weighted average exercise price	HK$3.28	HK$0.64	HK$2.90	HK$1.89

The following table discloses movements of the Company's share options held by employees and directors during prior year:

Share options grant date	Outstanding at 1.1.2007	Granted during year	Exercised during year	Outstanding at 31.12.2007
13.7.2006	1,000,000	–	(1,000,000)	–
14.9.2006	4,300,000	–	(350,000)	3,950,000
7.5.2007	–	6,000,000	(4,800,000)	1,200,000
9.10.2007	–	2,000,000	–	2,000,000
	5,300,000	8,000,000	(6,150,000)	7,150,000
Exercisable at the end of the year	1,860,000			3,840,000
Weighted average exercise price	HK$2.46	HK$3.40	HK$2.72	HK$3.28

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise and the date immediately before the date of exercise is HK$4.45 (2007: HK$4.44) and HK$4.55 (2007: HK$4.53), respectively.

During the year ended 31 December 2008, options were granted on 18 August 2008 and 11 November 2008 where the share prices of the Company's share at the date immediately before the date of grant were HK$1.39 and HK$0.34, respectively. The estimated fair values of the options granted on those dates are approximately HK$902,000 and HK$827,000 respectively.

During the year ended 31 December 2007, options were granted on 7 May 2007 and 9 October 2007 where the share prices of the Company's share at the date immediately before the date of grant were HK$2.90 and HK$4.95, respectively. The estimated fair values of the options granted on those dates are approximately HK$2,664,000 and HK$2,852,000 respectively.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	Share options grant date					
	13.7.2006	14.9.2006	7.5.2007	9.10.2007	18.8.2008	11.11.2008
Share price at date of grant	HK$1.88	HK$2.5	HK$2.88	HK$4.77	HK$1.39	HK$0.34
Exercise price	HK$1.88	HK$2.6	HK$2.90	HK$4.90	HK$1.57	HK$0.36
Expected volatility *(Note)*	45%	45%	55.7%	61.5%	61.4%	68.3%
Expected life	Nil	1.5 to 2.5 years	3 years	1 year to 2.5 years	5 to 6 years	5 to 6 years
Risk-free rate	4.4%	3.8%	3.8% to 4.0%	3.7% to 3.8%	2.9% to 3.0%	1.7% to 1.8%
Expected dividend yield	3.0%	3.0%	4.0%	3.0%	5%	5%

Note: For the share options granted during the year ended 31 December 2006, expected volatility was determined by using the volatility of share price for other companies, with shares listed on the Stock Exchange, in the same industry.

For the share options granted during the year ended 31 December 2007 and 2008, expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately HK$2,789,000 for the year ended 31 December 2008 (2007: HK$4,141,000) in relation to share options granted by the Company.

50. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	2008	2007
		HK$'000	*HK$'000*
Long Wise (Holdings) Limited *(note 1)*	Service fee paid	247	268
STF *(note 2)*	Interest income received	124	371
	Management fee income received	230	690
STF (Nanjing) Company Limited *(note 2)*	Rental income received	–	125
Sergio Tacchini International S.P.A. *(note 3)*	Sales of apparel	202,037	201,710
	Sourcing income received	12,486	12,167
	Management fee income received	990	–
Shanghai Sisley Trading Co. Limited *(note 4)*	Purchase of apparel	10,542	6,936
M.T.T. Yangzhou Garment Co. Limited *(note 4)*	Sales of property, plant and equipment	–	83
	Sale of apparel and accessories	756	–
	Purchases of apparel and accessories	729	–
Mountain Experience Betiligungs *(note 5)*	Sales commission paid	2,299	–
Lotto (Nanjing) GarmentCo. Ltd. *(note 6)*	Sales of apparel and accessories	–	2,083
	Rental income received	840	427
Lotto *(note 6)*	Management fee income received	345	690
M.T.T. Limited *(note 4)*	Management fee income received	840	896

During the year ended 31 December 2007, 恒寶利南京科技有限公司, in which a director of the Company has beneficial interests, acted as a guarantor for bank borrowings of a subsidiary of the Company, Hembly Yangzhou Garment Manufacturing Co., Ltd, approximately RMB10,000,000. Such guarantee was released during the year ended 31 December 2008.

Notes:

1. This company is a minority shareholder of the Company's subsidiary.

2. The Group acquired additional 50% equity interest in STF during the year. Details of the acquisition are disclosed in note 41. STF (Nanjing) Company Limited is a wholly owned subsidiaries of STF and STF became a wholly owned subsidiary of the Group during the year.

3. A director of the Company has beneficial interest in this company. Details of the nature and terms of the transactions for the years ended 31 December 2008 and 2007 with Sergio Tacchini International S.P.A. please refer to the circular issued by the Company on 14 November 2008 and 26 July 2007 respectively.

4. These companies are jointly controlled entities of the Company.

5. This company is a joint venturer of a jointly controlled entity of the Company.

6. These are jointly controlled entities of the Company. The Company disposed of its 50% shareholdings to a joint venturer of Lotto. Details of the disposal are disclosed in note 42.

As at December 2007, Stonefly S.P.A., a joint venturer of a jointly controlled entity, STF, acted as a joint guarantor with a subsidiary of the Company, Hembly Garment Manufacturing Limited, for bank borrowings of approximately HK$22,000,000 granted to STF. As at 31 December 2007, the amount of such utilised by STF was approximately HK$9,800,000. During the year, STF has became a wholly-owned subsidiary of the Group.

As at 31 December 2007, the Group had given guarantee of approximately HK$70,200,000 to banks in respect of banking facilities granted to a related company, Sergio Tacchini International S.P.A., in which a director of the Company has beneficial interests. The related company utilised approximately HK$70,200,000 as at 31 December 2007. Such guarantee has been released during the year ended 31 December 2008.

Pursuant to certain master licence agreements, Morgan S.A., a former minority shareholder of the Company's subsidiary, granted to the Group an exclusive license, with the right to grant sub-license, to manufacture and sale certain Morgan S.A. licensed products, subject to payment of royalty fee, which is calculated based on the number of licensed products manufactured, for a period of five years starting from year 2004 with an option to renew further five years. No royalty fee has been paid by the Group in respect of these master license agreements during the years ended 31 December 2008 and 2007.

51. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of key management during the year was as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Short-term benefits	13,973	11,341
Other long-term benefits	48	158
Share-based payments	1,688	873
	15,709	12,372

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

52. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2008 and 2007 are as follows:

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2008	2007	Principal activities
Hembly Garment Manufacturing Limited	Hong Kong	Ordinary shares HK$3,000,000	100%	100%	Investment holding and sale of garments
Hembly (Nanjing) Garment Co., Ltd. 恒寶利（南京）服裝有限公司 *(note)*	PRC	Registered capital US$3,000,000	100%	100%	Garment manufacturing
Hembly (Nanjing) Garment Manufacturing Co., Ltd. 亨百利（南京）制衣有限公司 *(note)*	PRC	Registered capital US$2,100,000	100%	100%	Property holding and sale of garments
Hembly Garment Manufacturing Macao Commercial Offshore Limited 恒寶利製衣澳門離岸商業服務有限公司	Macau	Quota capital MOP100,000	100%	100%	Sale of garments
M.D.T. Sourcing (China) Limited	Hong Kong	Ordinary shares HK$780,000	51%	51%	Sale of garments
M.D.T. (Nanjing) Garment Manufacturing Company Limited 摩根（南京）制衣有限公司 *(note)*	PRC	Registered capital US$500,000	51%	51%	Garment manufacturing and trading
Scienward (Nanjing) Garment Co., Ltd. 欣隆（南京）服裝有限公司 *(note)*	PRC	Registered capital US$1,000,000	100%	93.33%	Garment manufacturing and sourcing of garment
Scienward International Holdings Limited	Hong Kong	Ordinary shares HK$1,000,000	100%	93.33%	Investment holding and distribution of apparel and footwear
Hembly (Yangzhou) Garment Manufacturing Co., Ltd. 恒寶利（揚州）制衣有限公司 *(note)*	PRC	Registered capital US$10,000,000	100%	100%	Garment manufacturing and trading
Hembly Italy S.R.L.	Italy	Ordinary shares EUR50,000	100%	100%	Sale of garment
Yangzhou Sunrise Garment Manufacturing Co., Ltd. *(note)*	PRC	Registered capital US$10,000,000	100%	100%	Property holding

Note: These companies are wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

53. SUBSEQUENT EVENTS

(a) On 20 January 2009, the Board announced that the Company proposes to raise not less than HK$42,450,000 and not more than HK$43,360,000 before the estimated expenses by issuing not less than 141,515,000 offer shares and not more than 144,547,500 offer shares on the basis of one offer share for every two shares held on 10 February 2009. On 25 February 2009, an aggregate of 10 valid acceptances had been received for an aggregate of 52,030,885 offer shares, representing approximately 36.77% of the total number of 141,515,000 offer shares offered under the open offer and approximately 12.26% of the enlarged issued share capital of the Company of 424,545,000 shares immediately after completion of the open offer. The open offer was under-subscribed by 89,484,115 offer share ("untaken offer shares"). Pursuant to the underwriting agreement, the underwriter has fully underwritten the untaken offer shares. The untaken offer shares represent approximately 63.23% of the total offer shares and approximately 21.08% of the enlarged issued share capital of the Company of 424,545,000 shares immediately after completion of the open offer on 3 March 2009.

(b) On 3 December 2008, the Company entered into a sale agreement with Luxba (the "Agreement"). Pursuant to the Agreement, the Company has conditionally agreed to sell 100% equity interest in Well Metro, which principally engaged in the business of distribution and retailing of apparel and footwear in the PRC, for cash consideration of HK$100,000,000 subject to the terms and conditions of the Agreement. Upon the completion of the above transactions, the Company will not have any shareholding in Well Metro and Well Metro cease to be a subsidiary of the Company. As at 31 December 2008, the Group received HK$80,000,000 from Luxba as deposit for this transaction. Pursuant to the Listing Rules, the disposal is subject to the approval by the independent shareholders at a general meeting of the Company and an extraordinary general meeting ("EGM") will be convened for such purpose. The voting to be taken in the EGM to seek approval of the disposal will be taken by poll. The EGM has been held on 13 May 2009 and the disposal was completed on 30 October 2009.

3. UNAUDITED INTERIM REPORT OF THE GROUP FOR THE SIX MONTHS 30 JUNE 2009

Condensed Consolidated Statement of Comprehensive Income
For the Six Months ended 30 June 2009

		Six months ended 30 June	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Revenue	3	508,359	573,718
Cost of sales		(436,753)	(406,954)
Gross profit		71,606	166,764
Other income		1,823	11,998
Loss on disposal of a jointly controlled entity	18	(2,242)	–
Administrative expenses		(56,371)	(58,857)
Impairment loss on property, plant and equipment	10	(78,537)	–
Distribution and selling expenses		(14,586)	(21,487)
Finance costs	4	(16,611)	(22,622)
(Loss) profit before tax		(94,918)	75,796
Income tax expense	5	(2,322)	(16,164)
(Loss) profit for the period from continuing operations		(97,240)	59,632
Discontinued operations			
(Loss) profit for the period from discontinued operations	6	(49,134)	2,256
(Loss) profit for the period	7	(146,374)	61,888
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		(12,075)	37,354
Fair value gain (loss) on available-for-sale investment		38	(103)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary recognised directly in equity		–	1,118
Released on disposal of a jointly controlled entity	18	(647)	–
Other comprehensive (expense) income for the period		(12,684)	38,369

		Six months ended 30 June	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited) (restated)
Total comprehensive (expense) income for the period		(159,058)	100,257
(Loss) profit for the period attributable to:			
Owners of the Company		(143,711)	61,768
Minority interests		(2,663)	120
		(146,374)	61,888
Total comprehensive (expense) income attributable to:			
Owners of the Company		(156,526)	99,363
Minority interests		(2,532)	894
		(159,058)	100,257
(LOSS) EARNINGS PER SHARE	*9*		
From continuing and discontinued operations			
– Basic		HK(38.13) cents	HK21.82 cents
– Diluted		N/A	HK21.64 cents
From continuing operations			
– Basic		HK(25.09) cents	HK21.03 cents
– Diluted		N/A	HK20.97 cents

Condensed Consolidated Statement of Financial Position
At 30 June 2009

	Notes	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	175,295	323,432
Investment properties	10	–	29,885
Intangible asset		–	12,177
Prepaid lease payments		64,413	66,044
Available-for-sale investments		567	575
Financial assets at fair value through profit or loss		6,178	5,968
Deferred tax assets		–	626
		246,453	438,707
Current assets			
Inventories		292,840	291,844
Trade receivables	11	398,347	402,210
Deposits, prepayments and other receivables		138,172	59,999
Prepaid lease payments		1,477	1,497
Amount due from a related company	12	38,271	99,171
Amounts due from jointly controlled entities		296	13,335
Available-for-sale investments		3,453	3,021
Pledged bank deposits		22,336	41,719
Bank deposits with original maturity of more than three months		68,690	218,391
Bank balances and cash		29,864	48,969
		993,746	1,180,156
Assets classified as held for sale	13	263,558	25,380
		1,257,304	1,205,536

	Notes	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Current liabilities			
Trade payables	14	98,491	148,592
Other payables and accruals		99,986	77,609
Amounts due to joint venturers of jointly controlled entities		9,155	9,155
Amounts due to jointly controlled entities		19,922	20,028
Deposit received for disposal of a subsidiary	13	80,000	80,000
Taxation payable		31,049	32,894
Obligations under finance leases – due within one year		701	798
Bank borrowings – due within one year	15	315,812	345,932
Bank overdrafts	15	17,284	26,073
		672,400	741,081
Liabilities associated with assets classified as held for sale	13	144,156	25,113
		816,556	766,194
Net current assets		440,748	439,342
Total assets less current liabilities		687,201	878,049
Non-current liabilities			
Obligations under finance leases – due after one year		847	1,219
Bank borrowings – due after one year	15	215,735	206,627
Convertible redeemable preference shares	16	–	79,292
Conversion option derivative liability	16	–	2,149
Deferred tax liabilities		3,014	6,492
		219,596	295,779
		467,605	582,270
Capital and reserves			
Share capital	17	42,594	28,303
Reserves		436,419	562,843
Equity attributable to owners of the Company		479,013	591,146
Minority interests		(11,408)	(8,876)
		467,605	582,270

Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2009

	Attributable to equity owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Enterprise expansion reserve HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Translation reserve HK$'000	Share option reserve HK$'000	Special reserve HK$'000 (Note c)	Asset revaluation reserve HK$'000	Step acquisition revaluation reserve HK$'000	Accumulated profits HK$'000	Attributable to owner of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008 (audited)	28,283	210,685	2,015	10,931	38,744	2,505	30,052	508	–	251,184	574,907	7,653	582,560
Profit for the period	–	–	–	–	–	–	–	–	–	61,768	61,768	120	61,888
Exchange differences arising on translation of foreign operations	–	–	–	–	36,580	–	–	–	–	–	36,580	774	37,354
Loss on fair value change of available-for-sales investment	–	–	–	–	–	–	–	(103)	–	–	(103)	–	(103)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary recognised directly in equity	–	–	–	–	–	–	–	–	1,118	–	1,118	–	1,118
Total comprehensive (expense) income for the period	–	–	–	–	36,580	–	–	(103)	1,118	61,768	99,363	894	100,257
Exercise of share options	20	660	–	–	–	(100)	–	–	–	–	580	–	580
Recognition of equity settled share based payments	–	–	–	–	–	1,539	–	–	–	–	1,539	–	1,539
Dividend paid *(note 8)*	–	–	–	–	–	–	–	–	–	(19,812)	(19,812)	–	(19,812)
At 30 June 2008 (unaudited)	28,303	211,345	2,015	10,931	75,324	3,944	30,052	405	1,118	293,140	656,577	8,547	665,124
At 1 January 2009 (audited)	28,303	211,345	2,015	17,414	71,214	5,194	30,052	295	1,118	224,196	591,146	(8,876)	582,270
Loss for the period	–	–	–	–	–	–	–	–	–	(143,711)	(143,711)	(2,663)	(146,374)
Exchange differences arising on translation of foreign operations	–	–	–	–	(12,206)	–	–	–	–	–	(12,206)	131	(12,075)
Gain on fair value change of available-for-sales investment	–	–	–	–	–	–	–	38	–	–	38	–	38
Released on disposal of a jointly controlled entity	–	–	–	–	(647)	–	–	–	–	–	(647)	–	(647)
Total Comprehensive (expense) income for the period	–	–	–	–	(12,853)	–	–	38	–	(143,711)	(156,526)	(2,532)	(159,058)
Exercise of share options	139	544	–	–	–	(185)	–	–	–	–	498	–	498
Issuance of shares under right issue	14,152	25,508	–	–	–	–	–	–	–	–	39,660	–	39,660
Recognition of equity-settled share based payments	–	–	–	–	–	4,235	–	–	–	–	4,235	–	4,235
At 30 June 2009 (unaudited)	42,594	237,397	2,015	17,414	58,361	9,244	30,052	333	1,118	80,485	479,013	(11,408)	467,605

Notes:

(a) According to the respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion reserve out of profit of statutory financial statements, and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion reserve can be used to expand the capital of the PRC subsidiaries.

(b) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of net profit after tax based on the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after taxation unless the aggregate amount exceeded 50% of registered capital of the relevant PRC subsidiary. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiary.

(c) The special reserve arose during the year ended 31 December 2006 represents the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper Holdings Limited acquired by the Company pursuant to a group reorganisation in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition.

Condensed Consolidated Statement of Cash Flows
For the Six Months ended 30 June 2009

		Six months ended 30 June	
		2009	**2008**
	Notes	*HK$'000* (unaudited)	*HK$'000* (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(156,452)	(182,157)
NET CASH FROM INVESTING ACTIVITIES			
Decrease in bank deposits with original maturity of more than three months		146,852	120,934
Decrease in pledged bank deposits		19,383	12,636
Acquisition of a subsidiary		–	338
Purchase of available-for-sale investments		–	(6,162)
Purchase of property, plant and equipment		(11,896)	(49,974)
Disposal of a jointly controlled entity	*18*	(3,483)	–
Other investing cash flows		264	(16,574)
		151,120	61,198
NET CASH FROM FINANCING ACTIVITIES			
New bank borrowings raised		639,435	1,308,334
Repayment of bank borrowings		(655,916)	(1,206,007)
Interest paid		(22,915)	(23,221)
Dividend paid		–	(19,812)
Issuance of shares under rights issue		39,660	
Other financing cash flows		157	8,208
		421	67,502
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,911)	(53,457)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(4,860)	10,175
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		26,379	111,616
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		16,608	68,334
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		29,864	86,631
Bank overdrafts		(17,284)	(19,103)
Cash and cash equivalents included in a disposal group held for sale		4,028	806
		16,608	68,334

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 ("HKAS34"), Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008. Comparative information has been restated for discontinued operations in accordance with HKFRS 5 Non-current Asset Held for Sale and Discontinued Operations.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current and prior accounting periods. No prior period adjustment has been recognised due to adoption of new or revised HKFRSs. However, the Group discontinued the distribution and retailing of apparel and footwear segment in the current period. Accordingly, comparative information for the consolidated statement of comprehensive income has been represented.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 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 (i.e. the Board of Directors) in order to allocate resources to segments and to assess 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, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of the types of goods and services supplied by the Group's operating divisions (i.e. manufacture and sales of apparel and accessories and distribution and retailing of apparel and footwear). However, based on the internal reports reviewed by chief operating decision maker, certain segment profit and result previously included in the manufacturing and sales of apparel and accessories segment was classified under the distribution and retailing of apparel and footwear segment. Accordingly, prior period segment information has been restated.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Six months ended 30 June 2009 (unaudited)				
	Continuing operations			Discontinued operations	
	Manufacturing and sales of apparel and accessories	**Elimination**	**Total**	**Distribution and retailing of apparel and footwear**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	508,359	–	508,359	55,657	564,016
Inter-segment sales	3,001	(3,001)	–	–	–
Total	511,360		508,359	55,657	564,016
Segment result	9,988		9,988	(38,413)	(28,425)
Unallocated income			666	30	696
Unallocated corporate expense			(8,182)	–	(8,182)
Loss on disposal of a jointly controlled entity			(2,242)	–	(2,242)
Gain on fair value of conversion option derivative liability			–	1,452	1,452
Impairment loss on property, plant and equipment			(78,537)	(5,075)	(83,612)
Impairment loss recognised upon transfer from property, plant and equipment to investment property			–	(824)	(824)
Finance costs			(16,611)	(6,304)	(22,915)
Loss before tax			(94,918)	(49,134)	(144,052)
Income tax expenses			(2,322)	–	(2,322)
Loss for the period			(97,240)	(49,134)	(146,374)

	Six months ended 30 June 2008 (unaudited)				
	Continuing operations			Discontinued operations	
	Manufacturing and sales of apparel and accessories	Elimination	Total	Distribution and retailing of apparel and footwear	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	573,718	–	573,718	162,022	735,740
Inter-segment sales	1,622	(1,622)	–	–	–
Total	575,340		573,718	162,022	735,740
Segment result	99,455		99,455	15,793	115,248
Unallocated income			2,477	260	2,737
Unallocated corporate expense			(3,514)	–	(3,514)
Loss on fair value of conversion option derivative liability			–	(4,453)	(4,453)
Finance costs			(22,622)	(4,397)	(27,019)
Profit before tax			75,796	7,203	82,999
Income tax expenses			(16,164)	(4,947)	(21,111)
Profit for the period			59,632	2,256	61,888

Segment profit represents the profit earned by each segment without allocation of interest income, royalty income, corporate expenses, loss on fair value of conversion option derivative liability, loss on disposal of a jointly controlled entity and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings and overdrafts wholly repayable – within five years	16,554	22,552
Obligations under finance leases	57	70
	16,611	22,622

5. INCOME TAX EXPENSE

Hong Kong Profits Tax is recognised at 16.5% for both periods under review.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations:		
Current tax:		
Other jurisdictions	2,322	12,843
Deferred tax:		
Current year	–	3,321
Income tax expense relating to continuing operations	2,322	16,164
Discontinued operations:		
Current tax:		
Other jurisdictions	–	3,756
Deferred tax:		
Current year	–	1,191
Income tax expense relating to discontinued operations	–	4,947
Income tax expense relating to continuing and discontinued operations	2,322	21,111

6. DISCONTINUED OPERATIONS

On 3 December 2008, the Company entered into a conditional sale agreement with Primewill Investments Limited (the "Agreement") to dispose of its 100% equity interest in Well Metro Group Limited ("Well Metro"), which carried out all of the Group's distribution and retailing of apparel and footwear operations. The management expects the disposal to be completed by 30 September 2009. Upon the completion of the above transactions, the Company will not have any shareholding in Well Metro and Well Metro will cease to be a subsidiary of the Company. The disposal was completed on 30 October 2009.

During the period, the Board of Directors decided to dispose of assets and liabilities of retail business under the brand of Sisley ("Sisley"), On 1 June 2009, the Group has located an independent third party as the buyer. The assets and liabilities of Well Metro and Sisley has been classified as held for sale at 30 June 2009 (see note 13).

The result of the distribution and retailing of apparel and footwear were as follows:

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	55,657	162,022
Cost of sales	(29,460)	(92,894)
Other income	1,173	1,518
Gain (loss) on fair value of conversion option derivative liability	1,452	(4,453)
Distribution and selling expenses	(36,010)	(23,800)
Administrative expenses	(29,743)	(30,793)
Impairment loss recognised upon transfer from property, plant and equipment to investment property	(824)	–
Impairment on property, plant and equipment	(5,075)	–
Finance costs	(6,304)	(4,397)
(Loss) profit before tax	(49,134)	7,203
Income tax expense	–	(4,947)
(Loss) profit for the period	(49,134)	2,256

7. (LOSS) PROFIT FOR THE PERIOD

	Continuing operations Six months ended 30 June		Discontinued operations Six months ended 30 June		Consolidated Six months ended 30 June	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss (profit) before tax has been arrived at after charging/(crediting):						
Depreciation of property, plant and equipment	7,424	5,853	6,432	5,402	13,856	11,255
Amortisation of intangible assets	–	–	904	1,595	904	1,595
Amortisation of prepaid lease payments	570	616	168	147	738	763
Impairment loss recognised in the respect of trade receivables	8,750	2,438	–	–	8,750	2,438
(Gain) loss on disposal of property, plant and equipment	(196)	46	64	507	(132)	553
Exchange loss (gain)	2,723	(6,331)	1,061	(848)	3,784	(7,179)

8. DIVIDENDS

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Final dividend of HK$7 cents for the year 31 December 2007	–	19,812

No dividend were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings figures are calculated as follows:		
(Loss) profit for the period attributable to owners of the Company	(143,711)	61,768
Adjustment to the share of profit of a subsidiary based on potential dilution of its earnings per share in respect of convertible preference shares	N/A	(351)
Earnings for the purpose of diluted earnings per share from continuing and discontinued operations	N/A	61,417
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	376,917	283,021
Effect of dilutive potential ordinary shares for share options	N/A	793
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	283,814

No diluted loss per share from the continuing and discontinued operation for the current period has been presented as the effect of potential ordinary shares is anti-dilutive.

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings figures are calculated as follows:		
(Loss) profit for the period attributable to owners of the Company	(143,711)	61,768
Less: Loss (profit) for the period from discontinued operations	49,134	(2,256)
(Loss) earnings for the purpose of basic earnings per share from continuing operations	(94,577)	59,512

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

No diluted loss per share from the continuing operations for the current period has been presented as the effect of potential ordinary shares is anti-dilutive.

From discontinued operation

Basic loss per share from discontinued operation is HK$13.04 cents per share (2008: earnings per share of HK$0.79 cents) and no diluted loss per share from the discontinued operation as the effect of potential ordinary shares is anti-dilutive (2008: diluted earnings per share of HK$0.67 cents), based on loss from discontinued operation for the period of HK$49,134,000 (2008: profit of HK$2,256,000) and the denominators detailed above for both basic and diluted earnings per share.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired approximately HK$1,069,000 (for the six months ended 30 June 2008: HK$8,903,000) leasehold improvements. The Group also acquired approximately HK$10,222,000, HK$599,000 and HK$6,000 (for the six months ended 30 June 2008: HK$679,000, HK$5,437,000 and nil) plant and machinery, furniture, fixtures and equipment and motor vehicles, respectively.

During the period, the Group has changed the use of some properties from administrative purpose to earning rentals. The fair value of such properties was HK$15,070,000 at the date transfer and an impairment loss of HK$824,000 has been recognised. The fair value of the investment properties which are included in assets classified as held for sale in the condensed consolidated statement of financial position at 30 June 2009, approximates to the carrying amounts. Hence no fair value gain or loss has been recognised. The Group's investment properties were fair valued by external valuer by reference to market evidence of transaction prices for similar properties at date of transfer and at 30 June 2009.

During the period, business restructuring of the Group has been implemented. Management has closed down the production plant of some subsidiaries in the PRC. As a result, an impairment loss of HK$78,537,000 has been recognised on property, plant and equipment.

11. TRADE RECEIVABLES

The Group allows an average credit period of 60 to 90 days to its trade customers. Trade receivables of approximately HK$14,548,000 have been classified as part of a disposal group held for sale.

The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	323,182	337,606
91 – 180 days	64,872	56,551
181 – 360 days	23,635	9,307
Over 360 days	1,206	1,288
	412,895	404,752
Less: Included in assets classified as held for sale	(14,548)	(2,542)
	398,347	402,210

12. AMOUNT DUE FROM A RELATED COMPANY

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Sergio Tacchini International S.P.A. ("ST")	38,271	99,171

Note: Mr. Ngok Yan Yu, a director and major shareholder of the Company, has beneficial interest in this Company.

The above amount represents trade receivable which is unsecured, interest free and the Group allows a credit period of 120 days.

The following is an aged analysis of amount due from a related company at the end of the reporting period:

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	38,271	37,523
91 – 180 days	–	7,476
181 – 360 days	–	54,172
	38,271	99,171

13. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

30 June 2009

On 3 December 2008, the Company entered into a conditional sale agreement with Primewill Investments Limited (the "Agreement") to dispose of its 100% equity interest in Well Metro Group Limited ("Well Metro"), which carried out all of the Group's distribution and retailing of apparel and footwear business, for a cash consideration of HK$100,000,000. As at 31 December 2008 and 30 June 2009, the Group has received deposit of HK$80,000,000 regarding the disposal. On 13 May 2009, the disposal was approved by the shareholders of the Company at an Extraordinary General Meeting. Since then, the Group has classified the assets and liabilities of Well Metro as held for sale.

Upon the completion of the above transactions, the Company will not have any shareholding in Well Metro and Well Metro will cease to be a subsidiary of the Company. The management expects the disposal to be completed by 30 September 2009.

The carrying amounts of the major classes of assets and liabilities of the disposal group represented by Well Metro as at 30 June 2009, which have been presented separately in the condensed consolidated statement of financial position as held for sale, are as follows:

	30 June 2009 *HK$'000* (unaudited)
Property, plant and equipment	42,199
Investment property	44,565
Intangible assets	11,134
Deferred tax assets	622
Trade receivables	11,720
Other receivables	14,410
Inventories	74,869
Tax recoverable	1,182
Amount due from a related company	50,116
Bank balances and cash	4,028
Assets classified as held for sale	254,845
Trade and other payables	40,766
Bank borrowing	1,840
Obligation under finance lease	127
Convertible redeemable preference shares	85,477
Conversion option derivative liability	697
Tax payable	2,149
Deferred tax liabilities	3,444
Liabilities associated with assets classified as held for sale	134,500
Amount due to group entities eliminated on consolidation	(25,556)
Net assets of the disposal group	94,789

During the period, the Board of Directors decided to dispose of assets and liabilities of retail business under the brand of Sisley ("Sisley"). On 1 June 2009, the Group has located an independent third party as the buyer, therefore, assets and liabilities of Sisley was classified as assets held for sale and liability associated with assets held for sale as at 30 June 2009.

The carrying amounts of the major classes of assets and liabilities of the disposal group of Sisley as at 30 June 2009, which have been presented separately in the consolidated statement of financial position, are as follows:

	30 June 2009 *HK$'000* (unaudited)
Trade and other receivables	5,871
Inventories	2,842
Assets classified as held for sale	8,713
Trade and other payables	9,419
Tax payable	237
Liabilities associated with assets classified as held for sale	9,656
Total assets classified as held for sale	263,558
Total liabilities associated with assets classified as held for sale	144,156

On 31 December 2008, the Board of Directors decided to dispose of one of the Group's jointly controlled entity, Benlim Limited ("Benlim"), which principally engaged in the business of sourcing and distribution of apparel and footwear. The Group has entered into a sale agreement with the joint venturer of Benlim. Therefore, the assets and liabilities of Benlim was classified as assets held for sale and liabilities associated with assets held for sale as at 31 December 2008. The disposal was completed on 1 January 2009. During the period, loss on disposal of a jointly controlled entity of approximately HK$2,242,000 was recognised (see note 18).

14. TRADE PAYABLES

Trade payables of approximately HK$14,373,000 have been classified as part of a disposal group held for sale.

The following is an analysis of trade payables by age, presented based on invoice date:

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	76,621	104,953
91 – 180 days	17,392	27,364
181 – 360 days	12,323	11,603
Over 360 days	6,528	4,980
	112,864	148,900
Less: Included in liabilities associated with assets classified as held for sale	(14,373)	(308)
	98,491	148,592

15. BANK BORROWINGS

During the period, the Group obtained new trade finance and bank loans of approximately HK$639,435,000 which carries interest rate at market rate ranging from 3% to 10% per annum and is payable within one year from draw down date. The Group repaid approximately HK$655,916,000 during the period. The proceeds were used to finance the operation of the Group.

	30 June 2009	**31 December 2008**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Bank borrowings	531,547	552,559
Bank overdrafts	17,284	26,073
	548,831	578,632
Analysed as:		
Secured	365,394	381,977
Unsecured	183,437	196,655
	548,831	578,632
Carrying amount repayable on bank borrowings:		
Within one year	315,812	345,932
More than one year, but not exceeding two years	215,735	206,627
	531,547	552,559
Less: Amounts due within one year shown under current liabilities	(315,812)	(345,932)
Amounts due after one year shown under non-current liabilities	215,735	206,627

16. CONVERTIBLE REDEEMABLE PREFERENCE SHARES/CONVERSION OPTION DERIVATIVE LIABILITY

On 28 December 2007, Well Metro issued 1,500 convertible redeemable preference shares with a yield to maturity in an amount equal to 5% of the issue price per annum, compounded annually, to an independent third party at a consideration of approximately HK$90,859,000 ("Consideration"). One convertible redeemable preference share can be converted to one ordinary share of Well Metro at any time after date of issuance, subject to certain adjustments including adjustment on conversion ratio based on actual profit of Well Metro and its subsidiaries, and is redeemable at an amount equal to Consideration plus any accrued yield by the holder after three years from date of issuance.

The convertible redeemable preference shares contain two components, liability component of carrying amount of approximately HK$85,477,000 at 30 June 2009 and convertible option derivative of fair value of approximately HK$697,000 at 30 June 2009. At 31 December 2008, the effective interest rate of the liability component is 15.6%. The conversion option derivative is measured at fair value with changes in fair value recognised in consolidated statement of comprehensive income.

At 30 June 2009, the fair value of conversion option derivative decreased from HK$2,149,000 to HK$697,000. The gain on fair value of HK$1,452,000 was recognised in the consolidated statement of comprehensive income. The convertible redeemable preference shares and conversion option derivative liability are included in liabilities associated with assets classified as held for sale.

17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30 June 2009	**31 December 2008**	**30 June 2009**	**31 December 2008**
			HK$'000	*HK$'000*
Authorised:				
At beginning of period/year and at end of period/year	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning of period/year	283,030,000	282,830,000	28,303	28,283
Issue of shares under rights issue	141,520,000	–	14,152	–
Exercise of share options	1,390,000	200,000	139	20
At end of period/year	425,940,000	283,030,000	42,594	28,303

During the period, a total of 141,520,000 ordinary shares of the Company were issued under a rights issue at a price of HK$0.3 per share. In addition, a total of 1,390,000 ordinary shares of the Company were issued upon the exercise of 1,390,000 share options at an exercise price of HK$0.3592.

18. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

On 31 December 2008, the Company entered into a sale and purchase agreement to dispose the Group's jointly controlled entity, Benlim Limited ("Benlim"), to Benetton Asia Pacific Limited, which principally engaged in the business of sourcing and distribution of apparel and footwear at a consideration of HK$1. The transaction was completed on 1 January 2009.

The Group's share of net assets of Benlim at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment	2,858
Inventories	9,755
Trade and other receivables	9,284
Bank balances and cash	3,483
Trade and other payables	(2,648)
Net amount due to group companies	(19,843)
	2,889
Release of translation reserve	(647)
Loss on disposal of jointly controlled entity	(2,242)
Total consideration, satisfied by cash	–
Net cash inflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(3,483)
	(3,483)

No profit or loss was contributed to the Group by the jointly controlled entity disposed of during the period.

No tax charge or credit arose on loss on the disposal.

19. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options *'000*
Outstanding at 1 January 2009	14,850
Granted during the period	20,000
Exercised during the period	(1,390)
Outstanding at 30 June 2009	33,460

In the current period, share options were granted on 19 May 2009. The fair value of the options determined at the date of grant using the Binomial model were approximately HK$3,483,000.

The following assumptions were used to calculate the fair values of share options:

	19 May 2009
Grant date share price	HK$0.51
Exercise price	HK$0.51
Expected life	10 years
Expected volatility	85.171%
Dividend yield	0%
Risk-free interest rate	2.271%
Vesting period	Nil

The closing price of the Company's shares immediately before 19 May 2009, the date of grant, was HK$0.51.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$0.57.

20. CAPITAL AND OTHER COMMITMENTS

As at 30 June 2009, the Group had capital expenditure contracted but not provided in respect of property, plant and equipment of HK$746,000 (31 December 2008: HK$8,896,000).

Commitment of Well Metro in respect of opening retail shops in the PRC

During the year ended 31 December 2008, the Group entered into a franchise agreement with an independent third party for the grant of license and manufacture and distribution of the footwear and apparel under the brand name of Stonefly, for a period of ten years up from 1 January 2008 to December 2018. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops and 320 wholesales shop in the PRC within four years. At 30 June 2009, the Group has opened 31 retail shops and 15 wholesales shops and has committed to open an additional 305 wholesale shops within two years.

During the year ended 31 December 2007, the Group entered into a franchise agreement with an independent third party for the grant of franchise and distribution right in relation to footwear and apparel, under the brand name of Moschino, in PRC for a period of ten years up to May 2017. Pursuant to the franchise agreement, the Group has committed to open 30 retail shops in the PRC within five years. At 30 June 2009, the Group has opened 18 retail shops and has committed to open another 12 retail shops within three years.

21. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties:

Name of related party	Six months ended 30 June Nature of transactions	2009 *HK$'000* (unaudited)	2008 *HK$'000* (unaudited)
Long Wise (Holdings) Limited+	Service fee paid	466	906
ST#	Sales of apparel	52,679	125,674
	Sourcing income received	3,353	4,658
M.T.T. Limited*	Management fee income received	360	420
M.T.T. Yangzhou Garment Company Limited	Sourcing income received	–	446
STF (China) Limited ("STF")@	Interest income received	–	124
	Management fee income received	–	220
Lotto China Limited* ("Lotto China")	Management income received	–	345
Lotto (Nanjing) Garment Company Limited ("Lotto NJ")*	Rental income received	–	286
Shanghai Sisley Trading Company Limited ("SST")*	Purchase of apparel	–	5,036

+ The company is a minority shareholder of the Company's subsidiary.

* The company is a jointly controlled entity of the Company. Lotto China and Lotto NJ were disposed of in July 2008 and SST, a subsidiary of Benlim, was disposed of on 1 January 2009.

A director of the Company has beneficial interest in this company.

@ The Company is a jointly controlled entity of the Company before 28 April 2008. On 28 April, 2008, the Group acquired remaining 50% equity interest in STF and STF became a wholly owned subsidiary of the Group.

The remuneration of key management personnel, which represented by directors' remuneration, during the period was as follows:

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	4,536	5,257
Post-employment benefits	24	24
Share-based payment	247	1,539
	4,807	6,820

22. Events After the End of Interim Period

1. On 31 July 2009, the Group has completed the private placement of non-listed warrants. The placing agent has fully placed a total of 55,000,000 warrants to not less than six placees at the warrant issue price of HK$0.03 per warrant. The warrant exercise price of HK$0.7 per new share for a period of 18 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share. The net proceeds from the warrant placing of approximately HK$0.7 million will be applied as general working capital of the Group and any additional proceeds from the issue of new shares upon the exercise of subscription rights attaching to the warrants in future up to a maximum amount of approximately HK$38.5 million will be applied as general working capital and as funds for future development of the Group.

2. On 8 September 2009, Rising Boom Enterprise Limited, a subsidiary of the Company has conditionally agreed to acquired from Simple Success Investments Limited, Bright King Investments Limited and Bright Good Limited (collectively referred to as "Vendors") the entire equity interest in Smartview Investments Holdings Ltd at a total consideration of HK$1,156 million (subject to adjustment) involving the issuance of convertible securities and promissory notes by the Company. The principal business of Smartview Investments Holdings Ltd and its subsidiaries is provision of waste-to-energy technology and services in the PRC. The acquisition constitutes a very substantial acquisition which is subject to the independent shareholders' approval at the Extraordinary General Meeting.

3. On 15 September 2009, the Group has completed the placement of new shares. A total of 29,900,000 placing shares had been successfully placed to not less than six placees at the placing price of HK$0.60 per placing share. The gross proceeds from the placing will be up to a maximum amount of approximately HK$17.94 million. The Group plans to use the entire net proceeds from the placing up to a maximum amount of approximately HK$16.91 million for the general working capital of the Group.

4. STATEMENT OF INDEBTEDNESS

At the close of business on 30 September 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$440.3 million which comprised secured bank borrowings of approximately HK$378.5 million, unsecured bank borrowings of approximately HK$50.0 million, obligation under finance leases of approximately HK$0.9 million and bank overdrafts of HK$10.9 million. The secured bank borrowings were secured by the pledge of the Group's available for sale investments of approximately HK$2.8 million, bank deposits of approximately HK$8.6 million, financial assets at fair value through profit or loss of approximately HK$5.9 million, prepaid lease payments of approximately HK$51.9 million and property, plant and equipment of approximately HK$163.0 million.

As at the close of business on 30 September 2009, the Enlarged Group had 1,500 shares of convertible redeemable preference share with a yield to maturity in an amount equal to 5% of the issue price per annum, compounded annually, in issued. The nominal value of these convertible redeemable preference share was amounted to approximately HK$90,859,000. One convertible redeemable preference share can be converted to one ordinary share of Well Metro Group Limited at any time after date of issuance, subject to certain adjustments including adjustment on conversion ratio based on actual profit of the Disposal Group, and is redeemable at an amount equal to nominal value plus any accrued yield by the holder after three years from date of issuance. The convertible redeemable preference shares were subsequently transfer to Primewill Investments Limited on the completion of the Disposal.

As at the close of business on 30 September 2009, the Enlarged Group has the following litigations:

1) A company engaging in construction and installation initiated legal proceedings against a subsidiary of the Enlarged Group in the Shanghai Jinshan People's Court. The claim amounted to approximately HK$1,469,000 for a dispute on a construction contract amount due and the litigation expenses; and

2) A company engaging in road and bridge construction initiated legal proceedings against a subsidiary of the Enlarged Group in the Shanghai Jinshan People's Court. The claim amounted to approximately HK$520,000 for a dispute on a construction contract amount due and the litigation expenses.

Even though the final outcome of the proceedings is still uncertain as of the date of this circular, the directors of the Company are of the opinion that the respective ultimate liability of these two outstanding litigations, if any, will not have a material adverse impact upon the Enlarged Group's financial position.

Save as aforesaid and apart from intra-Enlarged Group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any bank borrowings, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgage, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 September 2009.

5. WORKING CAPITAL

The Directors are of the opinion that taking into account the Enlarged Group's present available internal resources, the Enlarged Group will have sufficient working capital for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that, save as disclosed in the Company's interim report for the 6 months ended 30 June 2009, there has been no material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited financial statements were made up.

7. VALUATION OF THE PROPERTY INTEREST

To comply with the Listing Rules, Asset Appraisal Limited has been engaged to value the property interests of the Enlarged Group. Details of the Property Valuation Report are set out in Appendix VII to this Circular. Disclosure of the reconciliation of the net book value and the valuation as required under Rules 5.07 of the Listing Rules is set out below:

The Group

	Land and Building
	HK$'000
Valuation of the property interest as at 30 October 2009 as set out in the Property Valuation Report included in Appendix VII to this circular	230,289
Net book value of the property interest as at 30 June 2009	204,293
Less: Depreciation and amortisation for the period from 1 July 2009 to 30 October 2009	(1,884)
Net Book Value of the property interest as at 30 October 2009 *(Note 1)*	202,409
Valuation surplus	27,880

Note 1: The net book value of the property interest of the Group as at 30 October 2009 is a total of the net book value of building of the Group as at 30 October 2009 and the lease prepayment of medium term leasehold land in the PRC of the Group as at 30 October 2009

The Target Company

	Land and Building
	HK$'000
Valuation of the property interest as at 30 October 2009 as set out in the Property Valuation Report included in Appendix VII to this circular	103,800
Net book value of the property interest as at 31 July 2009	80,149
Less: Depreciation and amortisation for the period from 1 August 2009 to 30 October 2009	(530)
Net Book Value of the property interest as at 30 October 2009 *(Note 1)*	79,619
Valuation surplus	24,181

Note 1: The net book value of the property interest of the Target Company as at 30 October 2009 is a total of the net book value of building of the Target Company amounting to approximately HK$25,864,000 as at 30 October 2009, the lease prepayment of medium term leasehold land in the PRC of the Target Company amounting to approximately HK$35,604,000 as at 30 October 2009 and concession intangible assets of the Target Company amounting to approximately HK$18,151,000 as at 30 October 2009.

Note 2: The property interest of RMB45,800,000 is excluded in the above reconciliation as the said property is belonged to Shanghai Biomax Grew Energy Park Company Limited, the associated company of the Target Company.

The following is the full text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants of the Company, Grant Thornton, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix VIII to this circular, a copy of the following accountants' report is available for public inspection.

Grant Thornton
均富

Member of Grant Thornton International Ltd

23 November 2009

The Directors
Hembly International Holdings Limited
36/F, No. 1 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Smartview Investment Holdings Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for each of the three years ended 31 December 2006, 2007 and 2008 and the seven months ended 31 July 2009 (the "Relevant Periods") and notes thereto, prepared on the basis of presentation set forth in Section II below (the "Financial Information"), for inclusion in the circular issued by Hembly International Holdings Limited (the "Company") dated 23 November 2009 (the "Circular"), in connection with the proposed acquisition of 100% interest in the Target Company (the "Acquisition").

The Target Company was incorporated in the British Virgin Islands ("BVI") on 8 January 2003 with limited liability. The Target Company is principally engaged in investment holding. The principal activity of the Target Group is to carry out waste-to-energy projects by which municipal solid wastes would be processed and used for power generation. The Target Group also provides consultancy services in relation to waste-to-energy technology development, design, system implementation, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the People's Republic of China (the "PRC").

Details of the Target Company's direct and indirect interests in its subsidiaries at the date of this report are set out in note 1 of Section II. All subsidiaries have adopted 31 December as their financial year end date. Details of the financial statements of the subsidiaries that are subject to audit and the names of the respective auditors are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Financial Information for the Relevant Periods are prepared based on the Underlying Financial Statements.

DIRECTORS' RESPONSIBILITY

The directors of the Target Company are responsible for the contents of the Circular in which this report is included.

For the Financial Information, the directors of the Target Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the comparative financial information for the seven months ended 31 July 2008, the directors of the Target Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in note 3 of section II below which are in conformity with HKFRSs.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the Financial Information, our responsibility is to express an opinion based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the Financial Information, and carried out independent audit procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" issued by the HKICPA.

For the comparative financial information for the seven months ended 31 July 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400, "Engagements to Review Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information gives a true and fair view of the financial positions of the Target Group and the Target Company as at 31 December 2006, 2007 and 2008 and 31 July 2009 and of the results and cash flows of the Target Group for the respective years/period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the comparative financial information for the seven months ended 31 July 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 3 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

		Year ended 31 December			Seven months ended 31 July	
		2006	2007	2008	2009	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(unaudited)
Revenue	*6*	2,996	128,669	160,051	2,639	39,330
Cost of sales and services		(5,099)	(91,549)	(95,266)	(2,039)	(32,122)
Gross (loss)/profit		(2,103)	37,120	64,785	600	7,208
Other income	*6*	33	101	1,220	1,336	487
Selling and distribution costs		–	(494)	(15)	–	(75)
Administrative expenses		(10,567)	(15,657)	(24,272)	(23,167)	(13,138)
Finance costs	*8*	(14)	(485)	(2,544)	(1,144)	(1,610)
(Loss)/profit before income tax	*9*	(12,651)	20,585	39,174	(22,375)	(7,128)
Income tax expense	*10*	(54)	(5,313)	(16,897)	(358)	(1,867)
(Loss)/profit for the year/period		(12,705)	15,272	22,277	(22,733)	(8,995)
Other comprehensive income/ (loss) for the year/period		280	2,276	5,472	(195)	5,536
Total comprehensive (loss)/ income for the year/period		(12,425)	17,548	27,749	(22,928)	(3,459)
(Loss)/profit for the year/period attributable to:						
Equity holders of the Target Company		(11,590)	14,236	19,532	(22,644)	(7,331)
Minority interests		(1,115)	1,036	2,745	(89)	(1,664)
		(12,705)	15,272	22,277	(22,733)	(8,995)
Total comprehensive income/ (loss) attributable to:						
Equity holders of the Target Company		(11,415)	15,813	22,729	(22,839)	(4,704)
Minority interests		(1,010)	1,735	5,020	(89)	1,245
		(12,425)	17,548	27,749	(22,928)	(3,459)

Consolidated Statements of Financial Position

		At 31 December			At 31 July
		2006	2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*14*	3,549	29,703	36,006	34,535
Land use rights	*15*	–	2,182	36,648	35,917
Goodwill	*16*	–	–	11,853	11,853
Other intangible assets	*19*	2,943	3,273	8,190	7,334
Available-for-sale investment	*20*	19,586	22,383	22,383	34,700
Deposit for potential investment	*21*	–	–	11,364	11,364
Loan to a related party	*22*	177	133	–	–
Amount due from grantor for contract work	*23*	–	39,794	96,586	99,255
		26,255	97,468	223,030	234,958
Current assets					
Trade receivables	*24*	–	22,800	79,998	79,939
Prepayments, deposits and other receivables		33,105	16,713	18,996	21,314
Loan to a related party	*22*	121	121	13	–
Due from a shareholder	*29*	–	–	–	2,829
Due from minority equity holders of subsidiaries	*25*	1,611	1,611	–	–
Pledged bank deposits	*26*	–	–	71,591	71,591
Cash and bank balances	*26*	10,394	21,136	56,591	6,070
		45,231	62,381	227,189	181,743
Current liabilities					
Trade payables	*27*	–	15,079	18,061	18,061
Deposits received, other payables and accruals		23,362	3,726	12,957	12,831
Borrowings, secured	*28*	8,000	4,988	41,359	36,364
Due to a shareholder	*29*	57,890	102,297	6,391	–
Due to a related company	*30*	–	–	11,359	12,171
Due to minority equity holders of subsidiaries	*25*	701	14,577	–	–
Finance lease payables	*31*	76	76	76	76
Tax payables		–	2,948	15,608	15,608
		90,029	143,691	105,811	95,111
Net current (liabilities)/assets		(44,798)	(81,310)	121,378	86,632
Total assets less current liabilities		(18,543)	16,158	344,408	321,590
Non-current liabilities					
Finance lease payables	*31*	304	227	152	108
Deferred tax	*32*	–	2,296	6,396	6,550
		304	2,523	6,548	6,658
Net (liabilities)/assets		(18,847)	13,635	337,860	314,932

Consolidated Statements of Financial Position *(Continued)*

		At 31 December			At 31 July
		2006	**2007**	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CAPITAL DEFICIENCY/EQUITY					
(Capital deficiency)/equity attributable to equity holders of the Target Company					
Share capital	*33*	8	8	78	78
Reserves	*34(a)*	(24,923)	(9,110)	294,566	271,727
		(24,915)	(9,102)	294,644	271,805
Minority interests		6,068	22,737	43,216	43,127
(Capital deficiency)/total equity		(18,847)	13,635	337,860	314,932

Statements of Financial Position

		At 31 December			At 31 July
		2006	**2007**	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Investment in a subsidiary	*17*	17,280	17,280	17,280	17,280
Current assets					
Amount due from a subsidiary	*18*	–	–	268,527	268,462
Cash and bank balances	*26*	–	–	212	212
		–	–	268,739	268,674
Current liabilities					
Accruals		40	50	560	1,010
Amount due to a subsidiary	*18*	15,882	15,888	–	–
Amount due to a shareholder	*29*	1,397	1,397	5,136	5,136
		17,319	17,335	5,696	6,146
Net current (liabilities)/assets		(17,319)	(17,335)	263,043	262,528
Net (liabilities)/assets		(39)	(55)	280,323	279,808
CAPITAL DEFICIENCY/EQUITY					
Share capital	*33*	8	8	78	78
Reserves	*34(b)*	(47)	(63)	280,245	279,730
(Capital deficiency)/total equity		(39)	(55)	280,323	279,808

Consolidated Statements of Changes in Equity

	(Capital deficiency)/equity attributable to equity holders of the Target Company					Minority interests	(Capital deficiency)/ total equity
	Issued share capital	Share premium	Exchange fluctuation reserve	(Accumulated losses)/ retained earnings	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	8	–	47	(13,555)	(13,500)	3,010	(10,490)
Capital contribution from a minority shareholder	–	–	–	–	–	4,068	4,068
Transactions with owners	–	–	–	–	–	4,068	4,068
Exchange realignment	–	–	175	–	175	105	280
Loss for the year	–	–	–	(11,590)	(11,590)	(1,115)	(12,705)
Total comprehensive income/ (expense) for the year	–	–	175	(11,590)	(11,415)	(1,010)	(12,425)
At 31 December 2006 and 1 January 2007	8	–	222	(25,145)	(24,915)	6,068	(18,847)
Capital contribution from a minority shareholder	–	–	–	–	–	14,934	14,934
Transactions with owners	–	–	–	–	–	14,934	14,934
Exchange realignment	–	–	1,577	–	1,577	699	2,276
Profit for the year	–	–	–	14,236	14,236	1,036	15,272
Total comprehensive income/ (expense) for the year	–	–	1,577	14,236	15,813	1,735	17,548
At 31 December 2007 and 1 January 2008	8	–	1,799	(10,909)	(9,102)	22,737	13,635
Repurchase and cancellation of 20 ordinary shares *(note 33(b))*	(1)	–	–	–	(1)	–	(1)
Issue of 20 ordinary shares *(note 33(b))*	1	–	–	–	1	–	1
Issue of 6,000 ordinary shares and 3,000 Series A shares, net of share issue expenditure *(note 33(b) and (c))*	70	280,947	–	–	281,017	–	281,017
Acquisition of subsidiaries *(note 35)*	–	–	–	–	–	3,550	3,550
Acquisition of additional interest in subsidiaries	–	–	–	–	–	(3,550)	(3,550)
Capital contribution from a minority shareholder	–	–	–	–	–	15,459	15,459
Transactions with owners	70	280,947	–	–	281,017	15,459	296,476
Exchange realignment	–	–	3,197	–	3,197	2,275	5,472
Profit for the year	–	–	–	19,532	19,532	2,745	22,277
Total comprehensive income/ (expense) for the year	–	–	3,197	19,532	22,729	5,020	27,749
At 31 December 2008 and at 1 January 2009	78	280,947	4,996	8,623	294,644	43,216	337,860
Exchange realignment	–	–	(195)	–	(195)	–	(195)
Loss for the period	–	–	–	(22,644)	(22,644)	(89)	(22,733)
Total comprehensive income/ (expense) for the period	–	–	(195)	(22,644)	(22,839)	(89)	(22,928)
At 31 July 2009	78	280,947	4,801	(14,021)	271,805	43,127	314,932

Consolidated Statements of Changes in Equity *(Continued)*

	(Capital deficiency)/equity attributable to equity holders of the Company					Minority Interests	(Capital deficiency)/ total equity
	Issued share capital	Share premium	Exchange fluctuation reserve	(Accumulated losses)/ retained earnings	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(unaudited)							
At 1 January 2008	8	–	1,799	(10,909)	(9,102)	22,737	13,635
Issue of share capital, net of share issue expenditure *(note 33(b) and (c))*	70	280,947	–	–	281,017	–	281,017
Acquisition of subsidiaries *(note 35)*	–	–	–	–	–	3,550	3,550
Capital contribution from a minority shareholder	–	–	–	–	–	15,459	15,459
Transactions with owners	70	280,947	–	–	281,017	19,009	300,026
Exchange realignment	–	–	2,627	–	2,627	2,909	5,536
Loss for the period	–	–	–	(7,331)	(7,331)	(1,664)	(8,995)
Total comprehensive income/ (expense) for the period	–	–	2,627	(7,331)	(4,704)	1,245	(3,459)
At 31 July 2008	78	280,947	4,426	(18,240)	267,211	42,991	310,202

Consolidated Statements of Cash Flows

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Cash flows from operating activities					
(Loss)/profit before income tax	(12,651)	20,585	39,174	(22,375)	(7,128)
Adjustments for:					
Depreciation	496	747	3,609	1,999	1,386
Amortisation of prepaid land lease payments	–	26	658	731	623
Amortisation of intangible assets	480	480	1,171	856	523
Loss on disposal/written-off of items of property, plant and equipment	106	31	–	94	–
Gain on disposal of a subsidiary	–	–	(252)	–	(252)
Finance costs	14	485	2,544	1,144	1,610
Bank interest income	(33)	(101)	(968)	(1,336)	(235)
Operating (loss)/profit before working capital changes	(11,588)	22,253	45,936	(18,887)	(3,473)
Increase in amount due from grantor for contract work *(note 36(b))*	–	(25,566)	(53,336)	(2,639)	(6,538)
Decrease/(increase) in trade receivables	199	(22,800)	(57,198)	59	(29,435)
(Increase)/decrease in prepayments, deposits and other receivables	(22,233)	3,419	1,033	(2,318)	(41,343)
Increase in trade payables	–	15,079	2,982	–	3,154
Increase/(decrease) in deposits received, other payables and accruals	21,990	(19,636)	3,974	(126)	17
Cash used in operations	(11,632)	(27,251)	(56,609)	(23,911)	(77,618)
Interest paid	(14)	(485)	(2,544)	(1,144)	(1,610)
Interest received	33	101	968	1,336	235
Tax paid	(54)	–	(183)	(206)	(132)
Net cash used in operating activities	(11,667)	(27,635)	(58,368)	(23,925)	(79,125)

Consolidated Statements of Cash Flows *(Continued)*

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Cash flows from investing activities					
Increase in investment in an available-for-sale investment	(14,586)	(2,797)	–	(12,317)	–
Increase in deposit for potential investment	–	–	(11,364)	–	(11,364)
Increase in pledged bank deposits	–	–	(71,591)	–	(3,409)
Purchases of items of property, plant and equipment	(1,191)	(25,943)	(6,282)	(622)	(4,533)
Addition of prepaid land lease payments	–	(2,188)	–	–	–
Additions of other intangible assets	–	(911)	(5,507)	–	(5,214)
Proceeds from disposal of items of property, plant and equipment	212	–	–	–	–
Net outflow of cash and cash equivalents on disposal of subsidiaries *(note 36(a))*	–	–	(139)	–	(139)
Acquisition of a subsidiary net of cash and cash equivalent acquired *(note 35)*	–	–	(115,590)	–	(115,590)
Further acquisition of a subsidiary	–	–	(4,074)	–	–
Net cash used in investing activities	(15,565)	(31,839)	(214,547)	(12,939)	(140,249)

Consolidated Statements of Cash Flows *(Continued)*

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Cash flows from financing activities					
Proceeds from insurance of share capital	–	–	281,017	–	281,017
New bank loan	8,000	–	36,364	–	43,472
Repayment of bank loan	–	(8,000)	–	–	–
Repayment of loan to a related party	127	44	241	13	169
Increase/(decrease) in an amount due from a shareholder	22,782	44,407	(21,450)	(9,220)	(4,571)
Increase in amount due to a related company	–	–	11,359	812	10,508
Increase in amounts due to minority equity holders of subsidiaries	281	13,876	882	–	8,292
Capital contribution from a minority shareholder *(note 36(b))*	4,068	14,934	–	–	–
Capital element of finance lease rental payments, net	(238)	(77)	(75)	(44)	(44)
Net cash generated from/(used in) financing activities	35,020	65,184	308,338	(8,439)	338,843
Net increase/(decrease) in cash and cash equivalents	7,788	5,710	35,423	(45,303)	119,469
Cash and cash equivalents at the beginning of the year/period	2,713	10,394	16,148	51,596	16,148
Effect of foreign exchange rate change, net	(107)	44	25	(223)	(20)
Cash and cash equivalents at the end of the year/period	10,394	16,148	51,596	6,070	135,597
Analysis of balances of cash and cash equivalents					
Cash and bank balances	10,394	21,136	56,591	6,070	140,538
Bank overdrafts	–	(4,988)	(4,995)	–	(4,941)
	10,394	16,148	51,596	6,070	135,597

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in British Virgin Islands. Its registered office is located at 36/F, No.1 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Target Company is principally engaged in investment holding.

At the date of this report, the particulars of the subsidiaries in which the Target Company has direct or indirect interests are set out as follows:

Name	Date of incorporation and place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
Beijing Yiqing Biomax Green Energy Park Company Limited ("BJ Yiqing Biomax")* 北京一清百瑪士綠色能源有限公司 *(note 1)*	6 October, 2004 PRC	RMB80,845,000	–	60	Municipal solid waste recycling treatment
Bio-HSeghers Limited *(note 2)*	19 August 2006 Hong Kong ("HK")	HK$100	–	100	Dormant
Biomax Environment Holdings Limited *(note 2)*	6 December 2000 HK	HK$20,000,000	100 *(note 7)*	–	Investment holding
Biomax Environment Technology Germany GmbH *(note 3)*	10 May 2005 Germany	EUR25,000	–	100	Provision of procurement and consulting services
Biomax Environmental Technology (Beijing) Company Limited (Shanghai Branch)* 百瑪士環保科技(北京)有限公司上海分公司 *(note 1)*	25 August 2004 PRC	NA	–	100	Provision of engineering procurement, commissioning and consulting services
Biomax Environmental Technology Limited *(note 2)*	22 April 2003 HK	HK$100	–	100	Investment holding and provision of engineering service
Biomax Environmental Technology (Beijing) Company Limited* 百瑪士環保科技(北京)有限公司 *(note 1)*	16 May 2003 PRC	US$400,000	–	100	Provision of engineering procurement, commissioning and consulting services
Biomax Environmental Technology Group Limited *(notes 3 and 8)*	12 September 2006 BVI	US$50,000	–	100	Investment Holding

Name	Date of incorporation and place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Biomax Global Resources Investment Limited *(note 3)*	1 November 2007 HK	HK$1	–	100	Dormant
Biomax Green Energy (Chengdu) Holdings Limited *(note 3)*	27 August 2007 BVI	HK$390,000,000	–	100	Investment holding
Biomax Green Energy (Chengdu) Investment Limited *(note 3)*	6 September 2007 HK	HK$1,000,000	–	100	Investment holding
Biomax Green Energy (Guangzhou) Services Holdings Limited *(note 3)*	9 August 2007 BVI	HK$390,000,000	–	100	Investment holding
Biomax Green Energy (Guangzhou) Services Investment Limited *(note 3)*	14 August 2007 HK	HK$1,000,000	–	100	Investment holding
Biomax Green Energy (GZ) Holdings Limited* 百瑪士綠色能源(廣州)控股有限公司 *(note 3)*	10 July 2007 BVI	HK$390,000,000	–	100	Investment holding
Biomax Green Energy (GZ) Investment Limited *(note 3)*	23 July 2007 HK	HK$1,000,000	–	100	Investment holding
Biomax Green Energy (Jinshan) Holdings Limited *(note 3)*	10 July 2007 BVI	HK$390,000,000	–	100	Investment holding
Biomax Green Energy (Jinshan) Investment Limited *(note 3)*	23 July 2007 HK	HK$1,000,000	–	100	Investment holding
Biomax Green Energy (Nanchang) Holdings Limited *(note 3)*	31 October 2008 BVI	US$7,800	–	100	Investment holding
Biomax Green Energy (Nanchang) Investment Limited ("Biomax GE (Nanchang)") *(note 3)*	12 November 2008 HK	HK$600,000,000	–	100	Investment holding
Biomax Green Energy (Nanjing) Holdings Limited *(note 3)*	10 July 2007 BVI	HK$390,000,000	–	100	Investment holding
Biomax Green Energy (Nanjing) Investment Limited *(note 3)*	23 July 2007 HK	HK$1,000,000	–	100	Investment holding
Biomax Green Energy (Shenzhen) Holdings Limited *(note 3)*	3 September 2007 BVI	HK$390,000,000	–	100	Investment holding

Name	Date of incorporation and place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
Biomax Green Energy (Shenzhen) Investment Limited *(note 3)*	28 September 2007 HK	HK$1,000,000	–	100	Dormant
Biomax Green Energy Group Limited *(note 3)*	18 May 2007 BVI	US$100	–	100	Investment holding
Biomax Green Energy Investment Management (Shanghai) Limited* 百瑪士綠色能源投資管理(上海)有限公司 *(notes 4 and 5)*	31 July 2007 PRC	US$5,400,000	–	100	Provision of consulting services
Biomax Green Energy Investment Management Consulting (Shanghai) Company Limited (Beijing Branch)* 百瑪士綠色能源投資管理咨詢(上海)有限公司 北京分公司 *(notes 4 and 5)*	2 November 2007 PRC	NA	–	100	Provision of consulting services
Biomax Green Energy Park Holdings Company Limited *(note 3)*	18 May 2007 BVI	USD100	–	100	Investment holding
Biomax Green Energy Park Investment Company Limited *(note 2)*	24 October 2003 HK	HK$100	–	100	Investment holding
Biomax Green Energy Services Holdings Limited *(note 3)*	18 May 2007 BVI	US$100	–	100	Investment holding
Biomax Yangzhou Environmental Park Holdings Limited *(note 4)*	30 November, 2007 BVI	US$1,000	–	100	Investment holding
Biomax Yangzhou Environmental Park Investment Limited *(note 4)*	6 December 2007 HK	HK$16,000,000	–	100	Investment holding
Boom Kind Investments Limited *(note 3)*	7 July 2006 BVI	US$50,000	–	100	Dormant
Ever Castle Investment Limited *(note 2)*	21 April 2006 HK	HK$1	–	100	Investment holding
J&B Environment Limited *(note 2)*	14 March 2003 HK	HK$100	–	100	Investment holding
MBT (Beijing) Recycling Company, Limited *(note 1)*	29 December 2006 PRC	US$1,000,000	–	100	Provision of consulting service

Name	Date of incorporation and place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
MBT Recycling Limited *(note 2)*	17 March 2006 HK	HK$6,000,000	–	100	Investment holding
Pride Award Investment Limited *(note 3)*	8 April 2004 BVI	US$100	–	100	Investment holding
Shanghai Environmental Biomax Investment Limited ("SHEBI")* 上海環境百瑪士投資有限公司 *(note 1)*	13 July 2005 PRC	RMB100,000,000	–	100	Provision of technical services
Shanghai Jinshan Biomax Green Energy Company, Limited ("SH Jinshan Biomax")* 上海金山百瑪士綠色能源有限公司 *(note 1)*	13 September 2006 PRC	RMB73,800,000	–	100	Trading of chemical raw material and product, provision of technical service
Super Pride Investments Limited *(note 3)*	3 January 2006 BVI	US$50,000	–	100	Investment holding
Win Concept Enterprises Limited *(note 2)*	18 August 2006 HK	HK$100	–	100	Provision of technical services and trading of equipment
Yangzhou Biomax Environmental Development Limited* 揚州百瑪士環保產業發展有限公司 *(note 1)*	21 December 2007 PRC	US$15,000,000	–	100	Provision of technical services and trading of equipment
Nangchang Biomax Green Energy Park Company Limited* 南昌百瑪士綠色能源有限公司 *(note 6)*	23 September 2009 PRC	RMB60,000,000	–	100	Production and operating of factories for municipal solid waste treatment

* *The English translation of the company names is for reference only. The official names of these companies are in Chinese.*

Notes:

1) Statutory audited financial statements of these subsidiaries for the years ended 31 December 2006, 2007 and 2008 were audited by the following auditors:

	Auditors for the year ended 31 December		
Name	**2006**	**2007**	**2008**
BJ Yiqing Biomax	中與宇會計師事務所	北京金海藍天會計師事務所	北京金海藍天會計師事務所
Biomax Environmental Technology (Beijing) Company Limited (Shanghai Branch)	華辰會計師事務所	華辰會計師事務所	華辰會計師事務所
Biomax Environmental Technology (Beijing) Company Limited	華辰會計師事務所	華辰會計師事務所	華辰會計師事務所
MBT (Beijing) Recycling Company, Limited	*note (i)*	華辰會計師事務所	華辰會計師事務所
Shanghai Biomax Green Energy Park Company Limited	上海上審會計師事務所有限公司	上海上審會計師事務所有限公司	上海上審會計師事務所有限公司
SHEBI	萬隆會計師事務所有限公司	上海定坤會計師事務所有限公司	上海定坤會計師事務所有限公司
SH Jinshan Biomax	*note (i)*	上海眾華滬銀會計師事務所	上海定坤會計師事務所有限公司
Yangzhou Biomax Environmental Development Limited	*note (i)*	*note (i)*	揚州弘瑞會計師事務所

(i) No statutory audited financial statements have been prepared as these companies had not been incorporated during the respective year end dates.

2) Financial statements for the years ended 31 December 2006 and 2007 prepared in accordance with the HKFRSs have been audited by Ernst & Young, Certified Public Accountants, Hong Kong. As at the date of this report, the audited financial statements for the year ended 31 December 2008 have not been issued.

3) No statutory audited financial statements have been prepared for these subsidiaries as there were no statutory audit requirements or they were dormant since incorporation/during the Relevant Periods or there were either no statutory audit requirements.

4) These subsidiaries were incorporated during the year ended 31 December 2007. The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by上海定坤會計師事務所有限公司.

5) The company was formerly known as Biomax Green Energy Investment Management Consultancy (Shanghai) Limited 百瑪士綠色能源投資管理咨詢(上海)有限公司. It was renamed to Biomax Green Energy Investment Management (Shanghai) Limited 百瑪士綠色能源投資管理(上海)有限公司 on 2 January 2009.

6) The company was incorporated after 31 July 2009. No audited financial statements have been prepared since the date of incorporation up to the date of this report.

7) The Target Group's equity interest in this company was 86.4% for the years ended 31 December 2006 and 2007. The Target Group acquired the remaining 13.6% equity interest at a consideration of HK$2 during the year ended 31 December 2008.

8) The company was formerly known as Business Up Investment Limited. It was renamed to Biomax Environmental Technology Group Limited on 10 September 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

The HKICPA issued a number of new and revised HKFRSs which are effective during the Relevant Periods and in preparing the Financial Information and the Underlying Financial Statements, the Target Group has consistently adopted all these new and revised HKFRSs throughout the Relevant Periods.

At the date of authorisation of these Financial Information, the Target Group has not early adopted the following new or amended HKFRSs that have been published but are not yet effective:

HKAS 24 (Revised)	Related Party Disclosures [5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Classification of Right Issues [4]
HKAS 39 (Amendment)	Eligible hedge items [1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs [1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [2]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions [2]
HKFRS 3 (Revised)	Business Combinations [1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers [3]
Various	Annual Improvements to HKFRS 2009 [6]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for transfer received on or after 1 July 2009

[4] Effective for transfer received on or after 1 January 2011

[5] Effective for transfer ditto on or after 1 February 2010

[6] Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

The directors of the Target Company anticipate that all of the pronouncements will be adopted in the Target Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKFRS 3 (Revised), Business Combination, and HKAS 27 (Revised), Consolidated and Separate Financial Statements are expected to materially change the presentation of the Target Group's financial statements.

HKFRS 3 (Revised) may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are ''capable of being conducted'' rather than ''are conducted and managed''. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. All acquisition-related costs should be expensed.

HKAS 27 (Revised) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

The directors of the Target Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors of the Target Company have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Target Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation

The Financial Information has been prepared in accordance with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these Financial Information are summarised below. These policies have been consistently applied throughout the Relevant Periods.

The Financial Information has been prepared on the historical cost basis except for available-for-sale financial assets. The measurement bases are fully described in the accounting polices below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

3.2 Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiaries for the Relevant Periods.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Target Group has the power to control the financial and operating polices so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are excluded from the consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Target Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the combined financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Target Company's statement of financial positions, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable at the year end date.

Minority interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Target Group and are not the Target Group's financial liabilities.

Minority interests are presented in the consolidated statements of financial position within equity, separately from the equity attributable to the equity holders of the Target Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Target Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Target Group's interests. If the subsidiary subsequently report profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Target Group has been recovered.

3.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Target Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At year/period end date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the year/period end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the year/period end date retranslation of monetary assets and liabilities are recognised in the profit or loss for the period.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Target Group's presentation currency, have been converted into Hong Kong Dollars. Assets and liabilities have been translated into Hong Kong Dollars at the closing rate at the year/period end date. Income and expenses have been converted into Hong Kong Dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit or loss for the period as part of the gain or loss on sale.

3.5 Revenue

Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Revenue from construction contracts is recognised by reference to the percentage of completion of the contract at the year/period end date (see note 3.14).

Service income is recognised in the accounting period in which the testing and consulting services are rendered, by reference to the percentage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue from waste treatment is recognised when the service are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

3.6 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

3.7 Goodwill

Goodwill represents the excess of the cost of a business combination or an investment over the Target Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Target Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.11).

Any excess of the Target Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described below in note 3.11. Amortisation commences when the intangible assets are available for use.

Technology know-how

Purchased technology know-how for waste treatment and waste-to-energy business is stated at cost less any impairment losses and is amortised on the straight-line basis over their estimated useful life of 10 years.

Concession intangible assets

Concession intangible assets represent the consolidation received or receivable by the Target Group for the constructive services rendered under certain service concession arrangements. Concession intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concessions granted to the Target Group ranging from 27 to 28 years after the commencement of operation.

3.9 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	Over the shorter of lease terms and 4%
Leasehold improvements	Over the shorter of lease terms and 20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each year/period end date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss for the period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

3.10 Service concession arrangements

Service concession arrangements are accounted for as follows if:

(a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(b) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Target Group's rights over the infrastructure

Infrastructure constructed by the Target Group under service concession arrangements is not recognised as property, plant and equipment of the Target Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Target Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Consideration received or receivable by the Target Group for the construction services

Consideration received or receivable by the Target Group for the construction services rendered under service concession arrangements are recognised at their fair value as a financial asset or an intangible asset.

A financial asset (loan and receivable) is recognised to the extent that (a) the Target Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Target Group for the right to charge users of the public services; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Target Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Target Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Target Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset (loan and receivable) is accounted for in accordance with the policy set out for "Financial assets" in note 3.13.

An intangible asset (concession intangible asset) is recognised to the extent that the Target Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 3.8.

If the Target Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" in note 3.14.

Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "Revenue" in note 3.5.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Target Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the waste treatment and waste-to-energy plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the waste treatment and waste-to-energy plants are recognised and measured in accordance with the policy set out for "Provisions and contingent liabilities" in note 3.20.

3.11 Impairment of non-financial assets

Goodwill, concession intangible assets and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Target Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

Finance leases

Where the Target Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Where the Target Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3.13 Financial assets

Financial assets other than hedging instruments are classified into the following categories:

– held-to-maturity investments

– financial assets at fair value through profit or loss

– loans and receivables

– available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Target Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each year/period end date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each year/period end date subsequent to initial recognition.

Impairment of financial assets

At each year/period end date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the profit or loss for the period. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Target Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available for sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period.

3.14 Construction contracts

Revenue from construction contracts is recognised in accordance with the policies as set out in note 3.5. When the outcome of the contract can be estimated reliably, revenue on construction contracts is determined using the percentage of completion method. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If the contract is considered profitable, it is valued at cost plus attributable profits by reference to the percentage of completion.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred and contract revenue is recognised only to the extent of contract cost incurred to the extent future it is probable the costs will be recoverable.

Costs mainly comprise materials, direct labour and sub-contractors' fees. Costs incurred during the year in connection with future activity of a contract are recognised as prepayment.

3.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the year/period end date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss for the period.

Deferred tax is calculated using the liability method on temporary differences at the year/period end date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the year/period end date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss for the period, or in equity if they relate to items that are charged or credited directly to equity.

3.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

3.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Convertible preferred shares, which are non-redeemable or redeemable at the Target Group's option, and any dividends are discretionary, are classified as equity. Dividends on these preferred shares are recognised as distributions within equity. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Target Group's own equity instruments is classified as equity.

3.18 Employee Benefits

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss for the period as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Target Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss for the period as they become payable in accordance with the rules of the central pension scheme.

3.19 Financial liabilities

Financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss for the period.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.12).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss for the period over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the year/period end date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.20 Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each year/period end date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

3.21 Related parties

For the purposes of these financial statements, a party is considered to be related to the Target Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Target Group or exercise significant influence over the Target Group in making financial and operating policy decisions, or has joint control over the Target Group;

(ii) the Target Group and the party are subject to common control;

(iii) the party is an associate of the Target Group or a joint venture in which the Target Group is a venturer;

(iv) the party is a member of key management personnel of the Target Group or the Target Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Target Group or of any entity that is a related party of the Target Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.22 Operating segment

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers. Segment assets consist primarily of property, plant and equipment, other concession intangible asset, intangible asset, financial assets and other assets. Segment liabilities comprise primarily liabilities to trade payables, deposits received, other payables and accruals, borrowings, amount due to a shareholder and amount due to a related company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of goodwill

The Target Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.11. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Depreciation and amortisation

The Target Group depreciates the property, plant and equipment and amortises prepaid land lease payments, concession intangible assets and other intangible assets (other than goodwill) in accordance with the accounting policies stated in notes 3.9 and 3.8 respectively. The estimated useful lives reflect the estimates of the Target Company's directors of the periods that the Target Group intends to derive future economic benefits from the use of these assets.

Allowance for and written off of irrecoverable receivables

The Target Group's management determines the allowance for irrecoverable receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. When the Target Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for debtors are estimated. The management of the Target Group reassesses the estimations at the year/period end date.

When the Target Group's management determines the debtors are uncollectible, they are written off against the allowance account for debtors. Any amount held in the allowance account in respect of those debtors is reversed.

Percentage of completion of construction work and service contracts

The Target Group recognises revenue for construction work and service contracts (including the service concession arrangement) according to the percentage of completion of the individual contract of construction or service work.

Revenue from the construction of a waste treatment and waste-to-energy plant under the terms of a service concession agreement is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of agreement applicable to similar construction services rendered in similar location, and is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

The Target Group's management estimates the percentage of completion of construction work based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date when the activity is completed is usually fall into different accounting periods.

The Target Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contraction contract as the contract progresses.

Classification between financial asset and/or intangible asset under HK(IFRIC) – Int 12 Service Concession Arrangements

As explained in note 3.10, the Target Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Target Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, requires the Target Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future waste treatment volume and electricity generation capacity of the relevant waste treatment and waste-to-energy plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Target Group's management based on their experience and assessment on current and future market condition.

Taxation

The Target Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in periods in which such determination are made.

5. SERVICE CONCESSION ARRANGEMENTS

The Target Group has entered into a number of service concession arrangements with certain government authorities in the PRC on a Build-Operate-Transfer ("BOT") basis in respect of its waste treatment and waste-to-energy businesses. These service concession arrangements generally involve the Target Group as an operator (i) constructing waste treatment and waste-to-energy plants for those arrangements on a BOT basis; (ii) operating and maintaining the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 27 to 28 years (the "Service Concession Periods"), and the Target Group will be paid for its service over the relevant Service Concession Periods at prices stipulated through a pricing mechanism.

The Target Group is entitled to use all the property, plant and equipment of the waste treatment and waste-to-energy plants, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Target Group must provide with the waste treatment and waste-to-energy plants, and retain the beneficial entitlement to any residual interest in the waste treatment and waste-to-energy plants at the end of the term of Service Concession Periods.

Each of these service concession arrangements is governed by a contract and, where applicable, supplemental agreements entered into between the Target Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Target Group, specific obligations levied on the Target Group to restore the waste treatment and waste-to-energy plants to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes. The accounting policies in respect of the classification of the service concession arrangements between financial assets (loans and receivables) and intangible assets (concessions intangible assets) are set out in "Service concession arrangements" in note 3.10.

As at 31 July 2009, the Target Group had two service concession arrangements on waste-to-energy business in the PRC and a summary of the major terms of each service concession arrangement is set out as follows:

				Practical processing per day		
Name of subsidiary as operator	**Name of waste treatment and waste-to-energy plant**	**Location**	**Name of grantor**	**Waste treatment** *(Tonnes)*	**Electricity generation** *(million kWh)*	**Service concession period** *(Years)*
BJ Yiqing Biomax	北京市董村分類垃圾綜合處理廠	Dongcun, Beijing	北京市市政管理委員會	650	36	28
Biomax GE (Nanchang)	南昌市垃圾焚燒發電廠	Quanling, Nanchang	南昌市市環境管理局	1,200	131	27

Pursuant to the service concession agreements signed, the Target Group are granted the rights to use the property, plant and equipment of the waste treatment and waste-to-energy plants during the Service Concession Periods, but the Target Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods.

Under the service concession agreement of BJ Yiqing Biomax, the Target Group is obligated to deliver a bank guarantee of RMB8,000,000 to local government authority in the PRC for the performance of the services under the agreement. As at 31 December 2008 and 31 July 2009, RMB8,000,000, of the performance guarantee was granted by a bank, where (i) RMB5,000,000 banking facility was secured by the personal guarantee provided by a director of the Target Group and the corporate guarantee provided by a subsidiary of the Target Group and (ii) RMB3,000,000 banking facility was secured by the bank deposit held by the Target Group (note 26).

6. REVENUE AND OTHER INCOME

Revenue, which is also the Target Group's turnover, represents the fair value of waste recycling machineries sold, after allowances for returns and trade discounts, and the fair value of construction, engineering and consultancy services on waste treatment and waste-to-energy projects rendered during the Relevant Periods. An analysis of the revenue and other income is as follows:

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Revenue					
Sale of waste recycling machineries	–	89,699	31,401	–	29,494
Provision of construction service under service concession arrangements	–	38,685	76,063	2,639	6,538
Provision of engineering and consultancy service on waste treatment and waste-to-energy projects	2,996	285	52,587	–	3,298
	2,996	128,669	160,051	2,639	39,330
Other income					
Bank interest income	33	101	968	1,336	235
Gain on disposal of a subsidiary *(note 36(a))*	–	–	252	–	252
	33	101	1,220	1,336	487
	3,029	128,770	161,271	3,975	39,817

7. SEGMENT INFORMATION

The Target Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. In identifying its operating segment management generally follows the Target Group's service lines, which represent the main products and services provided by the Target Group.

The Target Group operates two main segments: (i) waste treatment and waste-to-energy business and (ii) technology support services.

(i) waste treatment and waste-to-energy business related to the production and operating of factories for municipal solid waste treatment; and

(ii) technology support services is the provision of technical and consultancy services and trading of environmental related equipment.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfer are carried out at mutually agreed between the parties prices.

Reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment profit or loss using a measure of operating profit.

Information regarding the Target Group's reportable segments as provided to the Target Group's executive directors is set out below:

Year ended 31 December 2006

	Waste treatment and waste-to-energy business *HK$'000*	**Technology support services** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Sub-total** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Revenue						
From external customers	–	2,996	–	2,996	–	2,996
From other segments	–	1,891	(1,891)	–	–	–
Segment revenue	–	4,887	(1,891)	2,996	–	2,996
Other income	29	4	–	33	–	33
Operating expenses						
Direct	–	(6,990)	1,891	(5,099)	–	(5,099)
Indirect	(484)	(8,557)	–	(9,041)	(1,540)	(10,581)
Reportable segment loss before income tax	(455)	(10,656)	–	(11,111)	(1,540)	(12,651)
Interest income	29	4	–	33	–	33
Finance costs	–	–	–	–	(14)	(14)
Depreciation	(82)	(355)	–	(437)	(59)	(496)
Amortisation	–	(480)	–	(480)	–	(480)
Employee benefit expenses	–	(3,653)	–	(3,653)	(914)	(4,567)
Reportable segment assets	41,066	28,162	–	69,228	2,258	71,486
Reportable segment liabilities	(40,641)	(40,864)	–	(81,505)	(8,828)	(90,333)
Additions to property, plant and equipment	216	974	–	1,190	286	1,476

Included in the technology support services segment, provision of engineering and consultancy service on waste treatment and waste-to-energy projects amounted to HK$2,630,000, representing 88% of the Target Group's total revenue, was made to a customer.

Year ended 31 December 2007

	Waste treatment and waste-to-energy business	Technology support services	Inter-segment elimination	Sub-total	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
From external customers	38,685	89,984	–	128,669	–	128,669
From other segments	–	450	(450)	–	–	–
Segment revenue	38,685	90,434	(450)	128,669	–	128,669
Other income	91	9	–	100	1	101
Operating expenses						
Direct	(29,827)	(62,172)	450	(91,549)	–	(91,549)
Indirect	(2,708)	(11,421)	–	(14,129)	(2,507)	(16,636)
Reportable segment profit/(loss) before income tax	6,241	16,850	–	23,091	(2,506)	20,585
Interest income	91	9	–	100	1	101
Finance costs	–	(445)	–	(445)	(40)	(485)
Depreciation	(108)	(581)	–	(689)	(58)	(747)
Amortisation	(26)	(480)	–	(506)	–	(506)
Employee benefit expenses	(1,863)	(8,314)	–	(10,177)	(1,470)	(11,647)
Reportable segment assets	111,208	46,566	–	157,774	2,075	159,849
Reportable segment liabilities	(99,157)	(32,300)	–	(131,457)	(14,757)	(146,214)
Additions to property, plant and equipment	25,068	865	–	25,933	10	25,943

Included in the waste treatment and waste-to-energy segment, provision of construction service under service concession arrangements amounted to HK$38,685,000, representing 30% of the Target Group's total revenue, was made to a customer.

Included in the technology support services segment, sale of waste recycling machineries amounted to HK$89,699,000, representing 69% of the Target Group's total revenue, were made to a customer.

Year ended 31 December 2008

	Waste treatment and waste-to-energy business	Technology support services	Inter-segment elimination	Sub-total	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
From external customers	76,063	83,988	–	160,051	–	160,051
From other segments	–	35,873	(35,873)	–	–	–
Segment revenue	76,063	119,861	(35,873)	160,051	–	160,051
Other income	1,134	10	–	1,144	76	1,220
Operating expenses						
Direct	(63,759)	(67,380)	35,873	(95,266)	–	(95,266)
Indirect	(18,625)	(2,775)	–	(21,400)	(5,431)	(26,831)
Reportable segment (loss)/profit before income tax	(5,187)	49,716	–	44,529	(5,355)	39,174
Interest income	882	10	–	892	76	968
Finance costs	(2,529)	–	–	(2,529)	(15)	(2,544)
Depreciation	(2,117)	(1,429)	–	(3,546)	(63)	(3,609)
Amortisation	(658)	(1,171)	–	(1,829)	–	(1,829)
Employee benefit expenses	(8,735)	(12,393)	–	(21,128)	(2,985)	(24,113)
Reportable segment assets	355,557	123,492	(83,590)	395,459	54,760	450,219
Reportable segment liabilities	(131,079)	(63,931)	83,590	(111,420)	(939)	(112,359)
Additions to property, plant and equipment	4,921	1,342	–	6,263	19	6,282

Included in the waste treatment and waste-to-energy segment, provision of construction service under service concession arrangements amounted to HK$76,063,000, representing 48% of the Target Group's total revenue, was made to a customer.

Included in the technology support services segment, sale of waste recycling machineries and provision of engineering and consultancy service on waste treatment and waste-to-energy projects amounted to HK$25,888,000 and HK$52,809,000 respectively, representing 16% and 33% of the Target Group's total revenue, were made to three different customers.

Seven months ended 31 July 2009

	Waste treatment and waste-to-energy business	**Technology support services**	**Inter-segment elimination**	**Sub-total**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
From external customers	2,639	–	–	2,639	–	2,639
Segment revenue	2,639	–	–	2,639	–	2,639
Other income	1,336	–	–	1,336	–	1,336
Operating expenses						
Direct	(2,039)	–	–	(2,039)	–	(2,039)
Indirect	(9,739)	(10,109)	–	(19,848)	(4,463)	(24,311)
Reportable segment loss before income tax	(7,803)	(10,109)	–	(17,912)	(4,463)	(22,375)
Interest income	1,336	–	–	1,336	–	1,336
Finance costs	(1,125)	(11)	–	(1,136)	(8)	(1,144)
Depreciation	(1,583)	(380)	–	(1,963)	(36)	(1,999)
Amortisation	(731)	(856)	–	(1,587)	–	(1,587)
Employee benefit expenses	(4,829)	(5,596)	–	(10,425)	(1,399)	(11,824)
Reportable segment assets	321,950	113,801	(69,038)	366,713	49,988	416,701
Reportable segment liabilities	(109,832)	(58,821)	69,038	(99,615)	(2,154)	(101,769)
Additions to property, plant and equipment	360	262	–	622	–	622

Included in the waste treatment and waste-to-energy segment, provision of construction service under service concession arrangements amounted to HK$2,639,000, representing 100% of the Target Group's total revenue, was made to a customer.

Seven months ended 31 July 2008 (unaudited)

	Waste treatment and waste-to-energy business	Technology support services	Inter-segment elimination	Sub-total	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
From external customers	6,538	32,792	–	39,330	–	39,330
From other segments	–	35,469	(35,469)	–	–	–
Segment revenue	6,538	68,261	(35,469)	39,330	–	39,330
Other income	477	4	–	481	6	487
Operating expenses						
Direct	(13,068)	(54,523)	35,469	(32,122)	–	(32,122)
Indirect	(9,297)	(2,977)	–	(12,274)	(2,549)	(14,823)
Reportable segment (loss)/profit before income tax	(15,350)	10,765	–	(4,585)	(2,543)	(7,128)
Interest income	225	4	–	229	6	235
Finance costs	(1,602)	–	–	(1,602)	(8)	(1,610)
Depreciation	(967)	(386)	–	(1,353)	(33)	(1,386)
Amortisation	(623)	(523)	–	(1,146)	–	(1,146)
Employee benefit expenses	(4,436)	(6,585)	–	(11,021)	(1,419)	(12,440)

Included in the waste treatment and waste-to-energy segment, provision of construction service under service concession arrangements amounted to HK$6,538,000, representing 17% of the Target Group's total revenue, was made to a customer.

Included in the technology support services segment, sale of waste recycling machineries amounted to HK$25,888,000, representing 66% of the Target Group's total revenue, were made to a customer.

Geographical information

The Target Group's revenue from external customers is derived solely from its operations in the PRC.

Reconciliation of reportable segment assets and segment liabilities

The assets and liabilities of the Target Group are allocated based on the operations of the segments. Unallocated assets and liabilities represent assets and liabilities of the headquarter companies of the Target Group.

8. FINANCE COSTS

	Year ended 31 December			Seven months ended 31 July	
	2006	2007	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Interest on finance leases	14	40	14	8	8
Interest on bank borrowings wholly repayable within five years	–	445	2,530	1,136	1,602
	14	485	2,544	1,144	1,610

9. (LOSS)/PROFIT BEFORE INCOME TAX

The Target Group's (loss)/profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Seven months ended 31 July	
	2006	2007	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Cost of goods sold	5,099	43,908	39,902	–	22,450
Auditors' remuneration	230	360	705	558	6
Depreciation	496	747	3,609	1,999	1,386
Amortisation of prepaid land lease payments	–	26	658	731	623
Amortisation of other intangible assets	480	480	1,171	856	523
Minimum lease payments under operating leases	1,379	1,293	1,390	622	841
Employee benefits expense (including director's remuneration – *note 12*)	4,567	11,647	24,113	11,824	12,440
Loss on disposal/written-off of items of property, plant and equipment	106	31	–	94	–
Foreign exchange differences, net	74	(316)	(128)	35	(321)

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% for the years ended 31 December 2006 and 2007 and 16.5% for the year ended 31 December 2008 and seven months ended 31 July 2009 (31 July 2008 (unaudited): 16.5%) on the estimated assessable profits for the Relevant Periods. Taxation on overseas profits has been calculated on the estimated assessable profit for the Relevant Periods at the rates of taxation prevailing in the countries in which the Target Group operates.

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current tax					
– current year/period					
Hong Kong	–	2,948	769	–	1,280
Overseas	54	–	12,074	206	210
	54	2,948	12,843	206	1,490
Deferred tax					
Overseas	–	2,365	4,054	152	377
	54	5,313	16,897	358	1,867

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
(Loss)/profit before income tax	(12,651)	20,585	39,174	(22,375)	(7,128)
Tax on (loss)/profit before tax, calculated at the rates applicable to (loss)/profit in tax jurisdictions concerned	(2,214)	4,417	10,694	(4,974)	(1,470)
Tax effect of non-taxable income	–	–	(1,080)	(214)	–
Tax effect of non-deductible expenses	2,268	896	1,161	1,013	604
Tax losses not recognised	–	–	4,450	3,753	1,700
Tax effect of temporary differences unrecognised	–	–	1,368	617	823
Other	–	–	304	163	210
Income tax expense	54	5,313	16,897	358	1,867

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and would become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the deferred taxes as at 31 December 2007, 2008 and 2009 that are expected to be utilised in year 2008 onwards have been provided at an enacted corporate tax rate of 25%.

At 31 December 2008 and 31 July 2009, the Target Group has unused tax losses of approximately HK$17,800,000 and 33,720,000 (31 July 2008 (unaudited): HK$6,800,000) respectively available for offsetting against future taxable profits of the companies which incurred the losses. The unrecognised tax losses will be expired as follows:

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
2013	–	–	17,800	17,800	6,800
2014	–	–	–	13,250	–
Unexpired	–	–	–	2,678	–
Total	–	–	17,800	33,720	6,800

Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

11. (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE TARGET COMPANY

Of the consolidated (loss)/profit attributable to the equity holders of the Target Company for the years ended 31 December 2006, 2007 and 2008 and seven months ended 31 July 2009 of (HK$11,590,000), HK$14,236,000, HK$19,532,000 and (HK$22,644,000) (seven months ended 31 July 2008 (unaudited): (HK$7,331,000)) respectively, a loss of HK$10,000, HK$16,000, HK$639,000 and HK$515,000 (seven months ended 31 July 2008 (unaudited): HK$6,000) have been dealt with in the financial statements of the Target Company.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Wages and salaries	4,455	10,115	19,485	9,419	10,042
Pension costs					
– defined contribution plans	548	1,484	3,822	2,019	2,020
Other staff benefits	57	48	806	386	378
	5,060	11,647	24,113	11,824	12,440
Less: Capitalised as construction cost for contract work	(493)	–	–	–	–
Total	4,567	11,647	24,113	11,824	12,440

13. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

Directors' emoluments

	Directors' fees	Salaries and allowances	Bonuses	Contribution to pension plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2006:					
Ngok Yan Yu	–	–	–	–	–
Year ended 31 December 2007:					
Ngok Yan Yu	–	–	–	–	–
Year ended 31 December 2008:					
Ngok Yan Yu	–	–	–	–	–
Pao Ping Wing *(notes (a) and (b))*	–	720	12	–	732
Ho Chi Hang Gilbert *(note (a))*	–	–	–	–	–
Shi Jian *(note (a))*	–	–	–	–	–
Cheng Chi Kong *(notes (a) and (c))*	–	–	–	–	–
	–	720	12	–	732
Seven months ended 31 July 2009:					
Ngok Yan Yu	–	–	–	–	–
Ho Chi Hang Gilbert *(note (a))*	–	–	–	–	–
Shi Jian *(note (a))*	–	367	–	32	399
Cheng Chi Kong *(notes (a) and (c))*	–	–	–	–	–
	–	367	–	32	399
Seven months ended 31 July 2008:					
Ngok Yan Yu	–	–	–	–	–
Pao Ping Wing *(notes (a) and (b))*	–	420	7	–	427
Ho Chi Hang Gilbert *(note (a))*	–	–	–	–	–
Shi Jian *(note (a))*	–	–	–	–	–
Cheng Chi Kong *(notes (a) and (c))*	–	–	–	–	–
	–	420	7	–	427

Notes:

(a) The directors were appointed on 9 May 2008.

(b) Pao Ping Wing was resigned on 2 September 2008.

(c) Cheng Chi Kong was resigned on 6 October 2009.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the year ended 31 December 2008 and seven months ended 31 July 2009 included two and one respectively (31 July 2008 (unaudited): two) director(s) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three and four (31 July 2008 (unaudited): three) individuals during the year ended 31 December 2008 and seven months ended 31 July 2009 respectively are as follows:

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Salaries and allowances	2,241	2,686	1,876	1,514	974
Bonuses	89	83	25	–	–
Contribution to pension plans	254	261	259	170	92
	2,584	3,030	2,160	1,684	1,066

The number of individuals fell within the following emolument bands:

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008** (unaudited)
Nil to HK$1,000,000	5	5	3	4	3

14. PROPERTY, PLANT AND EQUIPMENT – TARGET GROUP

	Buildings	**Leasehold improvements**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006					
Cost	–	245	563	2,254	3,062
Accumulated depreciation	–	(27)	(101)	(144)	(272)
Net book amount	–	218	462	2,110	2,790
Year ended 31 December 2006					
Opening net book amount	–	218	462	2,110	2,790
Exchange differences	–	9	19	69	97
Additions	–	391	327	758	1,476
Disposal/written-off	–	(91)	–	(227)	(318)
Depreciation	–	(131)	(129)	(236)	(496)
Closing net book amount	–	396	679	2,474	3,549
At 31 December 2006 and 1 January 2007					
Cost	–	549	914	2,792	4,255
Accumulated depreciation	–	(153)	(235)	(318)	(706)
Net book amount	–	396	679	2,474	3,549
Year ended 31 December 2007					
Opening net book amount	–	396	679	2,474	3,549
Exchange differences	747	23	58	161	989
Additions	24,942	127	638	236	25,943
Disposal/written-off	–	–	(31)	–	(31)
Depreciation	–	(198)	(229)	(320)	(747)
Closing net book amount	25,689	348	1,115	2,551	29,703
At 31 December 2007 and 1 January 2008					
Cost	25,689	712	1,601	3,219	31,221
Accumulated depreciation	–	(364)	(486)	(668)	(1,518)
Net book amount	25,689	348	1,115	2,551	29,703

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008					
Opening net book amount	25,689	348	1,115	2,551	29,703
Exchange differences	1,670	19	62	65	1,816
Additions	–	3,520	1,524	1,238	6,282
Acquisition of subsidiaries *(note 35)*	–	–	111	1,793	1,904
Disposal of a subsidiary *(note 36(a))*	–	–	(90)	–	(90)
Depreciation	(639)	(622)	(666)	(1,682)	(3,609)
Closing net book amount	26,720	3,265	2,056	3,965	36,006
At 31 December 2008 and 1 January 2009					
Cost	27,359	4,268	3,260	6,594	41,481
Accumulated depreciation	(639)	(1,003)	(1,204)	(2,629)	(5,475)
Net book amount	26,720	3,265	2,056	3,965	36,006
Seven months ended 31 July 2009					
Opening net book amount	26,720	3,265	2,056	3,965	36,006
Additions	–	–	622	–	622
Disposal/written-off	–	–	(94)	–	(94)
Depreciation	(639)	(455)	(310)	(595)	(1,999)
Closing net book amount	26,081	2,810	2,274	3,370	34,535
At 31 July 2009					
Cost	27,359	4,268	3,774	6,594	41,995
Accumulated depreciation	(1,278)	(1,458)	(1,500)	(3,224)	(7,460)
Net book amount	26,081	2,810	2,274	3,370	34,535

The buildings are situated in the PRC with medium lease term which will expire in 2052. At 31 December 2008 and 31 July 2009, the buildings were pledged for banking facilities of approximately HK$36,364,000 (note 28) granted to the Target Group.

The net book value of property, plant and equipment held under finance leases included in the total amount of property, plant and equipment as at 31 December 2006, 2007 and 2008 and 31 July 2009 were amounted to approximately HK$281,000, HK$224,000, HK$167,000 and HK$133,000 respectively.

15. LAND USE RIGHTS – TARGET GROUP

	At 31 December			At 31 July
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening net book amount	–	–	2,227	36,648
Exchange differences	–	65	131	–
Additions	–	2,188	–	–
Acquisitions of subsidiaries *(note 35)*	–	–	34,948	–
Amortisation charge	–	(26)	(658)	(731)
Closing net book amount	–	2,227	36,648	35,917
Current portion included in prepayments, deposits and other receivables	–	45	–	–
Non-current portion	–	2,182	36,648	35,917
	–	2,227	36,648	35,917

The land use rights represent leasehold land situated in the PRC which are held under medium term leases which will expire in 2036 and 2057.

16. GOODWILL – TARGET GROUP

	At 31 December			At 31 July
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January				
Gross and net carrying amount	–	–	–	11,853
Opening net carrying amount	–	–	–	11,853
Exchange differences	–	–	90	–
Acquisition of subsidiaries *(note 35)*	–	–	11,239	–
Further acquisition of a subsidiary	–	–	524	–
Closing net carrying amount	–	–	11,853	11,853
At 31 December/July				
Gross and net carrying amount	–	–	11,853	11,853

The goodwill mainly comprises goodwill arising from the acquisition of SH Jinshan Biomax in 2008. As at 31 December 2008 and 31 July 2009, the recoverable amount was determined based on value-in-use calculations, using cash flow projections which are based on financial forecast covering a period of 26 years and based on the assumption that the operation can generate cash flows perpetually, at nil growth rate and discount rate of 10%.

The key assumptions for the Target Group have been determined by the management based on its expectations for the industry development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Based on the impairment testing of goodwill, in the opinion of the directors of the Target Company, no impairment provision is considered necessary for the goodwill for the Relevant Periods.

17. INVESTMENT IN A SUBSIDIARY – TARGET COMPANY

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	17,280	17,280	17,280	17,280

Particulars of the subsidiaries directly and indirectly held by the Target Company are set out in note 1.

18. AMOUNT DUE FROM/(TO) A SUBSIDIARY – TARGET GROUP

Amount from/(to) a subsidiary was unsecured, interest-free and repayable on demand.

19. OTHER INTANGIBLE ASSETS – TARGET GROUP

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January				
Gross carrying amount	4,863	4,863	5,774	11,281
Accumulated amortisation	(960)	(1,440)	(1,920)	(3,091)
Net carrying amount	3,903	3,423	3,854	8,190
Opening net carrying amount	3,903	3,423	3,854	8,190
Additions	–	911	5,507	–
Amortisation charge	(480)	(480)	(1,171)	(856)
Closing net carrying amount	3,423	3,854	8,190	7,334
At 31 December/July				
Gross carrying amount	4,863	5,774	11,281	11,281
Accumulated amortisation	(1,440)	(1,920)	(3,091)	(3,947)
Net carrying amount	3,423	3,854	8,190	7,334
Current portion included in prepayments, deposits and other receivables	480	581	–	–
Non current portion	2,943	3,273	8,190	7,334
	3,423	3,854	8,190	7,334

Other intangible assets represented technology know-how on waste treatment and waste-to-energy business acquired by the Target Group from third parties.

20. AVAILABLE-FOR-SALE INVESTMENT – TARGET GROUP

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity investment, at cost	19,586	22,383	22,383	34,700

As at each of the year/period end dates, the Target Group had a 33.80% equity investment in Shanghai Biomax Green Energy Park Company Limited * ("SH Biomax GEP") 上海百瑪士綠色能源有限公司, a Sino-foreign-owned joint venture enterprise incorporated in the PRC. Such investment was not equity accounted for in accordance with HKAS 28 "Investments in associates" as the directors of the Target Company considered that the Target Group was not in a position to exercise significant influence over its financial and operating policy decisions.

* *The English translation of the company name is for reference only. The official name of this company is in Chinese.*

The Target Group entered into an agreement with one of the joint venturers of SH Biomax GEP ("JV partner") in May 2008 to acquire 37% equity interest held by the JV partner. The consideration shall be determined based on the value of SH Biomax GEP upon completion. No payment had been made during the Relevant Periods.

According to the agreement, the Target Group was required to place a guarantee deposit of RMB10,000,000. The Target Group obtained a bank guarantee of RMB10,000,000 as the guarantee deposit and such bank guarantee was expired on 3 February 2009.

Based on the agreement, the acquisition arrangement should be expired on 31 December 2008 but it had not been completed up to the date of this report. In the opinion of the directors of the Target Company, the Target Group will continue the negotiation with the JV partner on the extension of such acquisition. As the outstanding consideration cannot be determined reliably at 31 December 2008 and 31 July 2009, the capital commitment of the Target Group did not include such amount.

The fair value of unlisted equity securities was not disclosed as the fair value cannot be measured reliably. There was no open market on the unlisted investment and the management has no intention to dispose of such investment at each of the year/period end dates.

21. DEPOSIT FOR POTENTIAL INVESTMENT – TARGET GROUP

The Target Group entered into a sale and purchase agreement and a supplemental agreements in February and July 2008 to acquire 46% equity interest of a company incorporated in the PRC, namely 深圳粵能環保再生能源有限公司, at a consideration of approximately RMB78,000,000 (equivalent to HK$88,636,000). During the year ended 31 December 2008, the Target Group had made an initial payment of approximately RMB10,000,000 (equivalent to HK$11,364,000) for the acquisition.

The acquisition had not been completed up to the date of this report and details about the outstanding consideration of approximately RMB68,000,000 (equivalent to HK$77,273,000) are set out in note 38(c).

22. LOAN TO A RELATED PARTY – TARGET GROUP

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current portion	177	133	–	–
Current portion	121	121	13	–
	298	254	13	–

Balance represented loan granted to a director of the Target Company's subsidiary which bore interest at fixed rate of 3% per annum and was repayable in fifty months from the date of drawdown and in equal installment.

The information relating to the amount due from a director of the Target Company's subsidiary, Mr. Andreas Dietz, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance, is as follows:

	At 1 January	At 31 December			At 31 July
	2006	**2006**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying value	425	298	254	13	–
Maximum outstanding balance during the year/period	NA	425	298	254	13

23. AMOUNT DUE FROM GRANTOR FOR CONTRACT WORK – TARGET GROUP

The Target Group recognised financial assets – amount due from grantor for contract work in respect of its waste treatment and waster-to-energy business arising from certain service concession arrangements as set out in note 5.

Amount due from grantor for contract work bore interest at rate of 4.3% per annum as at each of the year/period end dates. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements.

24. TRADE RECEIVABLES – TARGET GROUP

The Target Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for certain well-established customers; or based on the terms agreed in the sale agreement, such as past due upon the machinery being in use by the customer. Each customer has a maximum credit limit.

The directors of the Target Company considered that the fair value of trade receivables is not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

As at each of the year/period end dates, the ageing analysis of the Target Group's trade receivables, based on the date of delivery of goods and provision of services, was as follows:

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	–	22,800	55,716	–
Over 120 days	–	–	24,282	79,939

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Target Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. There was no impairment provision as at each of the year/period end dates of the Relevant Periods.

The ageing analysis of the Target Group's trade receivables, based on due date, was as follows:

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	–	22,800	55,716	–
Past due but not impaired	–	–	24,282	79,939
	–	22,800	79,998	79,939

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default. Receivables that were past due but not impaired related to amounts receivable from customers that have a good track record with the Target Group. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. DUE FROM/(TO) MINORITY EQUITY HOLDERS OF SUBSIDIARIES – TARGET GROUP

Balances due were unsecured, interest free and repayable on demand.

26. CASH AND BANK BALANCES – TARGET GROUP AND TARGET COMPANY

Target Group

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	10,394	21,136	14,546	9,479
Short term bank deposits	–	–	113,636	68,182
	10,394	21,136	128,182	77,661
Less: Pledged bank deposits	–	–	(71,591)	(71,591)
Cash and bank balances	10,394	21,136	56,591	6,070

Target Company

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	–	–	212	212

The short term bank deposits had the following terms:

	Interest rate per annum	Maturity
At 31 December 2008	1.98% to 3.24%	3 to 6 months
At 31 July 2009	1.71%	3 months

The directors of the Target Company considered that the fair values of short term bank deposits were not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

As at 31 December 2006, 2007 and 2008 and 31 July 2009, included in Cash at banks, including short term bank deposits, of approximately HK$7,868,000, HK$17,630,000, HK$126,786,000 and HK$77,245,000 respectively were balances denominated in Renminbi ("RMB") and placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

At 31 December 2008 and 31 July 2009, short term bank deposit of approximately HK$3,409,000 was pledged to a bank for securing a performance guarantee of the operation of a service concession agreement (note 5). In addition, short term bank deposit of approximately HK$68,182,000 (equivalent RMB60,000,000) was pledged for the banking facilities of certain related companies, of which Ngok Yan Yu is the common director. The deposit was subsequently released in October 2009.

27. TRADE PAYABLES – TARGET GROUP

Trade payables are normally settled on 60-day terms. As at each of the year/period end dates, the ageing analysis of the Target Group's trade payables, based on the invoice date, was as follows:

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	–	14,976	3,903	–
31 – 60 days	–	103	–	–
61 – 90 days	–	–	148	–
91 – 120 days	–	–	491	–
Over 120 days	–	–	13,519	18,061
	–	15,079	18,061	18,061

28. BORROWINGS, SECURED – TARGET GROUP

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	–	4,988	4,995	–
Bank loan	8,000	–	36,364	36,364
Current portion due within one year included under current liabilities	8,000	4,988	41,359	36,364

The carrying amounts of the borrowings were denominated in the following currencies and bore interest at the following effective floating interest rates at the respective year/period end dates:

	Denominated in RMB	**Denominated in HK$**	**Interest rate per annum, effective as at year/period end dates**
	HK$'000	*HK$'000*	
At 31 December 2006	–	8,000	7.25%
At 31 December 2007	–	4,988	6.75%
At 31 December 2008	36,364	4,995	5-5.4%
At 31 July 2009	36,364	–	5.82%

The bank overdrafts were secured by (i) a pledge of the directors' property located in Hong Kong; (ii) a personal guarantee provided by a director of the Target Company; and (iii) a corporate guarantee provided by a related company, of which a director is the director of the Target Company.

The bank loan at 31 December 2006 was secured by a letter of credit amounted to approximately EUR4,269,000.

At 31 December 2008 and 31 July 2009, the bank loan was secured by the buildings of the Target Group (note 14). This bank loan was originally repayable in three years from the date of drawdown. At 31 December 2008 and 31 July 2009, the Target Group breached certain terms of the agreement/supplemental agreement, which primarily required the subsidiary obtained the bank loan to increase the registered capital to USD4,000,000. As a result, the bank loan was classified as current liabilities. In any event, should the bank call for immediate payment of the bank loan, the director of the Target Company are of the opinion that adequate sources are available to ensure there is no threat to the continuing operations of the Target Group.

29. DUE TO A SHAREHOLDER – TARGET GROUP AND TARGET COMPANY

The amount due was unsecured, interest free and repayable on demand.

30. DUE TO A RELATED COMPANY – TARGET GROUP

Amount due was unsecured, interest free and repayable on demand. Related company is company in which Mr. Ngok Yan Yu, a director of the Target Company, is the common director.

31. FINANCE LEASE PAYABLES – TARGET GROUP

The Target Group has entered into a finance lease for a motor vehicle. The lease is classified as finance lease and has remaining lease terms of five years. The finance lease payables bore interest at a fixed rate of 3.5% per annum.

The analysis of the obligations under finance leases is as follows:

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total minimum lease payments				
Within one year	89	89	89	89
In the second to fifth years	357	268	185	127
	446	357	274	216
Future finance charges on finance leases	(66)	(54)	(46)	(32)
Present value of finance lease payables	380	303	228	184

The present value of finance lease payables is as follows:

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	76	76	76	76
In the second to fifth years	304	227	152	108
	380	303	228	184
Less: Current portion due within one year included under current liabilities	(76)	(76)	(76)	(76)
Non-current portion included under non-current liabilities	304	227	152	108

32. DEFERRED TAX – TARGET GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 25% (note 10). The movement on the deferred tax liabilities attributable to the construction services income recognised under the service concession arrangement is as follows:

	Year ended 31 December			Seven months ended 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	–	–	2,296	6,396
Exchange differences	–	(69)	46	2
Charge for the year/period	–	2,365	4,054	152
At end of year/period	–	2,296	6,396	6,550

33. SHARE CAPITAL

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
50,000 ordinary shares of US$1 each	390	390	390	390
30,000 Series A convertible preferred shares ("Series A") *(notes (a) and (d))* of US$1 each	–	–	234	234
	390	390	624	624

	Ordinary shares *HK$'000*	Series A *HK$'000*	Total *HK$'000*
Issued and fully paid:			
1,000 ordinary shares of US$1 each at 1 January 2006, 31 December 2006 and 2007	8	–	8
Repurchase and cancellation 20 ordinary shares of US$1 each *(note (b))*	(1)	–	(1)
Issue of 20 ordinary shares of US$1 each *(note (b))*	1	–	1
Issue of 6,000 ordinary shares of US$1 each and 3,000 Series A shares of US$1 each *(note (c))*	47	23	70
At 31 December 2008 and 31 July 2009	55	23	78

Notes:

(a) On 3 May 2008, pursuant to the unanimous written resolution, the authorised share capital of the Target Company increased from US$50,000 to US$80,000, which divided into 50,000 ordinary shares of US$1 each and 30,000 Series A shares ("Series A") of US$1 each.

(b) Pursuant to the resolution passed on 24 April 2008, 20 bearer shares had been repurchased by the Target Company at a consideration of US$20 and cancelled. An aggregate of 20 new ordinary shares of US$1 each were further allotted and issued. The proceeds from issue of shares of HK$960,000 were settled via current accounts with shareholders.

(c) An aggregate of 135 new ordinary shares of US$1 each were further allotted and issued to an existing shareholder. The proceeds from issue of new ordinary shares of approximately HK$1,000 were settled via the current account with the shareholder. The amounts advanced by another existing shareholder of the Target Company of approximately HK$70,531,000 were fully settled by the allotment and issue, credited as fully paid, of an aggregate of 5,865 shares of US$1 each in the capital of the Target Company.

3,000 Series A shares of US$1 each were allotted and issued at par and the proceeds from issue of new Series A of approximately HK$213,413,000, were fully settled by a new shareholder in cash. An expenditure of approximately HK$3,888,000 were incurred for the issue of shares.

(d) Each Series A is convertible at the option of the holder at anytime after the issuance date. The conversion ratio is on a 1 to 1 basis and subject to the adjustments as stipulated in the memorandum of association of the Target Company. The Series A carry the same voting rights as ordinary shares and no preferential dividends shall be required to be paid on Series A by the Target Company. In the event any dividend are declared and paid or any other distribution is made to the ordinary shares, the Series A shall be entitled to an amount equal to the amount of dividends or distribution that such holder would have received had the Series A been converted into the ordinary shares as of the date prior to the record date of such dividend or distribution on the ordinary shares. The Series A entitle the shareholders to share on a winding up or on a reduction of capital involving a return of capital, a repayment of the capital paid up or credited as paid up in priority to any return of capital on any other classes of shares.

34. RESERVES – TARGET GROUP AND TARGET COMPANY

(a) Target Group

The movements of the Target Group's reserves for the Relevant Periods are presented in the consolidated statements of changes in equity.

(b) Target Company

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share premium				
Opening carrying amount	–	–	–	280,947
Issue of shares, net of shares issue expenditure *(note 33(b) and (c))*	–	–	280,947	–
Closing carrying amount	–	–	280,947	280,947
Accumulated losses				
Opening carrying amount	(37)	(47)	(63)	(702)
Loss for the year/period	(10)	(16)	(639)	(515)
Closing carrying amount	(47)	(63)	(702)	(1,217)
Reserve				
Closing carrying amount	(47)	(63)	280,245	279,730

35. BUSINESS COMBINATION – TARGET GROUP

On 24 June 2008, the Target Group acquired 100% equity interest of SHEBI, which had 95% equity interest in SH Jinshan Biomax, at a consideration of approximately HK$116,047,000. Details of the net identifiable assets acquired and goodwill are as follows:

	HK$'000
Total purchase consideration	116,047
Fair value of net identifiable assets acquired	(104,808)
Goodwill	11,239

Goodwill was attributable to the potential waste treatment and waste-to-energy projects in the form of service concession arrangement with the relevant PRC government secured by SH Jinshan Biomax.

At the date of acquisition, the identifiable assets and liabilities arising from the acquisition are as follows:

	Carrying value and fair value at the date of acquisition
	HK$'000
Property, plant and equipment	1,904
Land use right	34,948
Other receivables	17,007
Due from a related party	59,432
Cash and bank balances	457
Other payables	(5,390)
Less: minority interest	(3,550)
Net identifiable assets acquired	104,808
Cash and bank balances acquired	457
Cash consideration	(116,047)
Net outflow of cash and cash equivalents	115,590

Since its acquisition, SHEBI and SH Jinshan Biomax contributed a net loss of approximately HK$4,708,000 to the Target Group for the year ended 31 December 2008. SHEBI and SH Jinshan Biomax did not contribute any revenue to the Target Group for the year ended 31 December 2008.

Had the combination taken place on 1 January 2008, the revenue and the net profit of the Target Group for the year ended 31 December 2008 would have been approximately HK$160,051,000 and HK$22,277,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

36. NOTES TO THE STATEMENTS OF CASH FLOWS – TARGET GROUP

(a) Disposal of a subsidiary

	Year ended 31 December 2008
	HK$'000
Net assets disposed of:	
Property, plant and equipment	90
Other receivables and prepayment	13,065
Due from a subsidiary	379,517
Cash and bank balances	139
Other payables	(133)
Due to subsidiaries	(2,930)
	389,748
Gain on disposal of a subsidiary	252
Total consideration	390,000
Settled through current account with the Target Group	390,000

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Year ended 31 December 2008 *HK$'000*
Cash consideration	–
Cash and bank balances disposed of	139
Net outflow of cash and cash equivalents	139

(b) Major non-cash transaction

Saved as those disclosed elsewhere in this report, the Target Group had the following significant non-cash transactions:

Construction revenue recognised during the Relevant Periods which had not been settled were reported as amount due from grantor for contract work as at each of the year/period end date.

The capital contribution from a minority shareholder during the year ended 31 December 2008 of approximately HK$15,459,000 (seven months ended 31 July 2008 (unaudited): HK$15,459,000) was a non-cash transaction as this contribution was settled through the amount to this minority shareholder.

37. OPERATING LEASE COMMITMENTS – TARGET GROUP

The Target Group leases certain of its office premise and office equipment under operating lease arrangements with leases negotiated for terms ranging from three to five years. As at each of the year/period end dates, total future minimum lease payments under non-cancellable operating leases are payable by the Target Group as follows:

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	618	830	1,863	659
In the second to fifth years	285	1,874	1,098	100
After five years	–	273	–	–
Non-current portion included under non-current liabilities	903	2,977	2,961	759

38. COMMITMENTS – TARGET GROUP AND TARGET COMPANY

(a) The Target Group had the following capital commitments not provided for in the financial statements as at each of the year/period end dates:

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for:				
– acquisition of property, plant and equipment	–	5,961	–	–
– construction work under service concession arrangement	20,606	19,009	44,706	44,441
– capital contribution to Subsidiaries	12,236	92,864	26,832	26,832
– Available for sale investment	–	11,554	12,290	–
	32,842	129,388	83,828	71,273

(b) Pursuant to a cooperation agreement between the Target Group and a joint venture partner on 1 July 2007, the Target Group agreed to make capital contributions of approximately RMB100,000,000 to a PRC company which was wholly owned by the joint venture partner. After the capital injection, the Target Group should own as to 50% equity interest in the PRC company. According to the agreement, the first capital contribution of RMB56,250,000 should be completed on or before 30 April 2008 while the second capital contribution of RMB43,750,000, upon fulfillment of some condition precedent, should be completed by 31 December 2008. In the opinion of the directors of the Target Company, the Target Group shall continue the negotiation with the joint venture partner on the extension of such capital contribution but no supplement agreement was obtained up to the date of this report. The capital commitments in respect of this cooperation of the Target Group as at 31 December 2007 was amounted to approximately HK$106,000,000.

(c) Pursuant to certain sales and purchase agreement and supplemental agreement as mentioned in note 20, the Target Group had a capital commitment of approximately HK$77,273,000 upon signing of these agreements. The agreements were expired on 31 December 2008 and the Target Group continued the negotiation with the vendor on the acquisition. On 16 November 2009, a supplement agreement was signed to extend the contract term to 31 December 2009 and revise the consideration of RMB78,000,000 to RMB65,000,000. There was no capital commitment as at 31 December 2008 and 31 July 2009 to the Target Group.

The Target Company did not have any significant commitments as at each of the year/period end dates.

39. OUTSTANDING LITIGATIONS – TARGET GROUP

In 2008, a company engaging in construction and installation initiated legal proceedings against a wholly-owned subsidiary of the Target Company in the Shanghai Jinshan People's Court. The claim amounted to approximately RMB1,293,000 (equivalent to HK$1,469,000) as at 31 December 2008 and 31 July 2009 for a dispute on a construction contract amount due and the litigation expenses. The claim is currently in progress and further court proceedings will be arranged by the court after that.

In 2009, a company engaging in road and bridge construction initiated legal proceedings against a wholly-owned subsidiary of the Target Company in the Shanghai Jinshan People's Court. The claim amounted to approximately RMB458,000 (equivalent to HK$520,000) as at 31 July 2009 for a dispute on a construction contract amount due and the litigation expenses. The Target Group lodged an appeal on this claim and as of the report date, the Target Group has not received any further notice on appeal or arbitration.

Even though the final outcome of the proceedings is still uncertain as of the date of these financial statements, the directors of the Target Company are of the opinion that the respective ultimate liability, if any, will not have a material adverse impact upon the Target Group's financial position.

40. FINANCIAL RISK MANAGEMENT – TARGET GROUP AND TARGET COMPANY

The Target Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Target Group's headquarters, in close co-operation with the board of directors of the Target Company. The overall objectives in managing financial risks focus on securing the Target Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Target Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Target Group works under the policies approved by the board of directors. It identifies ways to access financial markets and monitors the Target Group's financial risk exposures. Regular reports are provided to the board of directors.

40.1 Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities recognised at the year/period end dates may also be categories as follows. See notes 3.13 and 3.19 for explanations about how the category of financial instruments affects their subsequent measurement.

Target Group

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at cost less impairment loss				
Non-current assets				
– Available-for-sale investment	19,586	22,383	22,383	34,700
Financial assets at amortised cost				
Non-current assets				
– Loan to a related party	177	133	–	–
– Amount due from grantor of contract work	–	39,794	96,586	99,255
	177	39,927	96,586	99,255
Current assets				
– Trade receivables	–	22,800	79,998	79,939
– Other receivables	795	2,075	6,533	7,475
– Loan to a related party	121	121	13	–
– Due from a shareholder	–	–	–	2,829
– Due from minority equity holders of subsidiaries	1,611	1,611	–	–
– Pledged bank deposits	–	–	71,591	71,591
– Cash and bank balances	10,394	21,136	56,591	6,070
	12,921	47,743	214,726	167,904
	13,098	87,670	311,312	267,159
	32,684	110,053	333,695	301,859
Financial liabilities at amortised cost				
Non-current liabilities				
– Finance lease payables	304	227	152	108
Current liabilities				
– Trade payables	–	15,079	18,061	18,061
– Other payables and accruals	1,700	3,398	11,353	10,658
– Borrowings, secured	8,000	4,988	41,359	36,364
– Due to a shareholder	57,890	102,297	6,391	–
– Due to a related company	–	–	11,359	12,171
– Due to minority equity holders of subsidiaries	701	14,577	–	–
– Finance lease payables	76	76	76	76
	68,367	140,415	88,599	77,330
	68,671	140,642	88,751	77,438

Target Company

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised cost				
Current assets				
– Amount due from a subsidiary	–	–	268,527	268,462
– Cash and bank balances	–	–	212	212
	–	–	268,739	268,674
Financial liabilities at amortised cost				
Current liabilities				
– Accruals	40	50	560	1,010
– Amount due to a subsidiary	15,882	15,888	–	–
– Amount due to a shareholder	1,397	1,397	5,136	5,136
	17,319	17,335	5,696	6,146

40.2 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Target Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in Euro ("EUR"). The sales and purchases of the Target Group are predominantly in RMB which is the functional currency of the related group entities.

The Target Group does not use hedging or derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business.

The following table details the Target Group's exposure at the respective year/period end dates to foreign currency risk from the above stated items denominated in a currency other than the functional currency of relevant group companies:

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	EUR'000	*EUR'000*	*EUR'000*	*EUR'000*
Trade receivables	–	1,983	2,347	2,342
Trade payables	–	(1,107)	(1,394)	(1,394)
	–	876	953	948

A reasonable change in foreign currency rates in the next twelve months as at each of the year/period end dates is assessed to result in immaterial change in the Target Group's (loss)/profit after tax for the year/period and retained earnings.

The Target Company does not have any exposures to foreign currency risk as at each of the year/period dates.

40.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group's interest rate risk arises primarily from long-term borrowings. Borrowings bearing variable rates expose the Target Group to interest rate risk. The exposure to interest rates for the Target Group's short term bank deposits is considered immaterial.

A reasonable change in interest rates in the next twelve months as at each of the year/period end dates is assessed to result in immaterial change in the Target Group's (loss)/profit after tax for the year/period and retained earnings.

The Target Company does not have any exposures to interest rate risk as at each of the year/period end dates.

40.4 Credit risk

Target Group and Target Company

Credit risk refers to the risk that the customer/counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group and the Target Company. The Target Group's and the Target Company's exposures to credit risk mainly arises from granting credit to customers/counterparties in the ordinary course of its operations and its investing activities. The Target Group's and the Target Company's maximum exposures to credit risk on recognised financial assets is limited to the carrying amount as at each of the year/period end dates as shown in note 39.1.

The Target Group's and the Target Company's policy is to deal only with credit worthy customers/counterparties. Credit terms are granted to new customers/counterparties after a credit worthiness assessment by the credit controller. Customers/counterparties who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers/counterparties is closely monitored. Monthly reports of customers'/counterparties' payment history are produced and reviewed by the finance department. Overdue balances and significant trade receivables are highlighted. The management will determine the appropriate recovery actions.

The Target Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, the director of the Target Company considers that there is no significant credit risk.

The credit and investment policies have been followed by the Target Group and the Target Company since prior years and are considered to have been effective in limiting the Target Group's and the Target Company's exposures to credit risk to a desirable level.

None of the financial assets of the Target Group's financial assets are secured by collateral or other credit enhancements.

The credit risk of amount due from grantor for contract work is considered as low because the balance was mainly due from governmental authorities in the PRC.

In respect of trade and other receivables, the Target Group and the Target Company are not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics notwithstanding that the Target Group has some concentration of credit risk.

The credit risk for liquid funds and other short-term financial assets is considered negligible as the counterparties are reputable banks with high quality external credit ratings.

40.5 Liquidity risk

Liquidity risk relates to the risk that the Target Group will not be able to meet its obligations associated with its financial liabilities. The Target Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Target Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Target Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored on a day to day basis. Long term liquidity needs for a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing faculties are expected to be sufficient over the lookout period.

The Target Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

The liquidity policies have been followed by the Target Group since prior years and are considered to have been effective in managing liquidity risks.

Target Group

As at each of the year/period end dates, the Target Group's financial liabilities have contractual maturities, which are based on contractual undiscounted cash flows, are set out as follows:

	On demand	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2006					
Other payables and accruals	1,700	–	–	–	1,700
Borrowings, secured	–	–	8,000	–	8,000
Due to a shareholder	57,890	–	–	–	57,890
Due to minority equity holders of subsidiaries	701	–	–	–	701
Finance lease payables	–	45	44	357	446
	60,291	45	8,044	357	68,737
At 31 December 2007					
Trade payables	–	15,079	–	–	15,079
Other payables and accruals	3,398	–	–	–	3,398
Borrowings, secured	4,988	–	–	–	4,988
Due to a shareholder	102,297	–	–	–	102,297
Due to minority equity holders of subsidiaries	14,577	–	–	–	14,577
Finance lease payables	–	45	44	268	357
	125,260	15,124	44	268	140,696
At 31 December 2008					
Trade payables	–	18,061	–	–	18,061
Other payables and accruals	11,353	–	–	–	11,353
Borrowings, secured	4,995	–	1,964	38,327	45,286
Due to a shareholder	6,391	–	–	–	6,391
Due to a related company	11,359	–	–	–	11,359
Finance lease payables	–	45	44	185	274
	34,098	18,106	2,008	38,512	92,724

	On demand HK$'000	Within 6 months HK$'000	6 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
At 31 July 2009					
Trade payables	–	18,061	–	–	18,061
Other payables and accruals	10,658	–	–	–	10,658
Borrowings, secured	–	2,600	6,560	29,488	38,648
Due to a related company	12,171	–	–	–	12,171
Finance lease payables	–	45	44	127	216
	22,829	20,706	6,604	29,615	79,754

Target Company

	On demand HK$'000	Total HK$'000
At 31 December 2006		
Accruals	40	40
Amount due to a subsidiary	15,882	15,882
Amount due to a shareholder	1,397	1,397
	17,319	17,319
At 31 December 2007		
Accruals	50	50
Amount due to a subsidiary	15,888	15,888
Amount due to a shareholder	1,397	1,397
	17,335	17,335
At 31 December 2008		
Accruals	560	560
Amount due to a shareholder	5,136	5,136
	5,696	5,696
At 31 July 2009		
Accruals	1,010	1,010
Amount due to a shareholder	5,136	5,136
	6,146	6,146

41. CAPITAL MANAGEMENT – TARGET GROUP

The Target Group's capital management objectives are to ensure the Target Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Target Group actively and regularly reviews its capital structure to ensure optimal capital structure and equity holders' returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Target Group currently does not adopt any formal dividend policy.

The Target Group monitors its capital structure on the basis of debt to equity ratio. The Target Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Group may adjust the amount dividends paid to equity holders, return capital to equity holders, issue new shares or raise new debts, or sell assets to reduce debt.

	At 31 December			At 31 July
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Overall financing				
Borrowings, secured	8,000	4,988	41,359	36,364
Overall financing				
Total capital and reserves	(18,847)	13,635	337,860	314,932
Debt to equity ratio	(0.42) : 1	0.37 : 1	0.12 : 1	0.12 : 1

42. RELATED PARTY TRANSACTIONS – TARGET GROUP

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Group had the following material related party transactions:

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Group had the following material related party transactions:

		At 31 December			At 31 July
		2006	**2007**	**2008**	**2009**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales of goods and services to SH Biomax GEP, the available-for-sale investment of the Target Group					
Sales of goods	*(i)*	–	89,699	4,734	–
Service income received	*(i)*	2,674	96	1,419	–
Total		2,674	89,795	6,153	–
Purchase of goods and services from a related company					
Purchase of goods/services	*(ii)*	–	–	(4,265)	(798)

Notes:

(i) The transactions were conducted in the normal course of business at prices and terms mutually agreed by the Target Group and SH Biomax GEP.

(ii) Purchases from a related company were made in the normal course of business and accordingly to the prices and terms mutually agreed. The related company is a company controlled by Ngok Yan Yu, a director of the Target Company.

(b) Compensation of key management personnel of the Target Group:

	Year ended 31 December			Seven months ended 31 July	
	2006	**2007**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*	*HK$'000* (unaudited)
Salaries and allowances	2,330	2,769	2,633	1,881	1,401
Contribution to pension plan	254	261	259	202	92
	2,584	3,030	2,892	2,083	1,493

43. OTHER CONTRACTS – TARGET GROUP

During the Relevant Periods, the Target Group bad entered into the following preliminary contracts:

a) A letter of intend was signed by the Target Group and Ngok Yan Yu on 20 April 2008 to acquire 23.2% equity interest in SH Biomax GEP. According to this letter, the completion date and the consideration of the acquisition should be covered by another agreement. Up to the date of this report, no agreement on this acquisition had been signed.

b) The Target Group obtained a tender notice in respect of a service concession arrangement in Guangzhou, the PRC, on 20 July 2007. Up to the date of this report, no agreement on this service concession arrangement had been signed.

c) The Target Group signed a framework agreement with the local authority of Shanghai Jinshan, the PRC, in August 2006 in respect of a service concession arrangement. No formal agreement on this service concession arrangement had been signed up to the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Group in respect of any period subsequent to 31 July 2009.

Yours faithfully,
Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION OF THE GROUP

For the year ended 31 December 2008

Overview

The Group's revenue reached approximately HK$1,356.4 million for the captioned year, representing an increase of 30.8% over the previous year. The net profit attributable to the Company's equity holders amounted to approximately HK$7.8 million for the captioned year, given provisions for impairment for the aggregate approximate amount of HK$64.8 million were made, as called upon by the Company's conditional disposal of its shares at Well Metro Group Limited (i.e., the business of distribution and retailing of apparel and accessories in the PRC).

The Board did not recommend the payment of a final dividend for the year ended 31 December 2008.

Supply chain services

During the captioned year, the Group's revenue for supply chain services reached approximately HK$1,094.9 million, representing an increase of approximately 19.9%, as compared to the previous year, which accounted for approximately 80.7% of the Group's revenue in the financial year 2008.

The Group's gross profit for supply chain services dropped from 30.7% as of the previous year to 22.3% for the captioned year.

Distribution and retailing businesses

During the captioned year, revenue for the Group's distribution and retailing business totaled approximately HK$261.6 million, recording a growth of approximately 111.7%, as compared to the previous year and this accounted for approximately 19.3% of the Group's revenue. Gross margin reached approximately 46.1%.

To better allocate resources, Hembly purchased from Stonefly its 50% shareholding in the 50:50 Stonefly joint venture and sold its 50% shareholding within the Lotto joint venture to Lotto. The gain on disposal of the Lotto joint venture accrued to the Group was in the amount of approximately HK$15.1 million. By the same token, the Group has, as of 1 January 2009, sold its 50% shareholding in the 50:50 Sisley joint venture back to Benetton S.p.A..

During the captioned year, the gross margin of the Sisley joint venture, the gross margin of Stonefly and the gross margin of Moschino are approximately 55.3%, 48.8% and 58.6% respectively.

Prospect

In light of prevailing market conditions and having appraised the Group's principal supply chain business focus, the Board took the view that in the prevailing difficult times, it was not in its best interest to devote valuable time and financial resources to its distribution and retailing arm (namely via the group of companies in relations to Well Metro Group Limited), which would in turn divert the Group's resources in its principal business and to cope with challenges ahead. As such, on 3 December, 2008, the Group and its wholly-owned subsidiary, Spring Castle Group Limited ("**Spring Castle**"), entered into the conditional sale and purchase agreement with Luxba (previously named Primewill Investments Limited), an associate of New World Development Company Limited, pursuant to which the Group conditionally disposed to Luxba its share at Well Metro (i.e., business of distribution and retailing of apparel and accessories in the PRC) for an aggregate cash consideration of HK$100,000,000. This agreement was approved by the Company's independent shareholders' approval at an extraordinary general meeting of the Company. The aforesaid conditional disposal was completed on 30 October 2009.

The net proceeds from the aforesaid condition disposal would enhance the liquidity of the Group.

Operating expenses

In 2008, the Group's distribution and selling expenses increased significantly by 110.0% to HK$133.3 million, as compared to the previous year, which as a percentage of revenue, increased from 6.1% to 9.8%. This substantial increase was principally attributable to increased freight charges, shop rental, staff costs and depreciation charges.

The Group's administrative expenses increased by 11.9% from HK$134.1 million to HK$150.0 million. This increase is mainly attributable to its increased staff costs. The Group's administrative expenses, which as a percentage of revenue, decreased from 12.9% from the previous year to 11.1% for the captioned year, earmarking the Group's improved operational efficiency.

Finance costs

Finance costs increased by 43.7% for the captioned year to HK$58.2 million, as compared to the previous year. Meanwhile, for the captioned year, the Group also bore an additional finance cost of approximately HK$11.2 million, representing the effective interest expense on the convertible redeemable preference shares issued at the Well Metro Group Limited's level, which issuance was made in December 2007.

Liquidity, financial resources and capital structure

As at 31 December 2008, the Group had cash and cash balances of HK$309.1 million, primarily denominated in RMB and HK dollars, (31 December 2007: HK$474.1 million), and total bank borrowings of HK$578.6 million, (31 December 2007: HK$683.7 million), of which 64.3% constitute short-term bank borrowings and 35.7% long-term bank borrowings. The Group's bank borrowings were primarily denominated in RMB, HK dollars and US dollars. As at 31 December 2008, 35.6%, 37.2%, and 27.2% of the Group's total bank borrowings were denominated in RMB, HK dollars and US dollars, respectively, with 36.0% of the total bank borrowing subject to fixed interest rates and 64.0% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and bank balances) over the Group's total shareholders' equity, increased from 0.36 as at 31 December 2007 to 0.45 as at 31 December 2008. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from 1.74 as at 31 December 2007 to 1.57 as at 31 December 2008.

The interest coverage for this year, expressed as a quotient of EBITDA over interest expenses, was 1.84, which is considered a comfortable level.

Foreign exchange exposure

The Group's sales were mostly denominated in US dollars and RMB, while the purchase and operating expenses were mostly denominated in RMB and HK dollars. The Group's exposure to RMB and US dollars fluctuation is balanced by RMB receipt from its PRC distribution and retail sales and US dollar receipt from its supply chain related export sales. To minimize possible foreign currency fluctuation, related loss and maximize possible RMB appreciation profit, the Group adopts stringent internal hedging policies, which, during the year, had the strategy of holding the Group's majority monetary assets in RMB. During the captioned year, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes.

Charges on assets

As at 31 December 2008, the Group's bank deposits of HK$41.7 million, available for sale securities of HK$2.8 million, financial assets at fair value of HK$6.0 million, property, plant and equipment with an aggregate net book value of HK$188.2 million, investment property at fair value of HK$29.9 million and land use rights with an aggregate net book value of HK$67.6 million were pledged to secure general banking facilities and bank borrowings granted to the Group.

Capital commitment

As at 31 December 2008, the Group had capital commitment of HK$8.9 million in respect of acquisition of property, plant and equipment, which were contracted for but not provided in the consolidated financial statements.

Contingent liabilities

As at 31 December 2008, the Group had no material contingent liabilities.

Employment information

As at 31 December 2008, the Group had about 2,165 employees in total, stationed mainly in the PRC, Hong Kong and Europe.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

Dividend

Given the course global market conditions, which calls for the need for prudent allocation of resources, the Board did not recommend the payment of a final dividend for the year ended 31 December 2008. Thus, the interim dividend of HK3.0 cents per share paid on 6 November 2008 represented the total dividend of HK3.0 cents per share paid for the year 2008.

For the year ended 31 December 2007

Overview

The Group recorded a revenue of HK$1,037.0 million for the captioned year. This represented an increase of 69.5% over the previous year.

Profits attributable to the Company's equity holders increased by 37.9% for the captioned year to HK$107.7 million as compared to the previous year. Basic earnings per share increased 37.9% for the captioned year from the previous year to HK40.32 cents. The Group's overall gross margin dropped from 35.9% as of the previous year to 32.8% for the captioned year. This drop is mainly attributable to the Group's decreased gross margin for its supply chain business.

The Board recommended a final dividend of HK7.0 cents per share, payable on 23 June 2008 to the shareholders whose names appear on the register of members of the Company on 27 May 2008. The proposed dividend, together with the interim dividend of HK3.0 cents per share paid on 1 November 2007, gave a total dividend of HK10.0 cents per share for the captioned year.

Supply chain services

The Group's recorded a high revenue of HK$913.4 million, representing an increase of 65.5% over the previous year. Meanwhile, the Group managed a moderate decrease in gross margin from 35.3% for the previous year as compared to 30.7% of the captioned year.

Distribution and retailing

The Group's distribution and retailing businesses recorded strong growth for the captioned year. Revenue from the Group's distribution and retailing business reached HK$123.5 million, representing a 107.9% increase over the previous year. Gross margin also improved from 37.9% for the previous year to 48.1% for the captioned year.

With an emerging lifestyle focused PRC population, coupled with the backdrop of the Beijing Olympics mania, sports and sports-inspired apparel have gained huge popularity in the PRC, which led to the Lotto joint venture's sustained growth this year. The gross margin improved substantially from 38.5% of the previous year to 48.2% in the captioned year. This improvement was attributable mainly to the increased sales generated from directly-managed shops, which usually enjoy higher gross margin, and the joint venture's increased sourcing within the PRC.

During the captioned year, the Group continued to expand *Lotto's* sales network, with a net increase of 45 points-of-sale. As at 31 December 2007, the Lotto joint venture had 110 points-of-sale including 25 directly-managed shops and 85 franchised shops throughout PRC's first and second tier cities.

In line with the change in strategy for *Stonefly* to focus solely on footwear, the performance of the *Stonefly* joint venture has improved significantly in its third year. The business achieved a turnaround, moving from a loss in 2006 to breakeven in the captioned year. With the shift in emphasis from a combination of apparel and footwear to exclusively footwear, the average shop size of *Stonefly* could be reduced by half, substantially increasing sales per square meter and improving operational efficiency. In all, the gross margin for this joint venture improved from 37.8% to 44.0% for the captioned year.

As at 31 December 2007, the joint venture had 55 points-of-sale, including 15 directly-managed shops and 40 franchised shops throughout the first and second tier cities of the PRC. There was a net increase of 21 points-of-sale during the year.

During the captioned year, the Group added two fashion and luxurious brands, *Sisley* and *Moschino*, to its growing portfolio.

Since the Group's establishment of the *Sisley* joint venture in 2006, the Group has successfully transferred, by August 2007, into this joint venture 40 *Sisley* shops, which were previously directly managed by the Benetton Group.

The Group's brand diversification was further enhanced when *Moschino S.p.A* ("***Moschino***") granted the Group a 10 year distribution exclusivity licence for various *Moschino* product lines in the PRC in 2007.

In year 2007, 1 flagship store for *Moschino* has already been launched in Shanghai.

To capture additional funding in face of vast expansion, especially in the distribution and retailing sector, the Group has, through restructuring, further consolidated the Group's retailing platform, and has, in December 2007, successfully invited a member of the New World group to become a strategic investor to hold a 16.77% convertible preferential shareholding within such distribution and retailing platform. This raised an additional HK$90.1 million for such distribution and retailing platform's additional working capital.

Operating expenses

In 2007, the Group's selling expenses significantly increased by 154.4% to HK$63.5 million, as compared to the previous year, which as a percentage of revenue, increased from 4.1% to 6.1%.

The Group's administrative expenses increased by 55.2% from HK$86.4 million as of the previous year to HK$134.1 million for the captioned year. This increase is mainly attributable to its increased share option expenses and listing & compliance related costs (namely, legal and professional fees). With astute expenditure management, the Group administrative expenses, which as a percentage of revenue, decreased from 14.1% as of the previous year to 12.9% for the captioned year, earmarking the Group's improved efficiency.

Finance costs

Finance costs increased by 74.2% to HK$40.5 million, as compared to the previous year. This substantial increase is mainly attributable to the Group's increased bank borrowing which is necessitated to finance the Group's vast expansion.

Liquidity, financial resources and capital structure

As at 31 December 2007, the Group had cash and cash equivalents of HK$474.1 million, primarily denominated in RMB and HK dollars, (31 December 2006: HK$238.4 million), and total bank borrowing of HK$683.7 millions, (31 December 2006: HK$392.7 million), of which 62.4% constitute short-term bank borrowing and 37.6% long-term bank borrowing. The Group's bank borrowing was primarily denominated in RMB, HK dollars and US dollars. As at 31 December 2007, 26.8%, 53.8%, and 19.1% of the Group's total bank borrowing were denominated in RMB, HK dollars and US dollars, respectively, with 7.0% of the total bank borrowing subject to fixed interest rates and 93.0% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowing (net of cash and cash equivalent) over the Company's total shareholders' equity, decreased from 0.45 as at 31 December 2006 to 0.36 as at 31 December 2007. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from 1.53 as at 31 December 2006 to 1.74 as at 31 December 2007.

The interest coverage for this year, expressed as a quotient of EBITDA over interest expenses, was 4.6, which was considered a comfortable level.

During the captioned year, the Group actively managed financial risks and continuously readjusted its financial position. To better maintain a long-term viz-a-viz short-term financing balance, the Group had, on 27 March 2007, obtained a three-year syndicated term loan and revolving credit facility in the amount of HK$200 million. The loan bears interest rate of 155 basis points over HIBOR. The syndicated term loan is repayable in installments over the three-year period. The proceeds are mainly designated as general working capital. In July 2007, the Group raised about HK$99.0 million (after deducting all related expenses) via the issuance of 23,800,000 new shares at HK$4.29 each. These net proceeds were designated to back-up the Group's further acquisition opportunities and as working capital. As previously disclosed, the Group had through re-structuring, further consolidated the Group's retailing platform by successfully invited the New World group to become a strategic investor thereby raising the additional funds of HK$90.1 million.

Foreign exchange exposure

The Group's sales were mostly denominated in US dollars and RMB, while the purchase and operating expenses were mostly denominated in RMB and HK dollars. Although the Group's exposure to the fluctuations of the RMB and US dollars was balanced by its RMB receipt from its PRC distribution and retail sales and its US dollar receipt from its supply chain services, the Group's PRC distribution and retail sales were still small compared to its supply chain related export sales. To minimize possible foreign currency fluctuation related loss and maximize possible RMB appreciation profit, the Group adopted stringent internal hedging policies, which, during the captioned year, had the strategy of holding the Group's majority monetary assets in RMB. During the captioned year, the Group had adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes.

Charges on assets

As at 31 December 2007, the Group's bank deposits of HK$48.1 million, available-for-sale securities of HK$6.0 million, property, plant and equipment with an aggregate net book value of HK$145.6 million, and land use rights with an aggregate net book value of HK$31.5 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

Substantial investment

For the year ended 31 December 2007, apart from investments in property, plant and equipment, no other substantial investment has been made by the Group.

Material acquisition/disposal

As previously stated, the New World group became a strategic investor of the Group's retailing platform, in December 2007. Meanwhile, it should be noted that the Group's retailing platform was disposed to Luxba on 30 October 2009.

Capital commitment

As at 31 December 2007, the Group had capital commitment of HK$59.6 million in respect of acquisition of property, plant and equipment, which had been contracted for but not provided in the consolidated financial statements for the captioned year.

Contingent liabilities

As at 31 December 2007, the Group had contingent liabilities of HK$70.2 million in respect of a guarantee given to a banking connection with banking facilities granted to a third party.

Employment information

As at 31 December 2007, the Group had about 2,570 employees in total, stationed mainly in the PRC, Hong Kong and Europe.

In addition, the Group maintained a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions to the Group.

For the year ended 31 December 2006

Business and financial review

During captioned year, the Group's turnover reached HK$611.7 million, representing an increase of 43.0% as compared to the previous year. The Group's overall gross margin improved to 35.9% as compared to 33.2% reported the previous year. Profit attributable to the equity holders of the Company in 2006 also increased by 34.3% to HK$78.1 million.

Supply chain services

Revenue for the supply chain services increased by 34.0% to HK$551.9 million as compared to the previous year, which accounted for 90.2% of the Group's turnover in 2006. The gross margin of the Group's supply chain services surged from 32.7% to 35.3%, as compared to the previous year, notwithstanding the increased cost environment and the pricing pressures exerted by appreciation of the RMB. Europe remained the Group's biggest export market, accounting for 77.9% of the Group's revenue.

Since the end of 2006, completion of the new phase of our Yangzhou production base has also strengthened the Group's dual operation model in production management and high-tech garment manufacturing techniques. Such newly completed production facilities, comprise a production workshop for the manufacture of high-tech outdoor wear as well as a production workshop for the Group's 50:50 joint venture with Mountain Experience Beteiligungs Gesellschaft M.B.H. ("**MEB**"), a global sports and mountaineering products provider.

Distribution and retailing

Revenue of the Group's distribution and retailing business, accounting for 9.7% of the Group's revenue, achieved an outstanding growth of 276.9% to HK$59.4 million, as compared to the previous year. The gross margin of the Group's distribution and retailing business had improved from 36.4% to 37.9%, as compared to the previous year.

The gross margin for the Group's *Stonefly* joint venture improved during the captioned year as the Group switched away from offering both apparel and footwear, and focused solely on footwear because it offers a much higher gross margin.

The gross margin for the Group's *Lotto* joint venture has been favorable, as the Group focused significantly more on sourcing products within the PRC, thus improving the economies of scale.

The distribution and retailing business was further supported by a joint venture agreement with the Benetton Group S.p.A. in September 2006, which made the joint venture as the exclusive distributor for all items of men and women's apparel and accessories under the brand of *Sisley* in the PRC.

In the first half of 2007, about 35 shops, directly-managed by Benetton Group, are expected to be transferred to the new joint venture.

Operating expenses

In 2006, the Group's distribution costs surged by 44.8% to HK$25.0 million, as compared to the previous year, which as a percentage of revenue, remained fairly stable at about 4.0%. The Group's administrative expenses substantially increased by 67.4% to HK$86.4 million, as compared to the previous year. As a percentage of revenue, the Group's administrative expenses increased from 12.1% in 2005 to 14.1% in 2006. The substantial increase in option expenses of HK$1.9 million in compliance with the new Hong Kong Financial Reporting Standard 2 – Share-based Payment requirements.

Finance costs

Finance costs increased by 87.2% to HK$23.3 million, as compared to the previous year. This substantial increase is mainly attributable to the higher average level of interest rat in 2006 as compared to 2005 and a higher level of bank borrowings necessary to finance the Group's vast expansion.

Liquidity, financial resources and capital structure

As at 31 December 2006, the Group had bank balances and cash of HK$238.4 million, primarily denominated in RMB and HK dollars, (31 December 2005: HK$84.6 million) and total bank borrowings of HK$392.7 million (31 December 2005: HK$246.6 million), of which 73.3% constituted short-term bank borrowings and 26.7% constituted long-term bank borrowings. Besides, 5.1% of the total bank borrowings were subject to fixed interest rates, whilst 94.9% thereof was subject to floating interest rates. The Group's bank borrowings were primarily denominated in RMB, HK dollars and

US dollars. As at 31 December 2006, 15.0%, 18.8% and 66.2% of the Group's total bank borrowings were denominated in RMB, HK dollars and US dollars respectively. As at 31 December 2006, the nature of the Group's total bank borrowings were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Bank overdrafts	76	9,288
Bills discount loans	91,667	67,912
Trust receipt loans	134,233	104,794
Packing loans	28,545	13,755
Current-portion of term loans	33,426	4,598
Total short-term borrowings	287,947	200,347
Long-term borrowings	104,710	46,244
Total bank borrowings	392,657	246,591

With the net proceeds of HK$101.6 million raised from the Initial Public Offering on 13 July 2006, the Group's net gearing ratio (which is calculated on the basis of total bank borrowings (net of cash and cash equivalent) over the total shareholders' equity of the Company) and current ratio (which is calculated on the basis of current assets over current liabilities) significantly improved. The net gearing ratio decreased from 1.09 as at 31 December 2005 to 0.45 as at 31 December 2006, notwithstanding the substantial increase in the Group's bank borrowings. As at 31 December 2006, the Group had current assets of HK$609.7 million (31 December 2005: HK$328.4 million) and current liabilities of HK$399.1 million (31 December 2005: HK$285.9 million). The current ratio significantly improved from 1.15 as at 31 December 2005 to 1.53 as at 31 December 2006. Both net gearing ratio and current ratio are considered healthy and indicates the Group's sound liquidity.

The interest coverage for the captioned year, expressed as a multiple of EBITDA over the interest expenses, was 5.37, which is considered a comfortable level.

Subsequent to the balance sheet date, on 27 March 2007, the Group obtained a 3-year syndicated term loan and revolving credit facility in an aggregate amount of HK$200 million. The loan bore interest at HIBOR plus 1.55% per annum. The syndicated term loan is repayable by installments over the three years period. The proceeds will be used to finance general working capital and capital expenditure of the Group.

Foreign exchange exposure

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the year.

Charges on assets

As at 31 December 2006, the Group's bank deposits of HK$57.5 million, available-for-sale securities of HK$7.4 million, property, plant and equipment with an aggregate net book value of HK$131.2 million, and land use rights with an aggregate net book value of HK$30.1 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

Substantial investment

For the year ended 31 December 2006, apart from investments in property, plant and equipment, no other substantial investment has been made by the Group.

Material acquisitions/disposals

The Group had no material acquisitions nor disposals during the year.

Capital commitment

As at 31 December 2006, neither the Group nor the Company had any significant capital commitments.

Contingent liabilities

As at 31 December 2006, neither the Group nor the Company had any material contingent liabilities.

Employment information

As at 31 December 2006, the Group had about 2,030 employees in total, and they station mainly in the PRC, Hong Kong and Europe.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their respective contributions to the Group.

For the six months ended 30 June 2009

Overview

In the first half of 2009, the Group's revenue reached approximately HK$564.0 million, representing a decrease of 23.3% over the same period last year. Loss attributable to the Company's equity holders was approximately HK$143.7 million, as compared to profit attributable to the Company's equity holders of HK$61.8 million for the same period last year.

During the period under review, although the Group's supply chain business was affected by the continuous economic downturn, the Group continued to retain the existing clients' portfolio and the Group's supply chain business continued to contribute significantly towards the Group's turnover. As called upon by the Group's internal corporate restructurings during the first half of 2009, more of the Group's supply chain services shifted from manufacturing to trading mode, coupled with the effect of pricing pressure exerted by RMB appreciation, it resulted in reduced gross profit margin and a reduction in the Group's gross profit for its supply chain business for the first half of 2009. Meanwhile, the continuing downturn in the global economy and financial markets has also negatively impacted on the luxury retail segments within the PRC. For the period under review, the Group attained a gross profit of approximately 17.3%, as compared to approximately 32.1% for the same period last year.

Supply chain services

The continuous global financial downturn had adversely affected all industries, with the global luxury and affordable luxury garment segment being one of its prime casualties. The Group's revenue for supply chain services only attained approximately HK$508.4 million for the first half of 2009, as compared to approximately HK$573.7 million for the same period last year. This accounted for approximately 90.1% of the Group's revenue in the first half of 2009. In light of the economic tsunami, the Group had since late 2008 and the beginning of 2009 carried out a series of actions to implement its internal corporate restructurings, which witnessed the closure of the Group's plant which was based in Nanjing, the PRC. This had resulted in impairments and expenditures to the Group as well as shifting more of the Group's business from manufacturing to trading mode, which carry reduced margins, but reduced overhead and reduced capital requirement, coupled with the effect of pricing pressures exerted by RMB appreciation as compared to the same period last year, our gross profit margin for supply chain services recorded a decrease from approximately 29.1% to approximately 14.1% during the period under review. Moreover, the loss for the period for the supply chain amounted to HK$97.2 million as compared to a profit of HK$59.6 million for the same period last year. Going forward, the Group will further improve its value added services to boost its supply chain services, as this is definitely in line with global market needs. With our sophisticated technologies and capability to engage in new industrial processes adapted to enriching our materials, thereby giving them new looks, performances and touches, the Group's positioning as China's leading supply chain services provider for luxury brands will surely be maintained.

Distribution and retailing

The continuing downturn in the global economy and financial markets has hugely impacted on the luxury retail segments within the PRC negatively. The Group's distribution and retailing businesses naturally suffered within this context of malaise. During the period under review, revenue for the Group's distribution and retailing businesses totaled approximately HK$55.7 million, recording a decrease of approximately 65.6%, as compared to the same period last year and this accounted for approximately 9.9% of the Group's revenue. Gross margin for the distribution and retailing business is ascertained to be approximately 47.1% for the first half of 2009, as compared to 42.7% for the same period last year. The loss for the period for the distribution and retailing business amounted to HK$49.1 million as compared to a profit of HK$2.2 million for the same period last year.

Significant disposal and acquisition

In early December 2008, with the view to exercise stringent financial control amidst difficult times, the Board approved for the Group's conditional disposal of its shares at Well Metro Group Limited (i.e. the Group's business of distribution and retailing of apparel and accessories in the PRC) to Luxba Group Limited (previously named Primewill Investments Limited) for an aggregate cash consideration calculated with reference to the net asset value of Well Metro Group Limited and its subsidiaries. The aforesaid conditional disposal has already received due approval from the Company's independent shareholders. Currently, the aforesaid conditional disposal is ongoing and is expected to complete by 30 September 2009. In light of the global economic outlook where consumers are on the whole reducing their spending, the Board viewed that the return of the existing business is likely to remain sluggish. As the Group had consequentially been considering and seeking opportunities to diversify its business in light of the recent economic climate, it noted that the waste treatment, renewable energy and services sector is an area worthy of exploration given the wave of global environmental awareness, supportive government policies around the world including the PRC and the various traditional energy-related crises. Having carried out initial research on the Target Group, the Board considered that it will offer growth potential for the Group, as the Target Group is engaged in the principal business of waste-to-energy technology and services and which specializes in technology development, design, system integration, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC. As such, in early September 2009, the Board approved for the Group to conditionally acquire the entire issued share capital of the Target Group at a total consideration of HK$1,155.54 million (subject to adjustment), involving the issuance of convertible securities and promissory notes by the Company. As two of the vendors of the Target Group are connected parties to the Company, with one of such vendor being ultimately owned by Billy, Ngok Yan Yu, the Chairman, executive director and a substantial shareholder of the Company, the aforesaid conditional acquisition also constituted a connected transaction of the Company. The aforesaid conditional acquisition (which details are more particularly announced in the Company's announcement dated 23 September 2009) is conditional on various conditions precedent, which include the approval by the Company's independent shareholders, is currently scheduled to complete before 31 March 2010.

Operating expenses

During the period under review, the distribution and selling expenses for the supply chain services dwindled by approximately 32.1% to approximately HK$14.6 million, as compared to the corresponding period last year for the supply chain services. This decrease has mainly resulted from a decrease in freight charges incurred. Meanwhile, the distribution and selling expenses as a percentage of revenue decreased from approximately 3.7% to approximately 2.9% for the supply chain services. The administrative expenses for the supply chain services decreased slightly by approximately 4.2% to approximately HK$56.4 million, as compared to the corresponding period last year. As a percentage of turnover, the administrative expenses increased from approximately 10.2% to approximately 11.1% as compared to the same period last year for the supply chain services. This decrease was mainly attributable to the net effect of the costs saving as a result of the Group's internal corporate restructuring and the cost incurred for the restructuring.

Finance costs

Finance costs for the Group decreased by approximately 26.6% to approximately HK$16.6 million, as compared to the same period last year. This substantial decrease is mainly attributable to decreased bank borrowings.

Liquidity, financial, resources and capital

Structure

As at 30 June 2009, the Group had cash and bank balances of approximately HK$120.9 million, primarily denominated in RMB and HK dollars, (31 December 2008: HK$309.1 million), and total bank borrowings of approximately HK$548.8 millions, (31 December 2008: HK$578.6 million), of which approximately 60.7% constituted short-term bank borrowings and approximately 39.3% constituted longterm bank borrowings. The Group's bank borrowings were primarily denominated in RMB, HK dollars and US dollars. As at 30 June 2009, approximately 40%, 35%, and 25% of the Group's total bank borrowings were denominated in RMB, HK dollars and US dollars, respectively, with approximately 41% of the total bank borrowings subject to fixed interest rates and 59% subject to floating interest rates. The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and cash equivalent) over the total shareholders' equity of the Company, increased from approximately 0.45 as at 31 December 2008 to approximately 0.89 as at 30 June 2009. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from approximately 1.57 as at 31 December 2008 to approximately 1.54 as at 30 June 2009. The high debt gearing as at 30 June 2009 was mainly due to the impact of the seasonal demand cycle on the increase in working capital, which was well supported by bank trading facilities.

Foreign exchange exposure

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

Charges on assets

As at 30 June 2009, the Group's bank deposits of approximately HK$22.3 million, available-for-sale securities of approximately HK$2.8 million, financial assets at fair value through profit or loss of approximately HK$6.2 million, property, plant and equipment with an aggregate net book value of approximately HK$157.9 million, investment property at fair value of HK$44.6 million, and land use rights with an aggregate net book value of approximately HK$65.9 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

Capital commitment

At 30 June 2009, the Group had capital expenditure of approximately HK$746,000 contracted for but not provided in respect of acquisition of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION OF THE TARGET GROUP

For the period ended 31 July 2009

Business Review

During the period ended 31 July 2009, the Target Group's have received gross trading income, gross Engineering, Procurement and Construction income and gross construction income in the respective approximate amounts of nil, nil and HK$2,639,000, representing a decrease of approximately nil, nil and 59.6%, as compared respectively with HK$29,494,000, HK$3,298,000 and HK$6,538,000 in the previous period.

During the period ended 31 July 2009, there were 5 Engineering, Procurement and Construction projects engaged by the Target Group, as compared to 4 in the previous period.

Financial Review

Results

For the period ended 31 July 2009, the Target Group's revenue was HK$2,639,000, representing a decrease of approximately 93.3% as compared with HK$39,330,000 in the previous Period, whilst gross profit for the period ended 31 July 2009 decreased to HK$600,000 as compared with HK$7,208,000 in the previous Period.

The turnover are mainly represented by the provision of sale of waste recycling machineries, the provision of construction service and engineering consultancy service. Actually, all these services are project-base revenue and the timing for the provision of these services are also depend on the construction phrase and status of each project. The decrease in turnover is due to the fluctuation of demand and the gap in-between these construction phrases and/or projects during the aforesaid period.

The major turnover contributors of the Target Group for the three years ended 31 December 2008 and seven months ended 31 July 2009 are the Shanghai and Beijing projects. Shanghai project had been commenced in 2007 and already completed in 2008. Total revenue recognized for the Shanghai project during these periods amounted to HK$94 million. On the other hand, Beijing project had been commenced in 2007 and completed in 2009. Total revenue recognized for the Beijing project during these periods amounted to HK$117 million.

Apart from the above, there are other various projects commenced in 2008 which are still in its early stage of construction phrase. Although these projects had only contributed insignificantly to the revenue for the first seven months of 2009, their contributions are expected to increase in the year 2010 onwards.

Financial Resources, Liquidity and Gearing Ratio

During the period ended 31 July 2009, the Target Group had a net cash out flow of HK$45,333,000. Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 1.96, while the quick ratio (which excludes stocks from current assets) was 1.96. The gearing ratio (i.e. total borrowings divided by total shareholders' fund) for the year was 0.12%.

Foreign Exchange Exposure

As at 31 July 2009, the Target Group's sales and cost base for its projects are denominated in RMB and Euro, whereas the Target Group's income is also denominated in US dollars. Given the above and as the Target Group's exchange risk is limited in scope, there is no forward exchange contract currently in place.

Bank Borrowings

As at 31 July 2009, the Target Group's total borrowings amounted to approximately HK$36,364,000, of which were unsecured by the buildings of the Target Group. As at 31 July 2009, the Target Group's borrowings were denominated in RMB.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the period ended 31 July 2009.

Charge on Target Group Assets

As at 31 July 2009, certain bank deposit in an aggregate amount at approximately HK$71,591,000 will pledged to secure a performance guarantee of the operation of a service concession agreement and general banking facilities.

Contingent Liabilities

As at 31 July 2009, the Target Group did not have any material contingent liabilities.

Commitments

As at 31 July 2009, the Target Group had capital commitments in relation to the purchase of plant and equipment and investments contracted but not provided for in the financial statements amounting to approximately HK$148,546,000.

Employees

As at 31 July 2009, the total staff costs for the period including directors' emoluments amounted to HK$11,824,000. Meanwhile, as at 31 July 2009, the Target Group had a total of 76 staff, who are mostly based in the PRC

For the year ended 31 December 2008

Business Review

During the year ended 31 December 2008, the Target Group's have received gross trading income, gross Engineering, Procurement and Construction income and gross construction income in the respective approximate amounts of HK$31,401,000, HK$52,587,000 and HK$76,063,000, representing increases/(decrease) of approximately (65.0)%, 18,351.6% and 96.6%, as compared respectively with HK$89,699,000, HK$285,000 and HK$38,685,000 in the previous year.

During the year ended 31 December 2008, there were 5 Engineering, Procurement and Construction projects engaged by the Target Group, as compared to 2 in the previous year.

Financial Review

Results

For the year ended 31 December 2008, the Target Group's revenue was HK$160,051,000, representing an increase of approximately 24.4% as compared with HK$128,669,000 in the previous year, whilst gross profit for the year ended 31 December 2008 increased to HK$64,785,000 as compared with HK$37,120,000 in the previous year. The aforesaid increase in revenue is attributed to the fact that for the year ended 31 December 2008, more and more Engineering, Procurement and Construction projects of the Target Group have commenced full operation, in light that such projects normally take 2 years or so to construct before their full operation.

Financial Resources, Liquidity and Gearing Ratio

During the year ended 31 December 2008, the Target Group had a net cash in flow of HK$35,447,000.

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 2.19 (2007: 0.50), while the quick ratio (which excludes stocks from current assets) was 2.19 (2007: 0.50). The gearing ratio (i.e. total borrowings divided by total shareholders' fund) for the year was 0.12% (2007: 0.37).

Foreign Exchange Exposure

As at 31 December 2006, the Target Group's sales and cost base for its projects are denominated in RMB and Euro, whereas the Target Group's income is also denominated in US dollars. Given the above and as the Target Group's exchange risk is limited in scope, there is no forward exchange contract currently in place.

Bank Borrowings

As at 31 December 2008, the Target Group's total borrowings amounted to approximately HK$41,359,000, of which were unsecured by the buildings of the Target Group. As at 31 December 2008, the Target Group's borrowings were denominated in HK Dollars and RMB.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2008.

Charge on Target Group's Assets

As at 31 December 2008, certain bank deposits in an aggregate amount of approximately HK$71,591,000 (2007: nil) were pledged to secure a performance guarantee of the operation of a service concession agreement and general banking facilities.

Contingent Liabilities

As at 31 December 2008, the Target Group did not have any material contingent liabilities.

Commitments

As at 31 December 2008, the Target Group had capital commitments in relation to the purchase of plant and equipment and investments contracted but not provided for in the financial statements amounting to approximately HK$274,737,000 (2007: authorized, but not contracted for of approximately HK$235,388,000).

Pursuant to a cooperation agreement between the Target Group and a joint venture partner on 1 July 2007, the Target Group agreed to make capital contributions of approximately RMB100,000,000 to a PRC company which was wholly owned by the joint venture partner. After the capital injection, the Target Group should own as to 50% equity interest in the PRC company. According to the agreement, the first capital contribution of RMB56,250,000 should be completed on or before 30 April 2008 while the second capital contribution of RMB43,750,000, upon fulfillment of some condition precedent, should be completed by 31 December 2008. In the opinion of the directors of the Target Company, the Target Group shall continue the negotiation with the joint venture partner on the extension of such capital contribution but no supplement agreement was obtained up to the date of this report. The capital commitment in respect of this cooperation of the Target Group as at 31 December 2008 was amounted to approximately HK$113,636,000.

Pursuant to certain sales and purchase agreement and supplemental agreement as mentioned in note 20 of Accountants' Report of the Target Group, the Target Group had a capital commitment of approximately HK$77,273,000 as at 31 December 2008. The agreements were expired on 31 December 2008 and the Target Group continued the negotiation with the vendor on the acquisition. On 16 November 2009, a supplement agreement was signed to extend the contract term to 31 December 2009 and revise the consideration of RMB78,000,000 to RMB65,000,000.

Employees

As at 31 December 2008, the total staff costs for the year including directors' emoluments amounted to HK$24,113,000 (2007: HK$11,647,000). Meanwhile, as at 31 December 2008, the Target Group had a total of 87 staff, who are mostly based in the PRC.

For the year ended 31 December 2007

Business Review

During the year ended 31 December 2007, the Target Group's have received gross trading income, gross Engineering, Procurement and Construction income and gross construction income in the respective approximate amounts of HK$89,699,000, HK$285,000 and HK$38,685,000, representing decreases of approximately nil, 90.4% and nil, as compared respectively with nil, HK$2,996,000 and nil in the previous year.

During the year ended 31 December 2007, there were 2 Engineering, Procurement and Construction projects engaged by the Target Group, as compared to 2 in the previous year.

Financial Review

Results

For the year ended 31 December 2007, the Target Group's revenue was HK$128,669,000, representing an increase of approximately 4,194.7% as compared with HK$2,996,000 in the previous year, whilst gross profit for the year ended 31 December 2007 increased to HK$37,120,000 as compared with the loss of HK$2,103,000 in the previous year. The aforesaid increase in revenue is attributed to the fact that for the year ended 31 December 2007, two of the Target Group's Engineering, Procurement and Construction projects have commenced full operation.

Financial Resources, Liquidity and Gearing Ratio

During the year ended 31 December 2007, the Target Group had a net cash in flow of HK$6,345,000.

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 0.50 (2006: 0.50), while the quick ratio (which excludes stocks from current assets) was 0.50 (2006: 0.50). The gearing ratio (i.e. total borrowings divided by total shareholders' fund) for the year was 0.37% (2006: (0.42)).

Foreign Exchange Exposure

As at 31 December 2006, the Target Group's sales and cost base for its projects are denominated in RMB and Euro, whereas the Target Group's income is also denominated in US dollars. Given the above and as the Target Group's exchange risk is limited in scope, there is no forward exchange contract currently in place.

Bank Borrowings

As at 31 December 2007, the Target Group's total borrowings amounted to approximately HK$4,988,000 of which were secured by the director's property and were guaranteed by the director and the related company. As at 31 December 2007, the Target Group's borrowings were denominated in HK Dollars.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2007.

Contingent Liabilities

As at 31 December 2007, the Target Group did not have any material contingent liabilities.

Commitments

As at 31 December 2007, the Target Group had capital commitments in relation to the purchase of plant and equipment and investments contracted but not provided for in the financial statements amounting to approximately HK$235,388,000 (2006: authorized, but not contracted for of approximately HK$32,842,000).

Pursuant to a cooperation agreement between the Target Group and a joint venture partner on 1 July 2007, the Target Group agreed to make capital contributions of approximately RMB100,000,000 to a PRC company which was wholly owned by the joint venture partner. After the capital injection, the Target Group should own as to 50% equity interest in the PRC company. According to the agreement, the first capital contribution of RMB56,250,000 should be completed on or before 30 April 2008 while the second capital contribution of RMB43,750,000, upon fulfillment of some condition precedent, should be completed by 31 December 2008. In the opinion of the directors of the Target Company, the Target Group shall continue the negotiation with the joint venture partner on the extension of such capital contribution but no supplement agreement was obtained up to the date of this report. The capital commitment in respect of this cooperation of the Target Group as at 31 December 2007 was amounted to approximately HK$106,000,000.

Employees

As at 31 December 2007, the total staff costs for the year including directors' emoluments amounted to HK$11,647,000 (2006: HK$4,567,000). Meanwhile, as at 31 December 2007, the Target Group had a total of 106 staff, who are mostly based in the PRC.

For the year ended 31 December 2006

Business Review

During the year ended 31 December 2006, the Target Group's have received gross Engineering, Procurement and Construction income in the approximate amounts of HK$2,996,000.

During the year ended 31 December 2006, there were 2 Engineering, Procurement and Construction projects engaged by the Target Group, as compared to 2 in the previous year.

Financial Review

Results

For the year ended 31 December 2006, the Target Group's revenue was HK$2,996,000, and the gross loss was HK$2,103,000.

Financial Resources, Liquidity and Gearing Ratio

During the year ended 31 December 2006, the Target Group had a net cash inflow of HK$7,788,000.

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 0.50, while the quick ratio (which excludes stocks from current assets) was 0.50. The gearing ratio (i.e. total borrowings divided by total shareholders' fund) for the year was (0.32)%.

Foreign Exchange Exposure

As at 31 December 2006, the Target Group's sales and cost base for its projects are denominated in RMB and Euro, whereas the Target Group's income is also denominated in US dollars. Given the above and as the Target Group's exchange risk is limited in scope, there is no forward exchange contract currently in place.

Bank Borrowings

As at 31 December 2006, the Target Group's total borrowings amounted to approximately HK$8,000,000, of which were unsecured by a letter of credit amounted to Euro 4,268,922. As at 31 December 2006, the Target Group's borrowings were denominated in HK Dollars.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2006.

Contingent Liabilities

As at 31 December 2006, the Target Group did not have any material contingent liabilities.

Commitments

As at 31 December 2006, the Target Group had capital commitments in relation to the purchase of plant and equipment and investments contracted but not provided for in the financial statements amounting to approximately HK$32,842,000.

Employees

As at 31 December 2006, the total staff costs for the year including directors' emoluments amounted to HK$4,567,000. Meanwhile, as at 31 December 2006, the Target Group had a total of 53 staff, who are mostly based in the PRC.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1.1 INTRODUCTION

The following unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of Hembly International Holdings Limited (the "Company") and its subsidiaries, (excluding Well Metro Group Limited ("Well Metro") and its subsidiaries as referred to the Company's circular dated 24 April 2009 in respect of the very substantial disposal and connected transaction relating to the disposal of Well Metro) ("VSD Circular") (the "Remaining Group") and Smartview Investment Holdings Ltd. (the "Target Company") and its subsidiaries (the "Target Group" and together with the Remaining Group collectively referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") have been prepared by the directors of the Company in accordance with the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of 4,223, 2,324 and 3,453 ordinary shares from Simple Success Investments Limited ("Simple Success"), Bright Good Limited ("Bright Good") and Bright King Investments Limited ("Bright King") (collectively known as the "Vendors") respectively (the "Sale Shares") pursuant to the conditional sale and purchase agreement dated 8 September 2009 (as amended by the supplemental agreement dated 18 September 2009 (the "Acquisition") on the unaudited pro forma financial position of the Remaining Group as at 31 December 2008 and the results and cash flows of the Group for the year ended 31 December 2008.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 December 2008 extracted from the accountants' report of the unaudited pro forma financial information on the Remaining Group (the "VSD Accountants' Report") as set out in Appendix II to the VSD Circular and the consolidated statement of financial position of the Target Company as at 31 December 2008 extracted from the accountants' report of the Target Company set out in Appendix II to this circular as if the Acquisition has been completed on 31 December 2008.

The unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Enlarged Group are prepared based on the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement of the Remaining Group for the year ended 31 December 2008 extracted from the VSD Accountants' Report and the consolidated statements of comprehensive income and cash flow of the Target Company for the year ended 31 December 2008 as extracted from the accountants' report set out in Appendix II to this circular as if the Acquisition had been completed on 1 January 2008.

The Unaudited Pro Forma Financial Information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties, and currently available information. As a result of these assumptions, estimates and uncertainties, the Unaudited Pro Forma Financial Information does not purport to describe the financial position or the results of operations or cash flows that would have been presented had the Acquisition been completed. Further, the Unaudited Pro Forma Information does not purport to predict the Group's future financial position, the results of operations or cash flows.

1.2 UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

	Pro forma Remaining Group as at 31 December 2008	Target Group as at 31 December 2008	Pro forma adjustments relating to the Acquisition	Notes	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)			(unaudited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	190,041	36,006	13,094	*(b)*	239,141
Prepaid lease payments	52,348	36,648	10,977	*(b)*	99,973
Intangible assets	–	8,190	507,810	*(b)*	516,000
Goodwill	–	11,853	30,749	*(b)*	42,602
Available-for-sale investments	575	22,383			22,958
Financial assets at fair value through profit or loss	5,968	–			5,968
Deposits for potential investment	–	11,364			11,364
Amount due from grantor of contract work	–	96,586			96,586
	248,932	223,030			1,034,592
Current assets					
Inventories	229,284	–			229,284
Trade receivables	372,948	79,998			452,946
Deposits, prepayments and other receivables	275,245	18,996			294,241
Prepaid lease payments	1,154	–			1,154
Loan to a related party	–	13			13
Amount due from a related company	44,999	–			44,999
Amounts due from jointly controlled entities	12,417	–			12,417
Amount due from a former jointly controlled entity	616	–			616
Available-for-sale investments	3,021	–			3,021
Pledged bank deposits	41,719	71,591			113,310
Bank deposits with original maturity of more than three months	218,391	–			218,391
Bank balances and cash	65,116	56,591			121,707
	1,264,910	227,189			1,492,099
Assets classified as held for sale	26,823	–			26,823
	1,291,733	227,189			1,518,922

	Pro forma Remaining Group as at 31 December 2008 HK$'000 (unaudited)	Target Group as at 31 December 2008 HK$'000 (audited)	Pro forma adjustments relating to the Acquisition HK$'000	*Notes*	Pro forma Enlarged Group HK$'000 (unaudited)
Current liabilities					
Trade payables	117,134	18,061			135,195
Other payables and accruals	170,752	12,957	5,000	*(h)*	188,709
Amount due to a shareholder	–	6,391			6,391
Amounts due to related parties	–	11,359			11,359
Amounts due to joint venturers of jointly controlled entities	9,155	–			9,155
Amounts due to jointly controlled entities	20,028	–			20,028
Taxation payable	30,508	15,608			46,116
Obligations under finance leases – due within one year	786	76			862
Bank borrowings – due within one year	344,046	41,359			385,405
Bank overdrafts	26,073	–			26,073
	718,482	105,811			829,293
Liabilities associated with assets classified as held for sale	25,113	–			25,113
	743,595	105,811			854,406
Net current assets	548,138	121,378			664,516
Total assets less current liabilities	797,070	344,408			1,699,108
Non-current liabilities					
Obligations under finance leases – due after one year	1,201	152			1,353
Bank borrowings – due after one year	206,627	–			206,627
Promissory notes	–	–	156,470	*(d)*	156,470
Convertible notes	–	–	199,528	*(c)*	199,528
Deferred tax liabilities	3,015	6,396	132,970	*(b)*	142,381
	210,843	6,548			706,359
	586,227	337,860			992,749
CAPITAL AND RESERVES					
Share capital	28,303	78	(78)	*(b)*	28,303
Reserves	566,800	294,566	(282,713)	*(b)*	900,713
			322,060	*(c)*	
Equity attributable to equity holders of the Company	595,103	294,644			929,016
Minority interests	(8,876)	43,216	29,393	*(b)*	63,733
	586,227	337,860			992,749

1.3 UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

	Pro forma Remaining Group as at 31 December 2008	Target Group for the year ended 31 December 2008	Pro forma adjustments relating to the Acquisition	*Notes*	Pro forma Enlarged Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)			(unaudited)
Revenue	1,115,630	160,051			1,275,681
Cost of sales	(871,951)	(95,266)			(967,217)
Gross profit	243,679	64,785			308,464
Other income	9,634	1,220			10,854
Administrative expenses	(112,570)	(24,272)	(18,069)	*(f)*	(154,911)
Distribution and selling costs	(47,720)	(15)			(47,735)
Loss on disposal of a subsidiary	(16,481)	–			(16,481)
Finance costs	(45,999)	(2,544)	(76,798)	*(e)*	(125,341)
Profit before tax	30,543	39,174			(25,150)
Income tax expense	(11,070)	(16,897)	4,517	*(f)*	(23,450)
Profit for the year	19,473	22,277			(48,600)

1.4 UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

	Pro forma Remaining Group as at 31 December 2008	Target Group for the year ended 31 December 2008	Pro forma adjustments relating to the Acquisition	Notes	Pro forma Enlarged Group for the year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)			(unaudited)
OPERATING ACTIVITIES					
Profit/(loss) before tax	30,543	39,174	(76,798)	*(e)*	(25,150)
			(18,069)	*(f)*	
Adjustments for:					
Depreciation of property, plant and equipment	15,609	3,609	929	*(f)*	20,147
Amortisation of prepaid lease payments	1,128	658	1,027	*(f)*	2,813
Amortisation of intangible assets	–	1,171	16,113	*(f)*	17,284
Share-based payment expense	2,789	–			2,789
Interest expense	45,999	2,544	76,798	*(e)*	125,341
Interest income	(7,183)	(968)			(8,151)
Impairment loss recognised in respect of trade receivables	694	–			694
Allowance for inventories	317	–			317
Gain on disposal of available-for-sale investments	(168)	–			(168)
Change in fair value of financial assets at fair value through profit or loss	194	–			194
Loss on disposal of property, plant and equipment	204	–			204
Loss/(gain) on disposal of a subsidiary	16,481	(252)			16,229
Operating cash flows before movements in working capital	106,607	45,936			152,543

	Pro forma Remaining Group as at 31 December 2008 HK$'000 (unaudited)	Target Group for the year ended 31 December 2008 HK$'000 (audited)	Pro forma adjustments relating to the Acquisition HK$'000	Notes	Pro forma Enlarged Group for the year ended 31 December 2008 HK$'000 (unaudited)
Increase in inventories	(64,786)	–			(64,786)
Increase in trade receivables	(161,519)	(57,198)			(218,717)
Decrease in deposits, prepayments and other receivables	27,976	1,033			29,009
Increase in amount due from grantor for contract work	–	(53,336)			(53,336)
Increase in amounts due from jointly controlled entities	(16,928)	–			(16,928)
Decrease in amount due from a related company	131,423	–			131,423
Increase in trade payables	2,328	2,982			5,310
Increase in deposits received, other payables and accruals	539	3,974			4,513
Increase in amounts due to joint venturers of jointly controlled entities	11,512	–			11,512
Increase in amount due to a jointly controlled entity	1,717	–			1,717
Cash from/(used in) operations	38,869	(56,609)			(17,740)
Interest paid	–	(2,544)			(2,544)
Interest received	–	968			968
Hong Kong Profits Tax paid	(9)	–			(9)
Tax paid for other jurisdictions	(1,666)	(183)			(1,849)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	37,194	(58,368)			(21,174)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(5,449)	(6,282)			(11,731)
Purchase of available-for-sale investments	(805)	–			(805)
Purchase of financial assets at fair value through profit or loss	(6,162)	–			(6,162)
Purchase of other intangible assets	–	(5,507)			(5,507)
Increase in deposits for potential investment	–	(11,364)			(11,364)
Increase in prepaid lease payments	(18)	–			(18)
Decrease in bank deposits with original maturity of more than three months	49,047	–			49,047
Interest received	7,183	–			7,183
Proceeds on disposal of property, plant and equipment	224	–			224
Decrease/(increase) in pledged bank deposits	4,001	(71,591)			(67,590)
Net outflow of cash and cash equivalents on disposal of subsidiaries	77,718	(139)			77,579
Acquisition of a subsidiary, net of cash and cash equivalent acquired	2,952	(115,590)	16,148	*(g)*	(96,490)
Further acquisition of a subsidiary	–	(4,074)			(4,074)
Proceeds on disposal of available-for-sale investments	3,208	–			3,208
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	131,899	(214,547)			(66,500)

	Pro forma Remaining Group as at 31 December 2008 *HK$'000* (unaudited)	Target Group for the year ended 31 December 2008 *HK$'000* (audited)	Pro forma adjustments relating to the Acquisition *HK$'000*	*Notes*	Pro forma Enlarged Group for the year ended 31 December 2008 *HK$'000* (unaudited)
FINANCING ACTIVITIES					
Repayment of bank borrowings	(2,273,042)	–			(2,273,042)
Interest paid	(45,999)	–			(45,999)
Dividend paid	(28,303)	–			(28,303)
Repayment of obligations under finance leases	(901)	(75)			(976)
Repayment of loan to a related party	–	241			241
Decrease in amount due to a shareholder	–	(21,450)			(21,450)
Increase in amount due to a related party	–	11,359			11,359
Increase in amount due to minority equity holder of a subsidiary	–	882			882
New bank borrowings raised	2,131,415	36,364			2,167,779
Proceeds from issue of shares	580	281,017			281,597
Decrease in amount due to immediate holding company	(37,475)	–			(37,475)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(253,725)	308,338			54,613
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(84,632)	35,423			(33,061)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	15,542	25			15,567
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	111,616	16,148	(16,148)	*(g)*	111,616
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42,526	51,596			94,122
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	65,116	56,591			121,707
Bank overdrafts	(26,073)	(4,995)			(31,068)
Cash and cash equivalents included in a disposal group held for sale	3,483	–			3,483
	42,526	51,596			94,122

1.5 NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) On 8 September 2009, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors and Mr. Ngok Yan Yu (the "Warrantor") for the acquisition of entire issued share capital of the Target Company at a consideration of approximately HK$1,155,540,000 (which is subject to adjustments as set out below). The principal amount of the aggregate consideration payable to the Vendors for the Acquisition (the "Consideration") shall be satisfied in the following manners:

	HK$'000
At completion of the sale and purchase of the Sale Shares in accordance with the Acquisition Agreement ("Completion")	
– issuing the HK$488 million zero coupon convertible notes to Simple Success ("Simple Success Convertible Notes")	488,000
– issuing the HK$188.04 million zero coupon convertible notes to Bright Good ("Bright Good")	188,040
– issuing the HK$80.5 million zero coupon promissory note to Bright Good ("Bright Good Promissory Note")	80,500
– issuing the HK$55 million zero coupon promissory note to Bright King ("Bright King Promissory Note")	55,000
– procuring the issue of the HK$200 million zero coupon subsidiary promissory note by Full Proposer Holdings Limited to Bright King ("Bright King Subsidiary Promissory Note")	200,000
After Completion – within seven days after certification of the 2010 Net Profit (as defined in note (i)) by the Company's auditors	
– issuing the HK$144 million zero coupon performance based promissory note to Bright King ("Bright King Performance Based Promissory Note")	144,000
	1,155,540

The fair value of cost of investment at Completion as if the Acquisition was completed on 31 December 2008 which is to be satisfied in the following manners:

	HK$'000
At Completion	
– issuing the Simple Success Convertible Notes	376,509
– issuing the Bright Good Convertible Notes	145,079
– issuing the Bright Good Promissory Note	38,710
– issuing the Bright King Promissory Note	16,230
– procuring the issue of the Bright King Subsidiary Promissory Note	59,030
After Completion – within seven days after certification of the 2010 Net Profit (as defined in note (i)) by the Company's auditors	
– issuing the Bright King Performance Based Promissory Note *(note (ii))*	42,500
	678,058

Notes:

(i) In the event that the 2010 Net Profit is less than HK$96,000,000, the principal amount of the Performance Based Promissory Note shall be reduced by the amount equivalent to:

(HK$96,000,000 – 2010 Net Profit) x 12 x 12.46%

In the event that the Target Group records a net loss after taxation, minority interest and extraordinary items for the financial year ending 31 December 2010, zero shall be adopted as the 2010 Net Profit for the purpose of the above formula.

In the event that the 2010 Net Profit is more than HK$96,000,000, the principal amount of the Performance Based Promissory Note shall be increased by the amount equivalent to:

* (2010 Net profit – HK$96,000,000) x 12 x 12.46%

* Under this Performance Based Promissory Note, the 2010 Net Profit to be adopted in the above formula will be capped at HK$300 million.

(ii) The fair value of Performance Based Promissory Note to Bright King is based on the assumption that the 2010 Net Profit will meet HK$96,000,000.

Upon the Completion, the Target Group is considered by the Company's directors as subsidiaries of the Company because the Target Group will be controlled by the Group after Completion.

The Acquisition is assumed to be completed before the end of 2009 and HKFRS 3 Revised "Business Combination" is not early adopted in the Unaudited Pro Forma Financial Information of the Enlarged Group.

(b) The adjustments are to reflect the effect of the Acquisition on the consolidated balance sheet of the Remaining Group as if the Acquisition had taken place on 31 December 2008. Goodwill is stated at cost less accumulated impairment loss.

Details of net identifiable assets to be acquired and the goodwill arising on the Acquisition are as follows:

	HK$'000
Fair value of cost of investment at Completion *(note (a))*	678,058
Add: Transaction costs *(note (h))*	5,000
Less: Fair value of net identifiable assets to be acquired – as shown below	(652,309)
Goodwill	30,749

The identifiable assets and liabilities arising from the Acquisition are as follows:

	Notes	**Carrying value of the Target Group** ***(note (vi))***	**Identifiable intangible assets acquired in a business combination**	**Derivative financial assets or liabilities on sales and purchase agreements entered by the Target Group**	**Fair value adjustments on identifiable assets and liabilities of the Target Group**	**Fair value of the Target Group**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	*(i)*	36,006			13,094	49,100
Prepaid lease payments	*(i)*	36,648			10,977	47,625
Intangible assets						
– rights to operate waste treatment and waste-to energy plants	*(ii)*	–	488,000			488,000
– technical know-how	*(iii)*	8,190			19,810	28,000
Available-for-sale investment		22,383				22,383
Deposits for potential investment		11,364				11,364
Loan to a related party		13				13
Amount due from grantor of contract work		96,586				96,586
Trade receivables		79,998				79,998
Prepayments and other receivables		18,996				18,996
Pledged bank deposits		71,591				71,591
Cash and bank balances		56,591				56,591
Trade payables		(18,061)				(18,061)
Deposits received, other payables and accruals		(12,957)				(12,957)
Borrowings, secured		(41,359)				(41,359)
Due to a shareholder		(6,391)				(6,391)
Due to related parties		(11,359)				(11,359)
Finance lease payables		(228)				(228)
Tax payables		(15,608)				(15,608)
Deferred tax	*(iv)*	(6,396)	(122,000)		(10,970)	(139,366)
Net assets/identifiable assets as at 31 December 2008		326,007				724,918
Less: Minority interest	*(v)*	(43,216)	(26,100)		(3,293)	(72,609)
Net identifiable assets to be acquired		282,791				652,309

Notes:

(i) The fair value of the property as at 31 December 2008 of approximately HK$38,200,000 is determined based on the valuation report issued by Asset Appraisal Limited, a firm of independent professional qualified valuers. The fair values of plant and equipment and the prepaid lease payments as at 31 December 2008 of approximately HK$10,900,000 and HK$47,625,000 respectively are determined based on the valuation report issued by BMI Appraisals Limited, a firm of independent professional qualified valuers.

(ii) The fair value of the right to operate two waste treatment and waste-to-energy plants as at 31 December 2008 of approximately HK$488,000,000 is determined by using the method of discounted cash flow. The valuation was based on the valuation report issued by BMI Appraisals Limited, a firm of independent professional qualified valuers.

(iii) The fair value of the technical know-how as at 31 December 2008 of approximately HK$28,000,000 is determined by using the market approach. The valuation was based on the valuation report issued by BMI Appraisals Limited, a firm of independent professional qualified valuers.

(iv) Deferred tax was determined at the PRC corporate income tax rate of 25% on the identifiable intangible assets acquired in a business combination and fair value adjustments on identifiable assets and liabilities arising from the Acquisition.

(v) Minority interest of HK$29,393,000 represents the share of fair value adjustments and deferred tax liabilities by the minority shareholders.

(vi) The carrying value of the Target Group at 31 December 2008 was extracted from the accountants' report of the Target Group set out in Appendix II to this circular.

On Completion, the fair values of the cost of investment and the net identifiable assets to be acquired will have to be reassessed and accordingly, their fair values at date of the Completion will be different from those for the preparation of these pro forma financial information. As a result of the reassessment, the amount of goodwill may be different from that estimation based on the basis stated above for the purpose of preparation of the unaudited pro forma financial information. Accordingly, the actual goodwill at the date of Completion may be different from that presented above.

(c) The adjustment represents the liability and equity component of the Simple Success Convertible Notes and Bright Good Convertible Notes (collectively the "Convertible Notes") issued for the Acquisition as if they were issued on 31 December 2008. The valuation of the Convertible Notes were carried out by Grant Sherman Appraisal Limited, a firm of independent professional qualified valuers, and the valuation date is on 31 December 2008. The fair values of the equity component of the Simple Success Convertible Notes and Bright Good Convertible Notes of approximately HK$232,479,000 and HK$89,581,000 respectively are determined using Binomial Option Pricing Model on the basis that the conversion price adjustments as stipulated in the agreement are anti dilutive provision that the conversion option is equity component and would not be separately accounted for. The fair values of the liability component of the Simple Success Convertible Notes and Bright Good Convertible Notes of approximately HK$144,030,000 and HK$55,498,000 respectively are determined using the method of discounted cashflow.

On Completion, the fair value of the Convertible Notes will have to be reassessed as at the date of Completion.

(d) The adjustment represents the estimated fair values of approximately HK$38,710,000, HK$16,230,000, HK$59,030,000 and HK$42,500,000 of the Bright Good Promissory Note, Bright King Promissory Note, Bright King Subsidiary Promissory Note and Performance Based Promissory Note (collectively the "Promissory Notes") respectively, determined using the effective interest rate of 27.64% per annum, as if the Promissory Notes were issued on 31 December 2008. The fair values of the Promissory Notes will have to be reassessed at the date of Completion.

(e) The adjustment represents the imputed interest expenses on the Convertible Notes and the Promissory Notes mentioned in note (a) issued as the Consideration for the Acquisition, assuming effective interest rates of 11.04% per annum, as if they were issued on 1 January 2008. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group, and the actual amount will vary according to the timing the Convertible Notes and Promissory Notes being converted and the applicable effective interest rates.

(f) The adjustments represent the additional depreciation of the property, plant and equipment of HK$929,000, amortisation of intangible assets of HK$16,113,000, prepaid lease payments of HK$1,027,000 and deferred tax credit of HK$4,517,000 due to the fair value adjustments arising from the Acquisition as if the Acquisition has been completed on 1 January 2008. This adjustment has continuing effect on the Enlarged Group's financial statements in subsequent years.

(g) For the purpose of the unaudited pro forma consolidated cash flow statement presentation, the beginning balance of cash and cash equivalent of the Target Group of approximately HK$16,148,000 has been adjusted to reflect the net cash flow effect on the Acquisition as if the Acquisition had been completed on 1 January 2008.

(h) Transaction costs in respect of the Acquisition represent the professional fee of approximately HK$5,000,000.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong, in respect of the Unaudited Pro Forma Financial Information of the Enlarged Group.

Grant Thornton
均富

Member of Grant Thornton International Ltd

23 November 2009

The Directors
Hembly International Holdings Limited
36/F., No. 1 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Hembly International Holdings Limited (the "Company") and its subsidiaries, (excluding Well Metro Group Limited ("Well Metro") and its subsidiaries as referred to the Company's circular dated 24 April 2009 in respect of the very substantial disposal and connected transaction relating to the disposal of Well Metro) (collectively referred to as the "Remaining Group") and Smartview Investment Holdings Ltd. (the "Target Company") and its subsidiaries (the "Target Group" and together with the Remaining Group collectively referred to as the "Enlarged Group") ("Unaudited Pro Forma Financial Information"), which has been prepared by the directors for illustrative purposes only, to provide information about how the proposed acquisition of the entire equity interests in the Target Company by the Remaining Group (the "Acquisition") might have affected the financial information presented, as set out on pages 232 to 243 of the Company's circular dated 23 November 2009 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the section under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix V to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29 of Chapter 4 of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by HKICPA. Our work consisted primarily of comparing the Remaining Group's unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Remaining Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2008 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 31 December 2008 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Remaining Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 9 October 2009 of the market value of a 100% equity interest in Smartview Investment Holdings Limited to be acquired by Rising Boom Enterprises Limited, which is a wholly-owned subsidiary of Hembly International Holdings Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

23 November 2009

The Directors
Hembly International Holdings Limited
36th Floor
No. 1 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Hembly International Holdings Limited (referred to as the "Company"), for us to provide our opinion on the market value of a 100% equity interest in Smartview Investment Holdings Limited (referred to as "Smartview") as at 9 October 2009 (the "date of valuation") which is to be acquired by Rising Boom Enterprises Limited.

This report includes the background of Smartview, a brief industry overview, the basis of valuation and assumptions. It also explains the valuation methodology applied and presents our conclusion of value.

BASIS OF VALUATION

We have conducted our valuation in accordance with the Business Valuation Standards published by the Hong Kong Business Valuation Forum in 2005. Our valuation has been carried out on the basis of market value. Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF SMARTVIEW

Smartview is a company incorporated in the British Virgin Islands with limited liability. Smartview holds the entire share capital of Biomax Environment Holdings Limited (referred to as "Biomax"), which is specialized in providing waste treatment solutions to the municipalities in the People's Republic of China (the "PRC") with focus on waste-to-energy arena.

Biomax is one of the first to offer integrated, comprehensive and customized waste treatment solutions, which can effectively handle any type of municipal solid waste (MSW). Biomax has cooperated with Masias Recycling SL, The Linde Group and Valorga International.

Masias Recycling SL is a Spanish company that owns the world's leading technology in production and processes of municipal waste treatment systems providing full systems and quality services for numerous municipal waste treatment projects around the world.

Headquartered in Germany, the Linde Group is a global leader in industrial gas and engineering, with business stretching over 70 countries. With years of experience in gas treatment, it possesses cutting edge technology in the field and is an important foreign technical partner of Biomax. The Group is the supplier of both dry and wet anaerobic digestion technology which has been used successfully in many European countries. Over 30 waste treatment centers have been established and over 1 million tonnes of waste have been treated by this technology.

Specializing in the treatment of household waste, French company Valorga International is the professional subsidiary of Spanish UR BASER SA (the largest municipal engineering project investor and operator in Spain). Since 1989, many European countries have been using this group's technology to construct 20 anaerobic waste treatment centers and over 2 million tonnes of waste has been treated by the technology. Valorga is Biomax's technical strategic partner providing dry anaerobic digest technology.

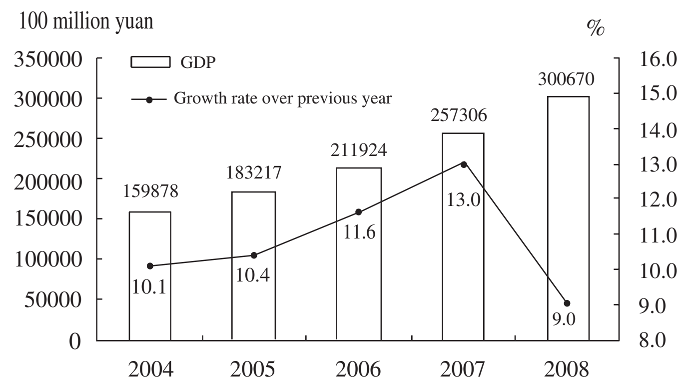
Biomax has nine projects in the PRC in the planning stage. Three are under the build-operate-transfer ("BOT") contracts; one is under build-operate-own ("BOO") contract; four are under letters of intent ("LOI"); and last one with the award of tender.

BRIEF INDUSTRY OVERVIEW

The General Economy

The gross domestic product (GDP) of the PRC in 2008 was RMB30,067.0 billion, up by 9.0% over the previous year. Analyzed by different industries, the added value of the primary industry was RMB3,400.0 billion, up by 5.5%, that of the secondary industry was RMB14,618.3 billion, up by 9.3% and the tertiary industry was RMB12,048.7 billion, up by 9.5%. The added value of the primary industry accounted for 11.3% of the GDP, up by 0.2% over that in the previous year, that of the secondary industry accounted for 48.6%, up by 0.1%, and that of the tertiary industry accounted for 40.1%, down by 0.3%.

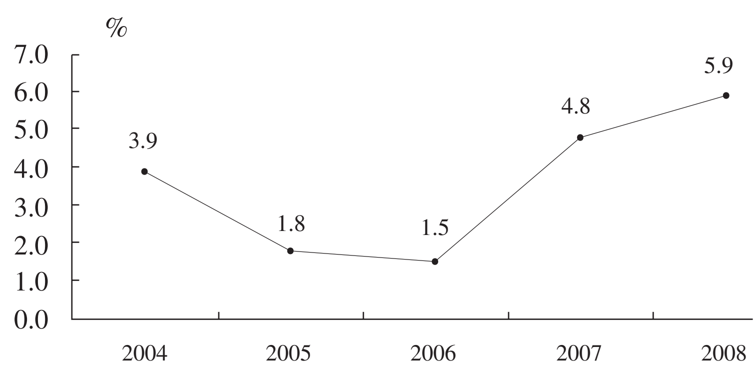
Gross Domestic Product of the PRC, 2004-2008



Source: National Bureau of Statistics of the PRC

The general level of consumer prices in the PRC in 2008 was up by 5.9% over the previous year. Of this total, the prices for food went up by 14.3%. The prices for investment in fixed assets were up by 8.9%. The producer prices for manufactured goods increased by 6.9%, of which, the prices for means of production increased by 7.7%, and for means of subsistence grew by 4.1%. The purchasing prices for raw materials, fuels and power went up by 10.5%. The producer prices for farm products were up by 14.1%. The prices for means of agricultural production were up by 20.3%. The prices for housing in 70 large and medium-sized cities were up by 6.5%, of which, that for new residential buildings went up by 7.1%, for second hand housing grew by 6.2%, and the prices for rental and leasing were up by 1.4%.

Changes in Consumer Prices in the PRC, 2004-2008



Source: National Bureau of Statistics of the PRC

The Waste-to-Energy Industry

Waste-to-energy is the generation of energy from waste material. This includes incineration and anaerobic digestion, where incineration uses the steam generated from combustion to generate electricity and anaerobic digestion uses the biogas produced from waste decomposition to generate electricity. Currently, incineration represents the bulk of waste-to-energy in the PRC. According to the Ministry of Housing and Urban-Rural Development of the PRC, there were 72 incineration plants at the end of 2008, representing 14.9% of the total waste treated in 2008. There are 60 waste-to-energy plants under construction, which are mainly located in the eastern coastal region because the land supply for landfills is tightening.

The amount of municipal waste continues to increase at a rate of 8%-10% annually and the landfills keep declining in dominance due to tightening land supply in the PRC, waste-to-energy will become increasingly important.

The PRC government promotes the development of waste-to-energy plants with incentives. The government pays for waste treatment fees to the waste-to-energy companies. Also, the local state grid mandatorily purchases all the electricity generated from waste-to-energy at prices higher than coal electricity prices. Lastly, the waste-to-energy plants can enjoy tax concession, such as rebate of value added tax and exemption/reduction of income tax.

According to China Investment Consulting Net, RMB800 billion will be invested in the waste-to-energy industry in the next year in the PRC. With the favorable policies, the waste-to-energy industry is expected to grow rapidly in coming decades.

SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational data related to Smartview, which were given by the senior management of Smartview.

The valuation of Smartview required consideration of all pertinent factors affecting the economic benefits of Smartview and its abilities to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The business nature of Smartview;
- The financial information of Smartview;
- The specific economic environment and competition for the market in which Smartview operates or will operate; and
- The financial and business risks of Smartview, including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuation work, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by Smartview:

- Interviewed with the senior management of Smartview;
- Obtained all relevant financial and operational information in respect of Smartview;
- Examined all relevant bases and assumptions of both the financial and operational information in respect of Smartview, which were provided by the senior management of Smartview;
- Conducted appropriate research and consultation in order to obtain sufficient industrial information and statistical figures;
- Prepared a business financial model based on generally accepted valuation procedures and methodologies to derive our concluded value; and
- Presented all relevant information on the background of Smartview, an industry overview, the basis of valuation, the source of information, the scope of works, the valuation assumptions, the valuation methodology and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Due to the changing environment in which Smartview operates or will operate, a number of assumptions had to be established in order to sufficiently support our concluded opinion of value of Smartview. The major assumptions adopted in our valuation were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where Smartview operates or will operate, which will materially affect the revenues generated to Smartview;
- There will be no major changes in the current taxation law in the jurisdiction related to Smartview, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- The financial projections in respect of Smartview have been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful consideration by the senior management of Smartview; and
- Economic conditions will not deviate significantly from economic forecasts.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing Smartview. They are the market approach, the cost approach and the income approach.

The market approach provides indications of value by comparing the assets subjected to valuation to similar businesses, business ownership interests and securities that have been sold in the market, with appropriate adjustments for the differences between the assets subjected to valuation and the comparable assets.

The cost approach provides indications of value by studying the amounts required to recreate the asset for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the asset.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

Among the three approaches, the cost approach was regarded not appropriate in the valuation, as it only considers the costs of recreating Smartview and the costs may not represent the market value. The income approach was also considered inadequate in the valuation, as a lot of assumptions would have to be made and any inappropriate assumption would greatly affect the accuracy of the valuation. Therefore, we determined that the market approach was the most appropriate approach for the valuation of Smartview.

In the valuation, comparable companies were selected based on the criteria: companies are involved in the waste-to-energy business, and the sales from such business are significant.

An exhaustive list of five companies satisfying the above criteria is listed below:

Company	**Stock Code**	**Stock Market**
China Everbright International Limited	257 HK	Hong Kong
Actelios S.P.A	ACT IM	Italy
Covanta Holding Corporation	CVA US	The United States
Pennon Group Plc	PNN LN	London
Eguard Resources Development Company Limited	000826 CH	The PRC

(Source: Bloomberg)

We have determined the "enterprise value to sales" ("EV/Sales") multiples of those comparable companies. Then we multiplied the annual projected sales attributable to Smartview by the average predicted enterprise value to sales of the comparable companies. Since enterprise value is not identical to market value of equity interest, it was adjusted for preferred equity, minority interest, short-term and long-term interest-bearing debt, and cash and cash equivalents to come up with the market value of the equity interest of Smartview. The initial capital expenditure, which was required to be invested to achieve the sales in 2010, was then deducted to arrive at the market value of Smartview.

The "EV/Sales" multiple has been adopted to value the equity interest of Smartview. "Enterprise value" is defined as the sum of claims of all the security-holders, including the debt holder, preferred shareholders, minority shareholders and common shareholders, which can also be described as follows:

Enterprise value = market capitalization + preferred equity + minority interest + short-term and long-term interest-bearing debt – cash and cash equivalents

The rationale for subtracting cash and cash equivalents is that an acquirer's net price paid for an acquisition target would be lowered by the amount of the target's cash and cash equivalents.

The year of forecasted sales is 2010, of which the sales of Smartview is considered to be stable. The forecast sales of Smartview in 2010 were determined based on the following assumptions:

– The on-grid tariffs range from RMB0.575/kWh to RMB0.595/kWh for the projects.

– The waste handling fees range from RMB90/ton to RMB148/ton for the projects.

– The construction period for each plant was 2 years.

– The infrastructure construction period for each plant was 6 months.

The forecasted sales of Smartview in 2010 were then applied to the EV/Sales multiple of the comparable companies.

The details including the EV/Sales multiples of the comparable companies are listed below:

Company	**Stock Code**	**EV/Sales**
China Everbright International Limited	257 HK	5.03
Actelios S.P.A	ACT IM	4.01
Covanta Holding Corporation	CVA US	2.75
Pennon Group Plc	PNN LN	3.41
Eguard Resources Development Company Limited	000826 CH	6.02
Average:		**4.24**

(Source: Bloomberg)

The EV/Sales multiple adopted in the valuation is 4.24, being the average multiple of the five comparable companies listed above.

The calculated enterprise value was then adjusted for the preferred equity, minority interest, short-term and long-term interest-bearing debt, and cash and cash equivalents, and initial capital expenditure was then deducted to arrive at the market value of Smartview.

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company. In the valuation, 25% have been used as the discount for lack of marketability (with reference to EVCA Valuation Guidelines, March 2001, issued by European Private Equity & Venture Capital Association (EVCA), which is widely accepted in the market).

Studies reveal that the difference in value between minority and control value is significant in most merger and acquisition transactions. In the valuation, 30% have been applied as the control premium (with reference to FactSet Mergerstat LLC, Mergerstat Review 2006).

Taking into account the lack of marketability discount and the control premium, our concluded opinion of value of Smartview was arrived at as below:

Market Value of Smartview * (1 – Lack of Marketability Discount) * (1 + Control Premium)

REMARKS

For the purpose of this valuation and in arriving at our opinion of value, we have referred to the information provided by the senior management of the Company to estimate the value of Smartview. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

Unless otherwise specified, all money amounts stated herein are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers. The exchange rate adopted as at the date of valuation is HK$1=RMB0.8807.

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices in accordance with the Business Valuation Standards published by the Hong Kong Business Valuation Forum in 2005, which rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, Smartview, Biomax or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of Smartview as at 9 October 2009 was **HK$1,500,000,000 (HONG KONG DOLLARS ONE THOUSAND AND FIVE HUNDRED MILLION ONLY).**

We hereby certify that we have neither present nor prospective interest in the Company, Smartview, Biomax or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ), FCIM, FRSM, SICME, SIFM, MHKIS, MCIArb, AFA, MASCE, MIET, MIEEE, MASME, MIIE, MASHRAE, MAIC
Managing Director

Marco T. C. Sze
B.Eng(Hon), PGD(Eng), MBA(Acct), CFA, AICPA/ABV, RBV
Director

Notes:

1. Dr. Tony C. H. Cheng serves as the Chairman of Institute of Mechanical Engineers, China and is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 10 years' experience in valuing similar assets or companies engaged in similar business activities as those of Smartview worldwide.

2. Mr. Marco T. C. Sze is a holder of Chartered Financial Analyst, a member of the American Institute of Certified Public Accountants (AICPA) and is accredited in Business Valuation by the AICPA. In addition, he is a Registered Business Valuer under the Hong Kong Business Valuation Forum. He has over 3 years' experience in valuing similar assets or companies engaged in similar business activities as those of Smartview in Hong Kong, the People's Republic of China and the Asia-Pacific Region.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 October 2009 of the property interests held by the Enlarged Group.

Asset Appraisal Limited
資產評值顧問有限公司

Add Rm 802 8/F On Hong Commercial Building
145 Hennessy Road Wanchai Hong Kong
地址 香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448
Fax: (852) 3521 9591

23 November 2009

The Board of Directors
Hembly International Holdings Limited
36/F, No.1 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of property interests situated in the People's Republic of China and in Hong Kong

In accordance with the instructions from **Hembly International Holdings Limited** (referred to as the "Company") to value the property interests (referred to as the "properties") held by the Company, **Biomax Environment Holdings Limited** or their subsidiaries (altogether referred to as the "Enlarged Group") situated in the People's Republic of China (the "PRC") and in Hong Kong, we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at **30 October 2009** (the "date of valuation").

BASIS OF VALUATION

Our valuation of the properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

VALUATION METHODOLOGY

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

The property nos. 8 and 9 has been valued on the basis of depreciated replacement cost. The assessment of the PRC of the property requires an estimate of the market value of the land in existing use and an estimate of the new replacement (reproduction) cost of the buildings, equipment and other site works as at the valuation date, from which deductions are then made to allow for age, condition, functional obsolescence, etc..

In valuing the market value of the land portions of the property no. 3, the "Direct Comparison Method" is adopted where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

We have ascribed no commercial value to the properties rented by the Enlarged Group due to the non-assignable nature of the leasehold interest or the lack of substantial profit rent.

ASSUMPTIONS

Save for those properties rented by the Enlarged Group and subject to non-alienation clause, our valuation has been made on the assumption that owners sell the properties on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the properties.

For those properties held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

TITLESHIP

We have been provided with copies of legal documents regarding the properties. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Jingtian & Gongcheng Attorneys at Law (北京市競天公誠律師事務所), to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights in the properties.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have carried out inspections of the properties. However, no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and have over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

	Property	Market value in existing state as at 30 October 2009	Interest attributable to the Enlarged Group as at 30 October 2009	Value of property interest attributable to the Enlarged Group as at 30 October 2009
		RMB	*%*	*RMB*
	Group I – Property held by the Enlarged Group for self occupation			
1.	Room No. 102 on Level 1 and the whole of Levels 6, 7 and 8, No. 270 Wu Song Road, Yaojiang Centre, Hongkou District, Shanghai City, the PRC	40,400,000	100	40,400,000
2.	Factory Complex at No. 203 Ji'an Road, Hanjiang Industrial Park, Yangzhou City, Jiangsu Province, the PRC	43,800,000	100	43,800,000
3.	Factory Complex at No. 12 Xiangyuan Road, Hanjiang Industrial Park, Yangzhou City, Jiangsu Province, the PRC	53,400,000	100	53,400,000
4.	Factory Complex at No. 2199 Jiyin Avenue (formerly known as the junction of Ningli Road and Chengnan Avenue), Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC (Lot No. 21100154014)	52,900,000	100	52,900,000
5.	Units 2102 and 2103 on 18th Floor, R&F Twin Tower A, No. 59 Dongsanhuan Central Road, Chaoyang District, Beijing City, the PRC	17,400,000	100	17,400,000

	Property	Market value in existing state as at 30 October 2009	Interest attributable to the Enlarged Group as at 30 October 2009	Value of property interest attributable to the Enlarged Group as at 30 October 2009
		RMB	*%*	*RMB*
6.	An industrial land location at the southern side of Jingang Road and eastern side of Magang River Road, Bali Town, Yangzhou Economic Development Zone, Yangzhou City, Jiangsu Province, the PRC (Lot No. 8-1-138)	16,600,000	100	16,600,000
7.	An industrial land location at the northern side of Jinshan Road and eastern side of Magang River Road, Bali Town, Yangzhou Economic Development Zone, Yangzhou City, Jiangsu Province, the PRC (Lot No. 8-1-139)	18,900,000	100	18,900,000
	Sub-total:	**243,400,000**		**243,400,000**

	Property	Market value in existing state as at 30 October 2009	Interest attributable to the Enlarged Group as at 30 October 2009	Value of property interest attributable to the Enlarged Group as at 30 October 2009
		RMB	*%*	*RMB*
	Group II – Property held by the Enlarged Group under development			
8.	An industrial complex located at 2/1 Qiu, 590 Fang, Taopu Town, Putuo District, Shanghai City, the PRC	45,800,000	33.8	15,480,400
9.	An industrial complex located in Dong Village, Taihu Town, Tongzhou District, Beijing City (Lot No. 12122330050000)	16,000,000	60	9,600,000
	Sub-total:	**61,800,000**		**25,080,400**
	Group III – Property held by the Enlarged Group for future development			
10.	An industrial land located at 64/4 Qiu, 0003 Jie Fang, Jinshanwei Town, Jinshan District, Shanghai City, the PRC	No commercial value	–	No commercial value
	Sub-total:	**No commercial value**		**No commercial value**

	Property	Market value in existing state as at 30 October 2009	Interest attributable to the Enlarged Group as at 30 October 2009	Value of property interest attributable to the Enlarged Group as at 30 October 2009
		RMB	*%*	*RMB*
	Group IV – Property rented by the Enlarged Group			
11.	Factory Units 1, 3, 5 to 9, 11, 12 and 22 36th Floor, No. 1 Hung To Road, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong	No commercial value	–	No commercial value
12.	Unit X on 3rd Floor, Centro Commercial do Grupo Brilhantismo, Nos. 159–207 Alameda Dr. Carlos D' Assumpcao, Macau	No commercial value	–	No commercial value
13.	Unit No. 2211 and 2212 on Level 22, Yaozhong Plaza, No. 9 Lin He West Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	No commercial value	–	No commercial value
14.	A building complex located in Huanwei Comprehensive Treatment Plant Dong Village, Taihu Town Tongzhou District, Beijing City, the PRC	No commercial value	–	No commercial value

	Property	Market value in existing state as at 30 October 2009	Interest attributable to the Enlarged Group as at 30 October 2009	Value of property interest attributable to the Enlarged Group as at 30 October 2009
		RMB	*%*	*RMB*
15.	Unit B305 and B306, Level 3, Nos. 421-425 Wei Qing West Road, Jinshan District, Shanghai City, the PRC	No commercial value	–	No commercial value
16.	Unit 2042 on Level 2, Block 20, No. 68 Xue Yuan South Road, Haidian District, Beijing City, the PRC	No commercial value	–	No commercial value
	Sub-total:	**No commercial value**		**No commercial value**
	Grand total:	**305,200,000**		**268,480,400**

VALUATION CERTIFICATE

Group I – Property held by the Enlarged Group for self occupation

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
1.	Room No. 102 on Level 1 and the whole of Levels 6, 7 and 8, No. 270 Wu Song Road, Yaojiang Centre, Hongkou District, Shanghai City, the PRC (中國上海市虹口區吳淞路270號耀光發展中心一層102室及六層、七層及八層全層)	The property comprises an office unit on Level 1 and whole floor of Levels 6, 7 and 8 on of an 8-storey office building built over a car parking basement floor and completed in about 2006. The property has a total gross floor area of approximately 2,385.79 sq.m. (25,680.64 sq.ft.) which is broken down into the followings:– **Level** / **Approximate Gross Floor Area** 1 (Room No. 102) 40.94 sq.m. 6 530.17 sq.m. 7 523.93 sq.m. 8 506.73 sq.m. Total: 1,601.77 sq.m. The land use rights of the property have been granted for a term of 50 years commencing on 10 April 2002 and expiring on 9 April 2052 for office use.	The property is occupied by the Enlarged Group for office purposes.	40,400,000 (100% interest attributable to the Enlarged Group: 40,400,000)

Notes:

1. According to the Building and Land Ownership Certificates Nos. 013386, 013387, 013388 and 013389 (滬房地虹字(2009)第013386號, 013387號, 013388號及013389號) all dated 25 August 2009, the property is held by Biomax Green Energy Investment Management (Shanghai) Company Limited (百瑪士綠色能源投資管理(上海)有限公司) (a wholly-owned subsidiary of the Enlarged Group)

2. Pursuant to four sets of the Agreement for Sale and Purchase all dated 4 September 2007, the property was acquired by Biomax Green Energy Investment Management (Shanghai) Company Limited at a consideration of RMB23,300,000.

3. The property is subject to mortgage in favour of Hang Seng Bank (China) Limited – Shanghai Sub-Branch (恒生銀行(中國)有限公司上海分行) for a loan up to RMB32,000,000.

4. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. Biomax Green Energy Investment Management (Shanghai) Company Limited has obtained Building and Land Ownership Certificates of the property and is the legal owner of the property; and

   ii. The property is subject to mortgage in favour of Hang Seng Bank (China) Limited – Shanghai Sub-Branch (恒生銀行(中國)有限公司上海分行) for a loan up to RMB32,000,000 for a term of 3 years registered in Shanghai Real Estate Registry (上海房地產登記處) (Ref: Hong 200909010723 (虹200909010723)) dated 25 August 2009.

5. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Building and Land Ownership Certificate	Yes

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
2.	Factory Complex at No. 203 Ji'an Road, Hanjiang Industrial Park, Yangzhou City, Jiangsu Province, the PRC (中國江蘇省揚州市邗江工業園吉安路203號之綜合廠房)	The property comprises a parcel of land with an area of 33,524.60 square metres. The development is scheduled for completion by phasing. Phase 1 has been developed with two single-storey industrial buildings, a single-storey canteen and a 4-storey dormitory building. Phase 2 of the development comprises a 2-storey industrial building and a 4-storey dormitory building. The whole development was fully completed in 2005. The total gross floor area of the aforesaid completed buildings is approximately 19,940.23 square metres which is broken down into the followings:	The property is occupied by the Enlarged Group for industrial and ancillary purposes.	43,800,000. (100% interest attributable to the Enlarged Group: 43,800,000)

Block No.	Building/ Use	Approximate Gross Floor Area
Phase 1		
2	Industrial	3,955.27 sq.m.
3	Industrial	3,691.03 sq.m.
6	Dormitory	3,514.16 sq.m.
7	Canteen	1,309.68 sq.m.
	Sub-total:	12,470.14 sq.m.
Phase 2		
9	Industrial	3,952.84 sq.m.
8	Dormitory	3,517.25 sq.m.
	Sub-total:	7,470.09 sq.m.
	Grand-total:	19,940.23 sq.m.

The land use rights of the property have been granted for a term expiring on 9 June 2053.

Notes:

1. Pursuant to the Land Use Rights Contract entered into between Land Management Bureau of Hanjiang District, Yangzhou City, Jiangsu Province (''Bureau'') and Hembly (Yangzhou) Garment Manufacturing Co., Ltd. (恒寶利(揚州)製衣有限公司), a wholly-owned subsidiary of the Enlarged Group on 9 June 2003, the latter acquired the land use rights of the property from the Bureau at a consideration of RMB8,274,500 which has been fully settled.

2. As revealed in the Land Use Right Certificate (ref no. Yang Han Guo Yong (2003) Di No. 03273 (揚邗國用(2003)第03273號)) dated 13 March 2008 and two sets of Building Ownership Certificates (ref no. Yang Fang Quan Zheng Han Zi Di Nos. 038081 and 040096 (揚房權証邗字第038081及040096號)) dated 17 March 2008 and 25 June 2008 respectively, the property is held by Hembly (Yangzhou) Garment Manufacturing Co., Ltd. for a term expiring on 9 June 2053 for industrial purpose.

3. The property is subject to mortgage in favour of Agricultural Bank of China – Yangzhou City Hanjiang Sub-Branch (中國農業銀行揚州市邗江支行).

4. The legal opinion from the PRC legal adviser to the Company on the property is summarised as follows:

    i. The land use rights of the property have been granted to Hembly (Yangzhou) Garment Manufacturing Co., Ltd. for a term expiring on 9 June 2053 for industrial use;

    ii. The aforesaid completed buildings of the property are held by Hembly (Yangzhou) Garment Manufacturing Co., Ltd.;

    iii. The property is subject to mortgage in favour of Agricultural Bank of China – Yangzhou City Hanjiang Sub-Branch (中國農業銀行揚州市邗江支行); and

    iv. Subject to the above mortgage, Hembly (Yangzhou) Garment Manufacturing Co., Ltd. is the sole legal owner of the property and is eligible to use the property.

5. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Land Use Rights Contract	Yes
Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Red-line Drawing	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Work (Phase 1 and 2)	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
3.	Factory Complex at No. 12 Xiangyuan Road, Hanjiang Industrial Park, Yangzhou City, Jiangsu Province, the PRC (中國江蘇省揚州市邗江工業園祥園路12號之綜合廠房)	The property comprises two parcels of adjoining land with an area of 43,703.74 on which seven blocks of single to four-storey buildings are erected. The subject buildings were completed in about 2007. The total gross floor area of the aforesaid buildings is approximately 27,364.89 square metres which is broken down into the followings:	The property is occupied by the Enlarged Group for industrial and ancillary purposes.	53,400,000. (100% interest attributable to the Enlarged Group: 53,400,000.)

Block No.	Use	Approximate Gross Floor Area
1	Office and Warehouse	6,654.12 sq.m.
2	Guard Room	86.21 sq.m.
3	Office and Warehouse	6,679.88 sq.m.
4	Warehouse	6,679.88 sq.m.
5	Dormitory	6,032.50 sq.m.
6	Canteen	1,097.36 sq.m.
7	Ancillary	134.94 sq.m.
	Grand-total:	27,364.89 sq.m.

The land use rights of the property have been granted for a term of 50 years expiring on 1 February 2055 for industrial use.

Notes:

1. Pursuant to the Land Use Rights Contract entered into between Yangzhou State-owned Land Resources Bureau — Hanjiang Sub-bureau (揚州市國土資源局邗江分局) and Hembly (Yangzhou) Garment Manufacturing Co., Ltd. (恒寶利(揚州)製衣有限公司), a wholly-owned subsidiary of the Enlarged Group on 1 February 2005, the latter acquired the land use rights of the property from the former at a consideration of RMB10,794,800 which has been fully settled.

2. As stipulated in two sets of Land Use Right Certificates (ref: Yang Han Guo Yong (2005) Di Nos. 05533-1 and 05533-2 (揚邗國用(2005)第05533-1及05533-2號)) both dated 8 November 2006 and seven sets of Building Ownership Certificates (ref no. Yang Fang Quan Zheng Han Zi Di Nos. 029060, 029065, 040679, 043634, 043635, 043636 and 049747 (揚房權証邗字第029060, 029065, 040679, 043634, 043635, 043636及049747號)) dated from 27 January 2007 to 4 September 2009, the property are held by Hembly (Yangzhou) Garment Manufacturing Co., Ltd. for a term expiring on 1 February 2055.

3. The land use rights of the property and portion of subject buildings, Building Ownership Certificates (ref: Yang Fang Quan Zheng Han Zi Di Nos. 043634, 043635, 043636 and 049747), are subject to mortgage in favour of Agricultural Bank of China – Yangzhou City Hanjiang Sub-Branch (中國農業銀行揚州市邗江支行).

4. As revealed in the aforesaid Land Use Rights Contract, the property is subject to the following material development conditions:

Plot ratio	:	0.487
Site coverage	:	not greater than 40.21% of site area
Green area	:	not lesser than 28.13% of site area

5. The legal opinion from the PRC legal adviser to the Company on the property is summarised as follows:

   i. The land use rights of the property have been granted to Hembly (Yangzhou) Garment Manufacturing Co., Ltd. for a term expiring on 1 February 2055 for industrial use;

   ii. The aforesaid completed buildings of the building are held by Hembly (Yangzhou) Garment Manufacturing Co., Ltd.;

   iii. The land use rights of the property and portion of subject buildings, Building Ownership Certificates (ref: Yang Fang Quan Zheng Han Zi Di Nos. 043634, 043635, 043636 and 049747) are subject to mortgage in favour of Agricultural Bank of China – Yangzhou City Hanjiang Sub-Branch (中國農業銀行揚州市邗江支行); and

   iv. Subject to the above mortgage, Hembly (Yangzhou) Garment Manufacturing Co., Ltd. is the sole legal owner of the property and is eligible to use the property.

6. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Land Use Rights Contract	Yes
Land Use Rights Certificate	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Work	Yes
Building Ownership Certificate	Yes

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
4.	Factory Complex at No. 2199 Jiyin Avenue (formerly known as the junction of Ningli Road and Chengnan Avenue), Jiangning Development Zone, Nanjing City, Jiangsu Province, the PRC (Lot No. 21100154014) (中國江蘇省南京市江寧開發區吉印大道2199號之綜合廠房(地塊編號21100154014))	The property comprises a parcel of land with an area of 41,373.90 square metres on which two 2– storey industrial buildings and a 4-storey composite building are erected. The buildings were completed in 2005. The development have a total gross floor area of 18,762.66 square metres which is broken down into the followings: **Block No.** / **Use** / **Approximate Gross Floor Area** 1 / Industrial / 7,039.23 sq.m. 2 / Industrial / 7,039.23 sq.m. 3 / Composite / 4,684.20 sq.m. Total: 18,762.66 sq.m. The land use rights of the property have been granted for a term expiring on 30 December 2053.	The property is occupied by the Enlarged Group for industrial and ancillary purposes.	52,900,000. (100% interest attributable to the Enlarged Group: 52,900,000.)

Notes:

1. Pursuant to the Land Use Rights Contract issued on 18 August 2004, Hembly (Nanjing) Garment Manufacturing Co., Ltd. (亨百利(南京)製衣有限公司), a wholly-owned subsidiary of the Enlarged Group, acquired the land use rights of the property at a consideration of RMB12,536,292 which has been fully settled.

2. As stipulated in the Land Use Rights Certificate (ref: Ning Jiang Guo Yong (2004) Di No. 08108 (寧江國用(2004)第08108號)) dated 25 August 2004, the land use rights in the property are held by Hembly (Nanjing) Garment Manufacturing Co., Ltd. for a term expiring on 30 December 2053.

3. As stipulated in two sets of Building Ownership Certificates (ref: Jiang Ning Fang Quan Zheng Dong Shan Zi Di Nos. J00017164 and J00017165 (江寧房權証東山字第J00017164及J00017165號)), the aforesaid buildings are held by Hembly (Nanjing) Garment Manufacturing Co., Ltd..

4. The legal opinion from the PRC legal adviser to the Company on the property is summarised as follows:

   i. The land use rights of the property have been granted to Hembly (Nanjing) Garment Manufacturing Co., Ltd. for a term expiring on 30 December 2053 for industrial use;

ii. The aforesaid completed buildings of the building are held by Hembly (Nanjing) Garment Manufacturing Co., Ltd.;

iii. The property is subject to mortgage in favour of Guangdong Development Bank Company Limited – Nanjing Xuanwu Sub-Branch (廣東發展銀行股份有限公司南京玄武支行) to an extent of RMB25,000,000; and

iv. Subject to the above mortgage, Hembly (Nanjing) Garment Manufacturing Co., Ltd. is the sole legal owner of the property and is eligible to use the property.

5. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Land Use Rights Contract	Yes
Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Red-line Drawing	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Work	Yes

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
5.	Units 2102 and 2103 on 18th Floor, R&F Twin Tower A, No. 59 Dongsanhuan Central Road, Chaoyang District, Beijing City, the PRC (中國北京市朝陽區東三環中路59號富力雙子座A座18樓2102及2103室)	The property comprises two contiguous office units on 18th floor within a 23-storey office building completed in 2005. The property has a total gross floor area of approximately 649.13 square metres. As revealed from two sets of Agreement for Sale and Purchase (商品房買賣合同), the land use rights of the property have been granted for a term commencing on 25 April 2002 and expiring on 24 April 2052.	The property is occupied by the Enlarged Group for office purposes.	17,400,000. (100% interest attributable to the Enlarged Group: 17,400,000.)

Notes:

1. According to two sets of Building Ownership Certificates (ref: Jing Fang Quan Zheng Chao Gang Ao Tai 06 Zi Di Nos. 0093 and 0094 (京房權証朝港澳台06字第0093及0094號)) all dated 30 May 2006, the property are held by Hembly (Nanjing) Garment Company Limited (恒寶利(南京)服裝有限公司) (a wholly-owned subsidiary of the Enlarged Group).

2. Pursuant to two sets of Agreement for Sale and Purchase (商品房買賣合同) dated 4 June 2005, the property was acquired by Hembly (Nanjing) Garment Company Limited (Hembly (Nanjing)) at a consideration of RMB8,714,352.

3. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. According to the two Building Ownership Certificates, the building ownership rights of the property are held by Hembly (Nanjing) Garment Company Limited;

   ii. The property is subject to mortgage in favour of Jiangsu Bank Co., Ltd. – Nanjing Chengbei Sub-Branch (江蘇銀行股份有限公司南京城北支行) to an extent of RMB13,000,000;

   iii. According to the PRC law, any transfer of property must involve both building ownership rights and land use rights attributable to the property. As such, the acquisition of the property by Hembly (Nanjing) should include the land use rights attributable to the property. However, it is confirmed by Hembly (Nanjing) that it has not yet obtained the land use right certificate for the property. Therefore, the land area attributable to the property and the term of land use rights cannot be ascertained, both building and land ownership of the property shall transfer simultaneously under the real estate ownership transfer. When Hembly (Nanjing) purchase the property, Hembly (Nanjing) shall obtain the land use rights of the property accordingly;

   iv. As confirmed by the Company, Hembly (Nanjing) has not obtained the land use rights certificate. Thus, the land use right area and lease term cannot be ascertained; and

   v. Hembly (Nanjing) is the sole owner of the property. Subject to the abovementioned mortgage, Hembly (Nanjing)'s building ownership rights are complete lawful valid. It has also acquired the land use rights attributable to the property.

4. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Building Ownership Certificates	Yes

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
6.	An industrial land location at the southern side of Jingang Road and eastern side of Magang River Road, Bali Town, Yangzhou Economic Development Zone, Yangzhou City, Jiangsu Province, the PRC (Lot No. 8-1-138) (中國江蘇省揚州市揚州經濟開發區八裡鎮金港路南側及馬港河路以東之工業地塊(地塊編號8-1-138))	The property comprises a parcel of vacant land with a site area of 66,572.4 square metres. The land use rights of the property are granted for a term of 50 years expiring on 8 January 2058 for industrial use.	The property is vacant.	16,600,000. (100% interest attributable to the Enlarged Group: 16,600,000.)

Notes:

1. According to Land Use Rights Certificate (ref: Yang Guo Yong (2007) Di No, 0834 (揚國用(2007)第0834號)) dated 16 November 2007, the property are held by Yangzhou Sunrise Garment Manufacturing Co., Ltd. (揚州欣瑞服飾有限公司) (a wholly-owned subsidiary of the Enlarged Group) for a term expiring on 8 January 2058.

2. As revealed from the Land Use Rights Contract (ref: Yang Di Kai He Zi (2007) Di No. 07 (揚地開合字(2007)第07號)) dated 8 October 2007, Yangzhou Sunrise Garment Manufacturing Co., Ltd. (揚州欣瑞服飾有限公司) acquired the land use rights of the property from Jiangsu Province Yangzhou City State-owned Land Resource Bureau (江蘇省揚州市國土資源局) for industrial development purpose at a consideration of RMB14,179,836.

3. Pursuant to aforesaid Land Use Rights Contract, the property is subject to the following material development conditions:

Site Area	:	66,572 square metres
Land Use	:	Industrial
Land Use Term	:	50 years
Plot Ratio	:	≧0.7; ≦ 2.0
Site Coverage	:	≧30%; ≦ 45%
Greenery Coverage	:	≧ 20%; ≦ 25%

4. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. The land use rights of the property are granted to Yangzhou Sunrise Garment Manufacturing Co., Ltd. for a term expiring on 8 January 2058 for industrial use;

   ii. The property is subject to mortgage in favour of Agricultural Bank of China – Yangzhou City Hanjiang Sub-Branch (中國農業銀行揚州市邗江支行) to an extent of RMB17,750,000; and

   iii. As stipulated in the building covenant of the Land Use Rights Contract, construction work for the property should be commenced on or before 8 October 2008. As at the Validation Date, construction work was not yet commenced. Since the building covenant has been lapsed without work commencement, the relevant government authority may impose penalty charges (土地閒置貴) to the landowner.

5. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Land Use Rights Contract	Yes
Land Use Rights Certificate	Yes
Red-line Drawing	Yes

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
7.	An industrial land located at the northern side of Jinshan Road and eastern side of Magang River Road, Bali Town, Yangzhou Economic Development Zone, Yangzhou City, Jiangsu Province, the PRC (Lot No. 8-1-139) (中國江蘇省揚州市揚州經濟開發區八裡鎮金山路北側及馬港河路以東之工業地塊(地塊編號8-1-139))	The property comprises a parcel of vacant land with a site area of 75,450.1 square metres. The land use rights of the property are granted for a term of 50 years expiring on 8 January 2058 for industrial use.	The property is vacant.	18,900,000 (100% interest attributable to the Enlarged Group: 18,900,000)

Notes:

1. According to Land Use Rights Certificate (ref: Yang Guo Yong (2007) Di No, 0835 (揚國用(2007)第0835號)) dated 16 November 2007, the property are held by Hembly (Yangzhou) Garment Co., Ltd. (恒寶利(揚州)服飾有限公司) (a wholly-owned subsidiary of the Enlarged Group).

2. As revealed from the Land Use Rights Contract (ref: Yang Di Kai He Zi (2007) Di No. 08 (揚地開合字(2007)第08號)) dated 8 October 2007, Hembly (Yangzhou) Garment Co., Ltd. (恒寶利(揚州)服飾有限公司) acquired the land use rights of the property from Jiangsu Province Yangzhou City State-owned Land Resource Bureau (江蘇省揚州市國土資源局) for industrial development purpose at a consideration of RMB17,580,083.

3. Pursuant to aforesaid Land Use Rights Contract, the property is subject to the following material development conditions:

Site Area	:	75,450.1 square metres
Land Use	:	Industrial
Land Use Term	:	50 years
Plot Ratio	:	≧0.7; ≦ 2.0
Site Coverage	:	≧30%; ≦ 45%
Greenery Coverage	:	≧ 20%; ≦ 25%

4. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. The land use rights of the property are granted to Hembly (Yangzhou) Garment Co., Ltd. for a term expiring on 8 January 2058 for industrial use;

   ii. The property is subject to mortgage in favour of Yangzhou City Rural Credit Cooperative – Hanjiang Credit Cooperative (揚州市農村信用合作聯社邗江信用社) to an extent of RMB17,000,000; and

   iii. As stipulated in the building covenant of the Land Use Rights Contract, construction work for the property should be commenced on or before 8 October 2008. As at the Valuation Date, construction work was not yet commenced. Since the building covenant has been lapsed without work commencement, the relevant government authority may impose penalty charges (土地閒置費) to the landowner.

5. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Land Use Rights Contract	Yes
Land Use Rights Certificate	Yes
Red-line Drawing	Yes

Group II – Property held by the Enlarged Group under development

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
8.	An industrial complex located at 2/1 Qiu, 590 Fang, Taopu Town, Putuo District, Shanghai City, the PRC (中國上海市普陀區桃浦鎮590坊2/1丘)	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 41,641 square metres on which a waste treatment plant is under development. The proposed development will comprise a waste treatment plant and scheduled to be completed in third quarter of 2010. The land use rights of the property are granted for a term commencing from 4 July 2005 and expiring on 3 July 2055 for municipal public use.	The property is currently under construction.	45,800,000 (33.8% interest attributable to the Enlarged Group: 15,480,400) see Note. 9

Notes:

1. Pursuant to a Building and Land Ownership Certificate (ref. no. Hu Fang Di Pu Zi (2006) Di No. 024601 (滬房地普字(2006)第024601號) dated 28 June 2006, the property is held by Shanghai Biomax Green Energy Park Company Limited (上海百瑪士綠色能源有限公司) (33.8%-owned subsidiary of the Enlarged Group).

2. Pursuant to the Land Use Right Contract dated 4 July 2005, the property was acquired by Shanghai Biomax Green Energy Park Company Limited at a consideration of RMB4,634,643.00.

3. According to a Planning Permit for Construction of Land (建設用地規劃許可證) (Ref: Hu Di Pu Di No. 05005060E00366 (滬地普第05005060E00366號)) in relation to the property was issued by Putuo District Urban Planning Administration Bureau (普陀區域市規劃管理局) dated 3 June 2005 in the name of Shanghai Biomax Green Energy Park Company Limited.

4. A Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Hu Pu Jian (2006) No. 07060508F02832 (滬普建(2006) 07060508F02832號)) in relation to the property was issued by Putuo District Urban Planning Administration Bureau (普陀區域市規劃管理局) dated 1 September 2006 in the name of Shanghai Biomax Green Energy Park Company Limited.

5. A Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Hu Pu Jian (2006) No. 07050802F90702 (滬普建(2006) 07050802F90702號)) in relation to the property was issued by Putuo District Urban Planning Administration Bureau in the name of Shanghai Biomax Green Energy Park Company Limited.

6. A Construction Works Commencement Permits (建築工程施工許可證) (Ref. No. 0401PT0018D01/310107200406223118) in relation to the property dated 13 September 2006 in the name of Shanghai Biomax Green Energy Park Company Limited. The permitted scales for the construction works were 10,447 and 3,743 square metres respectively.

7. As confirmed by the Enlarged Group, the total construction cost and construction cost expended to the property as at the valuation date are approximately RMB46,305,188.46 and RMB45,788,055.19 respectively. The completed value of the property is approximately RMB46,300,000.

8. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. Pursuant to the Land Use Right Contract dated 4 July 2005, the land use rights of the property with a site area of 41,641 square metres were acquired by Shanghai Biomax Green Energy Park Company Limited for a term commencing from 4 July 2005 and expiring on 3 July 2055 for municipal public use;

   ii. Pursuant to a Franchise Agreement (特許經營權協議) signed between Shanghai Putuo District Amenities Authority (上海市普陀區市容管理局) and Shanghai Biomax Green Energy Park Company Limited on 8 May 2006, Shanghai Biomax Green Energy Park Company Limited is prohibited from assigning, leasing or sub-leasing the land use rights of the property. Shanghai Biomax Green Energy Park Company Limited can mortgage the land use rights of the property for financing the project construction subject to prior written consent from Shanghai Putuo District Amenities Authority;

   iii. The property is free from any charge or mortgage;

   iv. Shanghai Biomax Green Energy Park Company Limited has obtained a Planning Permit for Construction of Land (建設用地規劃許可證), the land area is 46,486 square metres; and

   v. Shanghai Biomax Green Energy Park Company Limited has obtained two Planning Permits of Construction Work (建設工程規劃許可證) and Construction Works Commencement Permits (建設工程施工許可證).

9. We have ascribed no commercial value to the land portion of the property on the ground that the subject land parcel is prohibited from being assigned, leased or sub-leased by Shanghai Biomax Green Energy Park Limited.

10. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follow:

Land Use Rights Contract	Yes
Building and Land Ownership Certificate	Yes
Planning Permit for Construction of Land	Yes
Planning Permit of Construction Work	Yes
Construction Works Commencement Permit	Yes

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
9.	An industrial complex located in Dong Village, Taihu Town, Tongzhou District, Beijing City, the PRC (Lot No, 12122330050000) (中國北京市通州區台湖鎮董村之綜合廠房(地塊編號12122330050000))	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 23,459.329 square metres on which a waste treatment plant is under development. The proposed development will comprise a comprehensive municipal solid waste treatment plant. It is scheduled to be completed in second quarter of 2010. The total planned gross floor area of the proposed development upon completion will be approximately 6,970 square metres. The land use rights of the property are granted for a term expiring on 27 June 2057 for industrial purpose.	The property is currently under construction.	16,000,000 (60% interest attributable to the Enlarged Group: 9,600,000) see Note. 9

Notes:

1. Pursuant to a Land Use Rights Certificate (ref. no. Jing Tong Guo Yong (2007 Chu) Di No. 119 (京通國用(2007出)第119號)) dated 19 October 2007, the property is held by Beijing Yiqing Biomax Green Energy Limited (北京市一清百瑪士綠色能源有限公司) (60%-owned subsidiary of the Enlarged Group).

2. Pursuant to the Land Use Right Contract dated 28 June 2007, the property was acquired by Beijing Yiqing Biomax Green Energy Limited at a consideration of RMB2,111,340.

3. As specified in the Land Use Right Contract dated 28 June 2007, the permitted uses of the property are as follows

Total Site Area	:	23,459.329 square metres
Gross Floor Area (superstructure area)	:	6,970 square metres
Uses	:	Industrial

4. According to the building covenant provided in the Land Use Right Contract, construction work was required to be completed on or before 30 December 2008. We assumed the Enlarged Group has obtained approval from the relevant authority for the extension of the building convent.

5. A Planning Permit of Construction Work (建設工程規劃許可證) (Ref: 2006 Gui Jian Zi No. 0281 (2006規建字0281號)) in relation to the property was issued by the Beijing Municipal Planning Commission (北京市規劃委員會) dated 16 June 2006 in the name of Beijing Yiqing Biomax Green Energy Limited (北京市一清百瑪士綠色能源有限公司).

6. A Construction Works Commencement Permits (建築工程施工許可證) (Ref. No. (2008) Shi Jian Zi No. 0201 ((2008)施建字0201號)) in relation to the property were issued by the Beijing Municipal Construction Committee (北京市建設委員會) dated 1 February 2008 in the name of Beijing Yiqing Biomax Green Energy Limited (北京市一清百瑪士綠色能源有限公司). The permitted scale for the construction works was 6,970 square metres in term of gross floor area.

7. As confirmed by the Enlarged Group, the total construction cost and construction cost expended to the property as at the valuation date are approximately RMB26,265,264 and RMB15,645,917 respectively. The completed value of the property is approximately RMB26,300,000.

8. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. According to the Land Use Right Contract (Ref Jing Di Chu (He) Zhi No. 17) dated 28 June 2007 entered into between the Land Resources Administration Bureau of Beijing City Tongzhou Branch and Beijing Yiqing Biomax Green Energy Limited ("Beijing Yiqing"), Beijing City Non-tax Income General Payment Certificates dated 27 June 2007 and 2 August 2008 issued by the Beijing Land Administration Bureau and Land Use Right Certificate (Ref Jing Tong Guo Yong (2007 Chu) No. 119) dated 19 October 2007 issued by the Municipal Government of Tongzhou District, Beijing, Beijing Yiqing has acquired the land use rights in the subject land parcel with an area of 23,459.329 square metres. The land use rights are in the nature of granted land use rights with a land use right term expiring on 27 June 2057 for industrial uses.

   ii. According to the Waste Treatment Plant Franchised Operating Agreement (北京市董村分類垃圾綜合處理廠特許經營協議), Beijing Yiqing is prohibited from using the subject land parcel for any purpose other than waste treatment plant. Also, Beijing Yiqing is not allowed to mortgage or otherwise dispose of the property by all means.

   iii. No third party's right is specified in the aforesaid Land Use Right Certificate of the property. As confirmed by Beijing Yiqing, up to the date of the PRC Legal Opinion, the land use rights of the property is not subject to mortgage.

   iv. Beijing Yiqing is the sole legal owner of the subject land parcel and is restricted to use the land for any purposes other than the prescribed use as specified in the Waste Treatment Plant Franchised Operating Agreement as mentioned above. The land use rights of the property are prohibited from being transferred, mortgaged, used as loan collateral or otherwise disposed of by Beijing Yiqing.

   v. Despite the aforesaid restrictions, subject to the prior approval from the Beijing Municipality Administrative Committee, Beijing Yiqing is allowed to pledge the land use rights of the property for funding the construction of this project. After full repayment of the construction loan, Beijing Yiqing is prohibited from using the land use rights of the property for mortgage or loan collateral.

   vi. Beijing Yiqing has obtained Construction Land Use Permit (Ref (86) Jian Di Yuan Zhi No. 006), Construction Work Planning Permit (Ref 2006 Gui Jian Zhi No. 0281) and Construction Work Implementation Permit (Ref 2008 Shi Jian Zhi No. 0201) for the construction of this project. As confirmed by Beijing Yiqing, construction work of this project has not yet proceeded with completion acceptance check.

9. We have ascribed no commercial value to the land portion of the property on the ground that the subject land parcel is prohibited from assignment by Beijing Yiqing Biomax Green Energy Limited.

10. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Land Use Right Contract	Yes
Land Use Rights Certificate	Yes
Planning Permit of Contraction work	Yes
Construction works Commencement Permits	Yes

Group III – Property held by the Enlarged Group for future development

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
10.	An industrial land located at 64/4 Qiu, 0003 Jie Fang, Jinshanwei Town, Jinshan District, Shanghai City, the PRC (中國上海市金山區金山衛鎮0003街坊64/4丘之地塊)	The property comprises a parcel of land with a site area of approximately 68,523 square metres on which some fences and structures were erected thereon. The land use rights of the subject allocated land (劃撥土地) have been granted for a term commencing on 6 June 2007 and expiring on 12 September 2036 for industrial purpose.	The property is vacant.	No commercial value

Notes:

1. Pursuant to the Building and Land Ownership Certificate (Ref: Hu Fang Di Jin Zi (2008) Di No. 002059 (滬房地金字(2008)第002059號) dated 3 March 2008, the property is held by Shanghai Jinshan Biomax Green Energy Company Limited (上海金山百瑪士綠色能源有限公司) (a wholly-owned subsidiary of the Enlarged Group).

2. According to a Planning Permit for Construction of Land (建設用地規劃許可證) (Ref: Hu Jin Di (2007) 16070516E00577 (滬金地(2007) 16070516E00577)) in relation to the property was issued by the Town Planning and Administration Bureau of Jinshen District, Shanghai (上海市金山區規劃管理局) dated 16 May 2007 and Land Management Document (關於批准上海金山百瑪士綠色能源有限公司建造金山永久生活垃圾綜合處理廠劃撥使用國有土地的通知) (Ref: Hu Jin Fu Tu (2007) No. 187 (滬金府土(2007)187號)) dated 5 June 2007 in the name of Shanghai Biomax Green Energy Park Company Limited (上海金山百瑪士綠色能源有限公司) which certifies the permitted uses of the subject allocated land of 93,613.4 square metres as following:–

Total Site Area	:	93,613.4 square metres
Public Road Area (公共規劃道路用地)	:	3,610.1 square metres
Green Area (綠化用地)	:	11,091.2 square metres
River Area (河道用地)	:	3,439.7 square metres
Flood Prevention Area (防汛通道)	:	6,949.5 square metres

3. According to a aforesaid Land Management Document (上海市金山區人民政府土地管理文件) (Ref: Hu Jin Fu Tu (2007) No. 187 (滬金府土(2007)187號)) dated 5 June 2007, a solid waste treatment plant with a gross floor area of 19,271 square metres was planned to construct.

4. Pursuant to a investment framework agreement (上海金山永久生活圾垃綜合處理廠投資框架協議), the land lease payment of the property is in consideration of RMB31,594,500. As confirmed by the Enlarged Group, the aforesaid consideration has been fully paid.

5. A Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Hu Jin Jian (2007) 16071220F03600 (滬金建(2007) 16071220F03600)) in relation to the property was issued by the Town Planning and Administration Bureau of Jinshan District, Shanghai (上海市金山區規劃管理局) dated 20 December 2007 in the name of Shanghai Jinshan Biomax Green Energy Company Limited (上海金山百瑪士綠色能源有限公司).

6. A Construction Works Commencement Permits (建築工程施工許可證) (Ref. Nos. 0701JS0018D01, 310116200708101318) in relation to the property were issued by the Shanghai Construction Management Office (上海市建築業管理辦公室) on 28 May 2008 in the name of Shanghai Jinshan Biomax Green Energy Company Limited (上海金山百瑪士綠色能源有限公司). The permitted scale for the construction works was 962 square metres in term of gross floor area.

7. As advised by the Enlarged Group, the construction cost expensed in the land as at the Valuation Date was RMB1,286,635.

8. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. According to a Notice (Ref Hu Jin Fu Tu [2007] No. 187) issued by the Municipal Government of Jinshan District, Shanghai on 5 June 2007, the land use rights in a land parcel with an area of 93,613.4 square metres were allocated to Shanghai Jianshan Biomax Green Energy Company Limited ("Jinshan Biomax") for domestic waste treatment plant purpose.

   ii. According to the Government Notice (Ref No. Hu Fang Di Yong [1999] No. 836), the Shanghai Government shall issue State-owned Land Allocation Certificate (國有土地劃撥決定書) to the entities vested with allocated land use rights. Such certificate can be used as title proof to the allocated land. As confirmed by the Enlarged Group, Jinshan Biomax has not yet been issued with the State-owned Land Allocation Certificate for the subject land parcel.

   iii. According to the Building and Land Title Certificate (Ref Hu Fang Di Jin Zhi (2008) No. 002059) dated 3 March 2008, Jinshan Biomax has obtained the allocated land use rights of the subject land parcel with an area of 68,523 square metres for a land use right term commencing on 6 June 2007 and expiring on 12 September 2036 for industrial uses. Given the issue of the Building and Land Title Certificate, the absence of the State-owned Land Allocation Certificate shall not constitute any material legal impediment for Jinshan Biomax's interest in the subject land.

   iv. Before obtaining prior approval from the Land Administration Bureau and completion of land grant procedures (including payment of land premium), the land use rights of the property are prohibited from being transferred, leased or mortgaged.

   v. Jinshan Biomax has obtained Construction Land Use Permit (Ref Hu Jin Di (2007) No. 16070516E00577) and Construction Work Planning Permit (Ref Hu Jin Jian (2007) No. 16071220F03600) for the construction of this project. As confirmed by Beijing Yiqing, save for the construction work for the composite building, no construction work has been commenced for the subject land.

9. The land of the subject development was obtained by the Enlarged Group through administrative allocation and it is required to pay land premium to and obtain permit from the government in order to dispose of the property.

10. The status of the title and grant of major approvals and licences in accordance with the information provided by the Enlarged Group and the opinion of the Company's legal advisers on the PRC law as at the valuation date are as follows:

Building and Land Ownership Certificate	Yes
Planning Permit for Construction of Land	Yes
Planning Permit of Construction Work	Yes
Construction Works Commencement Permits	Yes

VALUATION CERTIFICATE

Group IV – Property rented by the Enlarged Group

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *HKD*
11.	Factory Units 1, 3, 5 to 9, 11, 12 and 22 36th Floor, "No. 1 Hung To Road", No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong	The property comprises ten industrial units on 36th floor within a 33-storey industrial building completed in 1994. The property has a total gross floor area of approximately 10,602 square feet. The property is held by the Enlarged Group under a tenancy for a term of 2 years commencing on 6 February 2009 and expiring on 5 February 2011 at a monthly rent of HK$127,244.00 exclusive of management fees and other outgoings.	The property is currently occupied by the Enlarged Group as offices.	No commercial value

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Finedale Industries Limited (an independent third party).

2. Pursuant to a tenancy agreement dated 17 July 2009, Hembly Garment Manufacturing Limited, a wholly-owned subsidiary of the Enlarged Group, rented the property from Finedale Industries Limited.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009 *RMB*
12.	Unit X on 3rd Floor, Centro Commercial do Grupo Brilhantismo, Nos. 159-207 Alameda Dr. Carlos D' Assumpcao, Macau (澳門宋玉生廣場159-207號光輝集團商業大廈3樓X座)	The property comprises an office unit on 3rd floor of a 21-storey office building. The gross floor area of the property is about 1,285 square feet. The property is held by the Enlarged Group under a tenancy for a term of 2 years commencing on 10 April 2008 at a monthly rent of HK$13,500 for the first year and HK$14,200 for the subsequent year both inclusive of management fee.	The property is currently occupied by the Enlarged Group as offices.	No commercial value

Notes:

1. Pursuant to a tenancy agreement dated 18 February 2008, Hembly Garment Manufacturing Macao Commercial Offshore Limited (恒寶利製衣澳門離岸商業服務有限公司), a wholly-owned subsidiary of the Enlarged Group, rented the property from an independent third party.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009
13.	Unit No. 2211 and 2212 on Level 22, Yaozhong Plaza, No. 9 Lin He West Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC (中國廣州市天河區林和西路9號耀中廣場2211-2212室)	The property comprises two office units on 22nd floor within a 45-storey office building completed in 2007. The property has a total gross floor area of approximately 286.6492 square metres. The property is held by the Enlarged Group under a tenancy for a term of two years commencing on 1 June 2008 and expiring on 30 April 2010 at a monthly rent of RMB36,691 exclusive of management fee and other outgoings for office use.	The property is currently occupied by the Enlarged Group as offices.	No commercial value

Notes:

1. Pursuant to a tenancy agreement dated 15 April 2008, Bu Chao (步超), a representative of Shenzhen Hembly Garment Co., Ltd. – Guangzhou Sub-Branch (深圳恒寶利服飾有限公司廣州分公司), rented the property from Guangzhou Yaozhong Real Estate Development Company Limited (廣州耀中房地產發展有限公司) (an independent third party).

2. Shenzhen Hembly Garment Co., Ltd. – Guangzhou Sub-Branch (深圳恒寶利服飾有限公司廣州分公司) is a wholly-owned subsidiary of the Enlarged Group.

3. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. The tenancy agreement entered into between Bu Chao (步超), a representative of Shenzhen Hembly Garment Co., Ltd. – Guangzhou Sub-Branch (深圳恒寶利服飾有限公司廣州分公司) and Guangzhou Yaozhong Real Estate Development Company Limited (廣州耀中房地產發展有限公司) on 15 April 2008 under which Bu Chao shall lease the property with an area of 286.6492 square metres from Guangzhou Yaozhong Real Estate Development Company Limited for a term commencing from 1 June 2008 and expiring on 30 April 2010 at a monthly rent of RMB36,691.1;

   ii. As revealed by a Guangzhou City Real Estate Ownership Certificate (廣州市房地產權屬證明書) dated 30 November 2007, the owner of the property is Guangzhou Yaozhong Real Estate Development Company Limited; and

   iii. The actual tenant of the property is Shenzhen Hembly Garment Co., Ltd. – Guangzhou Sub-Branch (深圳恒寶利服飾有限公司廣州分公司).

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009
14.	A building complex located in Huanwei Comprehensive Treatment Plant Dong Village, Taihu Town, Tongzhou District, Beijing City, the PRC (中國北京市通州區台湖鎮董村環衛綜合處理廠綜合樓)	The property comprises a three-storey complex building completed in 2005. The property has a total gross floor area of approximately 887.4 square metres. The property is held by the Enlarged Group under a tenancy for a term expiring on 30 September 2010 at a monthly rent of RMB13,311 exclusive of other outgoings for office use.	The property is currently occupied by the enlarged Group as offices.	No commercial value

Notes:

1. Pursuant to a tenancy agreement dated 22 September 2008, Beijing Yiqing Biomax Green Energy Limited (北京市一清百瑪士綠色能源有限公司), a 60%-owned subsidiary of the Enlarged Group, rented the property from Beijing Environmental and Sanitary Engineering Group Limited – Yiqing Branch ("Beijing Environmental") (北京環境衛生工程集團有限公司一清分公司) (an independent third party).

2. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. The tenancy agreement entered into between Beijing Yiqing Biomax Green Energy Limited (北京市一清百瑪士綠色能源有限公司) ("Beijing Yiqing") and Beijing Environmental and Sanitary Engineering Group Limited – Yiqing Branch (北京環境衛生工程集團有限公司一清分公司) on 22 September 2008 under which Beijing Yiqing Biomax Green Energy Limited shall lease the property with an area of 887.4 square metres from Beijing Environmental and Sanitary Engineering Group Limited – Yiqing Branch for a term expiring on 30 September 2010 at a monthly rent of RMB13,311 for office use;

   ii. As confirmed by the Enlarged Group, the title certificate for the property cannot be applied for at the present moment on the ground that the construction of the subject development has not yet fully completed;

   iii. in the absence of any document to prove the lessor's title to the property, the PRC legal adviser is unable to ascertain whether Beijing Environmental has the rights to lease the property to Beijing Yiqing; and

   iv. if Beijing Environmental does not have the rights to lease out the property, it together with its holding company shall be liable to Beijing Yiqing for any damages arising from the breach of rental contract.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009
15.	Unit B305 and B306, Level 3, Nos. 421-425 Wei Qing West Road, Jinshan District, Shanghai City, the PRC (上海市金山區衛清西路421-425號3樓B305、B306室房屋)	The property comprises two office units on Level 3 within a 7-storey office building completed in 2006. The property has a total gross floor area of approximately 207.70 square metres. The property is held by the Enlarged Group under a tenancy for a term of two years commencing on 1 October 2009 and expiring on 31 March 2010 at a monthly rent of RMB12,268.4 for the first year and RMB12,881.4 for the second year exclusive of management fee and other outgoings for office use.	The property is currently occupied by the Enlarged Group as offices.	No commercial value

Notes:

1. Pursuant to a tenancy agreement dated 29 September 2009, Shanghai Biomax Green Energy Park Company Limited (上海金山百瑪士綠色能源有限公司), a wholly-owned subsidiary of the Enlarged Group, rented the property from Shanghai Jinshan Weicheng District Market Development Company Limited (上海金山衛城區市場發展有限公司) (an independent third party).

2. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. The tenancy agreement entered into between Shanghai Biomax Green Energy Park Company Limited (上海金山百瑪士綠色能源有限公司) and Shanghai Jinshan Weicheng District Market Development Company Limited (上海金山衛城區市場發展有限公司) on 29 September 2009 under which Shanghai Biomax Green Energy Park Company Limited (上海金山百瑪士綠色能源有限公司) shall lease the property with an area of 207.70 square metres from Shanghai Jinshan Weicheng District Market Development Company Limited (上海金山衛城區市場發展有限公司) for a term commencing from 1 October 2009 and expiring on 31 March 2010 at a monthly rent of RMB12,268 for the first year and RMB12,881.4 (5% increase) for the second year for office use;

   ii. Pursuant to a Building and Land Ownership Certificate of the property (Ref: Hu Fang Di Jin Zi (2006) No. 008605 (滬房地金字(2006)第008605號)), the owner of the property is Shanghai Jinshan Weicheng District Market Development Company Limited (上海金山衛城區市場發展有限公司); and

   iii. The aforesaid tenancy is legal, valid and enforceable.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 October 2009
16.	Unit 2042 on Level 2, Block 20, No. 68 Xue Yuan South Road, Haidian District, Beijing City, the PRC (北京市海淀區學院南路68號20號樓房二層2042號房間)	The property comprises a office unit on Level 2 within a 8-storey office building completed in about 1998. The property has a total gross floor area of approximately 15 square metres. The property is held by the Enlarged Group under a tenancy for a term of two years commencing on 25 October 2009 and expiring on 25 October 2010 at a monthly rent of RMB12,000 exclusive of management fee and other outgoings for office use.	The property is currently occupied by the Enlarged Group as offices.	No commercial value

Notes:

1. Pursuant to a tenancy agreement dated 29 September 2009, Biomax Environmental Technology (Beijing) Limited (百瑪士環保科技(北京)有限公司), a wholly-owned subsidiary of the Enlarged Group, rented the property from Beijing Lanxing Property Management Company Limited (北京藍興物業管理有限公司) (an independent third party).

2. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. The tenancy agreement entered into between Biomax Environmental Technology (Beijing) Limited (百瑪士環保科技(北京)有限公司) and Beijing Lanxing Property Management Company Limited (北京藍興物業管理有限公司) on 25 October 2009 under which Biomax Environmental Technology (Beijing) Limited (百瑪士環保科技(北京)有限公司) shall lease the property with an area of 15 square metres from Beijing Lanxing Property Management Company Limited (北京藍興物業管理有限公司) for a term commencing from 25 October 2009 and expiring on 25 October 2010 at a monthly rent of RMB12,000. for office use;

   ii. Pursuant to a Building Ownership Certificate of the property (Ref: Jing Fang Quan Zheng (京房權證海國更字第00927號)), the property is held by Beijing Chao Shifa Company Limited (北京超市發連鎖股份有限公司) for commercial use;

   iii. According to a written document produced by Beijing Chao Shifa Company Limited, Beijing Lanxing Property Management Company Limited (北京藍興物業管理有限公司) has been fully authorized in the matter of leasing the subject property. As confirmed by the Enlarged Group, the aforesaid tenancy agreement has not been registered and filed in the Property Registry; and

   iv. With the authorization from the property owner, Beijing Lanxing Property Management Company Limited is eligible to lease the property to Biomax Environmental Technology (Beijing) Limited. The aforesaid tenancy agreement is legal and valid and enforceable between both parties to the contract despite the fact that it has not yet been registered and filed in the Property Registry.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised		*HK$*
2,000,000,000	Shares	200,000,000
Issued and credited as fully paid		
521,672,000	Shares	52,167,200

3. INTERESTS IN SECURITIES

(a) Interests and short positions of Directors and chief executive in shares and debentures

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(i) Shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholdings
Ngok Yan Yu	Interest of a controlled corporation *(Note 1)*	152,744,205	29.28%
Lam Hon Keung, Keith	Beneficial owner	100,000	0.019%
Wong Ming Yeung	Beneficial owner	10,000	0.002%
Marcello Appella	Interest of a controlled corporation *(Note 2)*	3,588,030	0.67%
Kwan Hung Sang, Francis	Beneficial owner	270,000	0.052%
Tang Chui Yi, Janny	Interest of a spouse *(note 3)*	152,744,205	29.28%

Notes:

1. These Shares were held by Charm Hero Investments Limited ("**Charm Hero**"), which was wholly owned by Mensun Limited ("**Mensun**"), which was in turn wholly owned by Mr. Ngok Yan Yu, a controlling shareholder and the chairman of the Company. As such, Mr. Ngok Yan Yu was deemed or taken to be interested in the Shares held by Charm Hero for the purposes of the SFO.

2. These Shares were held by Sycomore Limited ("**Sycomore**"), which was owned as to 50% by Mr. Marcello Appella, an executive director of the Company, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella. As such, Mr. Marcello Appella was deemed or taken to be interested in the Shares held by Sycomore for the purposes of the SFO.

3. Ms. Tang Chui Yi, Janny is an executive director and the spouse of Mr. Ngok Yan Yu. As such, Ms. Tang Chui Yi, Janny is deemed or taken to be interested on the shares in which Mr. Ngok Yan Yu is interested under the SFO.

(ii) Shares of the associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Number/class of shares held	Approximate percentage of shareholdings
Ngok Yan Yu	Complete Expert Limited ("**Complete Expert**")	Trustee	20 ordinary *(Note 1)*	20%
	Charm Hero	Interest of a controlled corporation	100 ordinary *(Note 2)*	100%
	Mensun	Beneficial owner	100 ordinary	100%

Notes:

1. Pursuant to a declaration of trust dated 1 September 2004, Mr. Ngok Yan Yu, a substantial shareholder and the chairman of the Company, held 20 shares in Complete Expert, being 20% of its entire issued share capital, in trust for Hembly Garment Manufacturing, an indirect wholly-owned subsidiary of the Company.

2. Charm Hero was a wholly-owned subsidiary of Mensun which was wholly-owned by Mr. Ngok Yan Yu.

(iii) Share options of the Company

Name of director	Number of shares options held *(Note 1)*	Exercisable period *(Note 1)*	Approximate percentage of issued share capital of the Company	Exercise price
Ngok Yan Yu	302,298	9/10/2007 – 8/10/2010 *(Note 2)*	0.058%	HK$4.8727
	503,829	18/8/2008 – 17/8/2018 *(Note 3)*	0.097%	HK$1.5581
	806,127		0.155%	
Tang Chui Yi, Janny	403,063	9/10/2007 – 8/10/2010 *(Note 2)*	0.077%	HK$4.8727
	503,829	18/8/2008 – 17/8/2018 *(Note 3)*	0.097%	HK$1.5581
	906,892		0.174%	

Name of director	Number of shares options held *(Note 1)*	Exercisable period *(Note 1)*	Approximate percentage of issued share capital of the Company	Exercise price
Lam Hon Keung, Keith	201,532	9/10/2007 – 8/10/2010 *(Note 2)*	0.039%	HK$4.8727
	100,766	18/8/2008 – 17/8/2018 *(Note 3)*	0.019%	HK$1.5581
	302,298		0.058%	
Wong Ming Yeung	302,298	9/10/2007 – 8/10/2010 *(Note 2)*	0.058%	HK$4.8727
	100,766	18/8/2008 – 17/8/2018 *(Note 3)*	0.019%	HK$1.5581
	403,064		0.077%	
Marcello Appella	251,915	9/10/2007 – 8/10/2010 *(Note 2)*	0.048%	HK$4.8727
	201,532	18/8/2008 – 17/8/2018 *(Note 3)*	0.039%	HK$1.5581
	453,447		0.087%	

Notes:

1. The number of options held by each person is the same as the number of underlying Shares in which that person is interested pursuant to the options.

2. These share options were granted on 9 October 2007. 20% of the granted share options have vested on 9 October 2007 and are exercisable from 9 October 2007 to 8 October 2010. Another 30% of the granted share options have vested on 9 October 2008 and are exercisable from 9 October 2008 to 8 October 2010. The remaining 50% of the granted share options have vested on 9 October 2009 and are exercisable from 9 October 2009 to 8 October 2010.

3. These share options were granted on 18 August 2008. 20% of the granted share options have vested on 18 August 2008 and are exercisable from 18 August 2008 to 17 August 2018. Another 30% of the granted share options have vested on 18 August 2009 and are exercisable from 18 August 2009 to 17 August 2018. The remaining 50% of the granted share options would vest on 18 August 2010 and be exercisable from 18 August 2010 to 17 August 2018.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Notifiable interests and short positions of substantial shareholders and other persons in Shares

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following substantial shareholders of the Company within the meaning of the Listing Rules and other persons (in each case other than the Directors and chief executive of the Company) had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
Mensun	Interest of a controlled corporation *(Note 1)*	152,744,205	29.28%
Charm Hero	Beneficial owner *(Note 1)*	152,744,205	29.28%
Ngok Yan Yu	Interest of a controlled corporation *(Note 1)*	152,744,205	29.28%
Tang Chui Yi, Janny	Interests of a spouse *(Note 1)*	152,744,205	29.28%
New World Development Company Limited	Interest of controlled corporation *(Note 2)*	406,666,666	77.95%
New World Strategic Investment Limited	Interest of a controlled corporation *(Note 2)*	406,666,666	77.95%
Simple Success	Beneficial owner *(Note 2)*	406,666,666	77.95%
Liang Hui Sheng	Interest of a controlled corporation *(Note 3)*	156,700,000	30.04%
Famous Lion Group Limited	Interest of a controlled corporation *(Note 3)*	156,700,000	30.04%
Bright Good	Beneficial owner *(Note 3)*	156,700,000	30.04%
Ecofin Limited	Held as investment manager *(Note 4)*	26,384,000	5.06%

Notes:

1. These Shares is held by Charm Hero, a wholly-owned subsidiary of Mensun which is wholly-owned by Mr. Ngok Yan Yu. As such, Mensun and Mr. Ngok Yan Yu are deemed or taken to be interested in the shares of the Company held by Charm Hero for the purpose of the SFO, and Ms. Tang Chui Yi, Janny, being the spouse of Mr. Ngok Yan Yu, is also deemed or taken to be interested in the shares of the Company held by Charm Hero for the purpose of the SFO.

2. The interests in these Shares represent the issue of the Conversion Shares upon full conversion of the Simple Success Convertible Notes held by Simple Success, which is wholly-owned by New World Strategic Investment Limited, which is in turn a wholly-owned subsidiary of New World Development Company Limited. As such, New World Development Company Limited and New World Strategic Investment Limited are deemed to be interested in the said shares of the Company held by Simple Success for the purposes of the SFO.

3. The interests in these Shares represent the issue of the Conversion Shares upon full conversion of the Bright Good Convertible Notes held by Bright Good, which is wholly-owned by Famous Lion Group Limited, which is in turn wholly-owned by Liang Hui Sheng. As such, Famous Lion Group Limited and Liang Hui Sheng are deemed to be interested in the said shares of the Company held by Bright Good for the purposes of the SFO.

4. These Shares are held by as to 13,384,000 Shares by Ecofin China Power & Infrastructure Fund Limited and as to 6,500,000 Shares by Ecofin Special Situations Utilities Fund Limited and as to 6,500,000 shares by Ecofin Water & Power Opportunities plc., all of these companies are managed by Ecofin Limited. As such, Ecofin Limited is deemed or taken to be beneficially interested in the Shares respectively held by Ecofin China Power & Infrastructure Fund Limited, Ecofin Special Situations Utilities Fund Limited and Ecofin Water & Power Opportunities plc. for the purposes of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any substantial shareholder of the Company within the meaning of the Listing Rules or other person (in each case other than a Director or chief executive of the Company) who had, as at the Latest Practicable Date, an interest or a short position in Shares or underlying Shares which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

(c) Interests in 10% or more of shares in subsidiaries

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following are the persons who (not being a member of the Group or a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company or in any options in respect of such capital:

Name of subsidiary	Name of shareholder	Number of shares held or extent of registered capital in which interested	Approximate percentage of the existing issued share capital or registered capital of the subsidiary
Pro-Brilliance International Development Limited	Long Wise (Holdings) Limited	35 *(Note 1)*	35%
Pro-Brilliance International Development Limited	Wong Hei See	35 *(Note 1)*	35%
M.D.T. Sourcing (China) Limited	Rich Merit Investments Limited	382,200 *(Note 2)*	49%

Notes:

1. The 35 shares were held in trust by Long Wise (Holdings) Limited for the benefit of Ms. Wong Hei See pursuant to a declaration of trust dated 9 August 2003.

2. The 382,200 shares were held by Rich Merit Investments Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a member of the Group or a Director or chief executive of the Company) who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company or in any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

(a) Save for the Acquisition Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group; and

(b) Save for the Warrantor's interest in the Sale Shares proposed to be disposed of to the Group pursuant to the Acquisition Agreement, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2008 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

7. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Enlarged Group:

(a) In 2008, a company engaging in construction and installation initiated legal proceedings against Shanghai Jinshan Biomax Green Energy Co., Ltd. (上海金山百瑪士綠色能源有限公司), a wholly-owned subsidiary of the Target Company in the Shanghai Jinshan People's Court, and claimed RMB1,292,766.93, plus litigation expenses due to a construction contract dispute. The claim is being vigorously defended and currently the case is pending on the result of an appraisal of the construction cost and construction quality issues of the construction works in dispute by a appraiser to be appointed. Further court proceedings will be arranged by the court after that.

(b) In 2009, a company engaging in road and bridge constructions initiated legal proceedings against Shanghai Jinshan Biomax Green Energy Co., Ltd., in the Shanghai Jinshan People's Court, and claimed RMB458,349.00, plus litigation expenses due to a construction contract dispute. Shanghai Jinshan Biomax Green Energy Co., Ltd. contested the court's jurisdiction over the case and Shanghai Jinshan People's Court issued a decree dismissing the case on the ground that the dispute should be settled through arbitration. As at the Latest Practicable Date, Shanghai Jinshan Biomax Green Energy Co., Ltd. had not received any further notice on appeal or arbitration.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

(a) an agreement dated 19 December 2007 entered into by, inter alia, Spring Castle, an indirectly wholly-owned subsidiary of the Company and All Field Investments Limited ("**All Field**"), a wholly-owned subsidiary of New World Strategic Investment Limited, wherein Spring Castle agreed to sell to All Field the 1,500 redeemable cumulative convertible preferred shares ("**Preferred Shares**") with par value of US$1.00 each in the capital of Well Metro, a then indirectly non wholly-owned subsidiary of the Company. The Preferred Shares, which were sold at the consideration of HK$90,859,500.00, represented 16.67% of Well Metro's then existing issued share capital;

(b) a conditional sourcing agreement dated 14 November 2008 made between HGM, wholly-owned subsidiary of the Company, and Sergio Tacchini International S.p.A., a company incorporated in Italy and directly wholly-owned by Ngok Yan Yu ("**Mr. Ngok**"), the chairman, executive director and substantial shareholder of the Company, pursuant to which Sergio Tacchini International S.p.A. was re-appointed HGM's exclusive sourcing supplier for all sourcing of sport apparel, leisure wear and related accessories bearing the trademarks of "S.T." and/or "Sergio Tacchini" that will be manufactured in Asia for the period from 1 January 2009 to 31 December 2011. This sourcing agreement became unconditional on 30 December 2008 as it has on that same day received the Company's independent shareholders' approval;

(c) the Agreement dated 3 December 2008 entered into between Spring Castle Group Limited, a wholly owned subsidiary of the Company as seller and Luxba Group Limited (formerly known as Primewill Investments Limited) as purchaser in relation to the sale and purchase of 7,500 common shares with a par value of US$1.00 each in the share capital of Well Metro Group Limited;

(d) the underwriting agreement dated 20 January 2009 entered into among the Company, Mr. Ngok and Fortune (HK) Securities Limited ("**Fortune**") in relation to the issue of 141,515,000 Shares by way of an open offer (the "**Open Offer**") pursuant to which Fortune agreed to fully underwritten the untaken 89,484,115 Shares under the Open Offer;

(e) the warrant placing agreement dated 2 July 2009 entered in to between the Company and Fortune (HK) Limited Securities Limited in relation to a private placing of 55,000,000 non-listed warrants issued by the Company at an issue price of HK$0.03 per unit of warrant each entitling holder thereof to subscribe for one shares in the capital of the Company at an exercise price of HK$0.70;

(f) the placing agreement dated 27 August 2009 entered into between the Company and Fortune (HK) Securities Limited in relation to placing of a maximum of 29,900,000 new shares in the capital of the Company on a best effort basis;

(g) the Acquisition Agreement; and

(h) the Supplemental Agreement.

9. MISCELLANEOUS

(i) The secretary of the Company is Ms. Kwan Shin Luen, Susanna. Ms. Kwan is a corporate finance lawyer, qualified in both Hong Kong and the United Kingdom.

(ii) As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Enlarged Group or have or may have any other conflicts of interest with the Enlarged Group pursuant to the Listing Rules.

(iii) The English text of this circular shall prevail over the Chinese text.

10. EXPERTS

(a) The following are the qualifications of the experts who have given their opinions or advice which are contained in this circular:

Name	**Qualifications**
Guangdong Securities Limited	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Grant Thornton ("**GT**")	Certified Public Accountants, Hong Kong
BMI Appraisals Limited ("**BMI**")	Independent valuer
Asset Appraisal Limited ("**AAL**")	Chartered surveyors, Independent valuer

(b) None of Guangdong Securities, GT, BMI and AAL has any shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) None of Guangdong Securities, GT, BMI and AAL has direct or indirect interest in any assets which have been, since 31 December 2008 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group.

(d) Guangdong Securities, GT, BMI and AAL have given and have not withdrawn their written consent to the issue of this circular with inclusion of their letters, reports and the reference to their names included herein in the form and context in which they respectively appear.

11. GENERAL

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company at 36th Floor, No.1 Hung To Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including 9 December 2009:

(a) the Company's articles of association;

(b) Acquisition Agreement;

(c) the Supplemental Agreement;

(d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 32 of this circular;

(e) the letter of advice from Guangdong Securities, the text of which is set out on pages 33 to 47 of this circular;

(f) the financial information on the Group set out in Appendix I to this circular;

(g) the accountants' report on the Target Group set out in Appendix II to this circular;

(h) the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to this circular;

(i) the Independent Valuation Report set out in Appendix VI to this circular;

(j) the Property Valuation Report set out in Appendix VII to this circular;

(k) the written consents of Guangdong Securities, GT, BMI and AAL referred to in the section headed "Experts" in this appendix;

(l) the service contracts referred to in the section headed "Directors' service contracts" in this appendix;

(m) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(n) the Company's annual reports for the two years ended 31 December 2007 and 31 December 2008;

(o) the Company's circulars issued pursuant to Chapter 14 and Chapter 14A of the Listing Rules after 31 December 2008; and

(p) this circular.

HEMBLY INTERNATIONAL HOLDINGS LIMITED
恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Hembly International Holdings Limited (the "**Company**") will be held at 2:30 p.m. on Tuesday, 9 December 2009, at 36th Floor, 1 Hung To Road, Kwun Tong, Hong Kong for the purposes of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the agreement (the "**Original Agreement**") dated 8 September 2009 and entered into between Rising Boom Enterprises Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, as purchaser; (i) Simple Success Investments Limited ("**Simple Success**"); (ii) Bright King Investments Limited ("**Bright King**") and (iii) Bright Good Limited ("**Bright Good**"), as vendors; (i) Mr. Ngok Yan Yu (the "**Warrantor**"), as warrantor; and the Company; and the supplemental agreement (the "**Supplemental Agreement**") (the Supplemental Agreement and the Original Agreement are collectively referred to as the "**Acquisition Agreement**") dated 18 September 2009 entered into amongst Simple Success, Bright King, Bright Good, the Purchaser, the Company and the Warrantor in relation to the acquisition (the "**Acquisition**") of the entire issued share capital of Smartview Investment Holdings Ltd.) at a consideration (the "**Consideration**") of HK$1,155.54 million (a copy of the Acquisition Agreement has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose), as mentioned in the circular (the "**Circular**") of the Company dated 23 November 2009 (a copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby) be and are hereby approved, confirmed and ratified;

(b) the directors ("**Directors**") of the Company be and are hereby generally and specifically authorised to issue the Convertible Notes (as defined in the Circular) in accordance with the terms and conditions of the Acquisition Agreement and, subject to completion of the Acquisition, to issue and allot such number of new ordinary shares of the Company upon exercise of the conversion rights under the Convertible Notes;

(c) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition Agreement, or any of the transactions contemplated under the Acquisition Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Acquisition Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

By Order of the Board of
Hembly International Holdings Limited
Ngok Yan Yu
Chairman

Hong Kong, 23 November 2009

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, where that member holds two or more shares, more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

2. A proxy form is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete and return the proxy form in accordance with the instructions printed thereon.

3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof.

4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, in person or by proxy, in respect of such share as if he or she was solely entitled thereto, but if more than one of such holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders thereof.

5. Completion and return of the proxy form shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing such a proxy shall be deemed to be revoked.

6. In accordance with the Listing Rules, the Warrantor and Simple Success and their associates shall abstain from voting in respect of the resolution set out in the notice as set out above which shall be voted only by way of poll.

7. As at the date of the Circular, the Board comprises six executive directors, namely Mr. Ngok Yan Yu, Mr. Lam Hon Keung, Keith, Ms. Tang Chui Yi, Janny, Mr. Wong Ming Yeung, Mr. Marcello Appella, and Mr. Chan Tak Yan and three independent non-executive directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis.

8. Votes on the ordinary resolution to be proposed will be taken by way of poll.