



# GLOBAL GREEN TECH GROUP LIMITED

## 高寶綠色科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 274)

### 2005 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “Directors”) of Global Green Tech Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2005 (the “Period”). The consolidated results and the consolidated balance sheet as at 30 June 2005 have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

		Unaudited	
		Six months ended 2005	30 June 2004
	Notes	HK\$’000	HK\$’000
Turnover	3	374,628	285,833
Cost of sales		(221,133)	(177,533)
Gross profit		153,495	108,300
Other revenues	3	6,450	5,950
Selling and distribution expenses		(24,373)	(20,171)
Administrative expenses		(27,405)	(26,092)
Other operating expenses		(2,737)	(17,598)
Operating profit	4	105,430	50,389
Finance costs		(2,530)	(1,079)
Gain on disposal of investment securities		44,662	–
Profit before taxation		147,562	49,310
Taxation	5	(20,021)	(6,734)
Profit after taxation		127,541	42,576
Minority interests		(19,888)	(12)
Profit attributable to shareholders		107,653	42,564
Dividends	6	–	–
Basic earnings per share	7	HK\$0.1177	HK\$0.0491
Diluted earnings per share	7	HK\$0.1172	HK\$0.0469

#### CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Unaudited 30 June 2005	Audited 31 December 2004
	HK\$’000	HK\$’000
<b>Non-current assets</b>		
Intangible assets	44,678	51,262
Fixed assets	393,250	342,483
Payment for purchase of land and buildings	53,765	111,120
Deposits for purchase of other fixed assets	82,398	–
Deposits for purchase of intangible assets	12,404	9,106
Other deposits and club debenture	300	660
Investment securities	56,884	56,944
Deferred tax assets	2,152	2,151
	645,831	573,726
<b>Current assets</b>		
Inventories	44,781	41,423
Trade and bills receivables	180,202	261,444
Prepayments, deposits and other receivables	36,304	39,819
Amounts due from related companies	7,029	7,115
Other investments	10,694	5,282
Bank balances and cash	782,206	630,909
	1,061,216	985,992
<b>Current liabilities</b>		
Trade and bills payable	40,514	40,565
Accrued liabilities & other payables	28,501	44,727
Amount due to related companies	2,693	1,463
Taxation payable	29,067	19,915
Short term bank loans	6,801	–
Current portion of long term liabilities	117,546	58,860
	225,122	165,530
<b>Net current assets</b>	836,094	820,462
<b>Total assets less current liabilities</b>	1,481,925	1,394,188
<b>Non-current liabilities</b>		
Long term liabilities	117,568	176,250
<b>Minority interests</b>	27,694	7,806
<b>Net assets</b>	1,336,663	1,210,132
Financed by:		
Share capital	93,519	90,508
Other reserves	707,141	691,274
Retained earnings		
Proposed dividend	–	18,567
Others	536,003	409,783
<b>Shareholders’ funds</b>	1,336,663	1,210,132

#### NOTES:

##### 1. SIGNIFICANT ACCOUNTING POLICIES

###### Basis of preparation

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standards (“HKASs”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted in the unaudited consolidated condensed accounts are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2004, except for the new adoption of Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs as disclosed in note 2 below.

These condensed consolidated accounts should be read in conjunction with the 2004 annual accounts.

##### 2. IMPACT OF NEW/REVISED HKFRSs AND HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements. The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented for the current and prior periods. Accordingly, no prior period adjustment has been required.

HKAS 1	Presentation of Financial Statements
HKAS 40	Investment Property

The adoption of these new/revised HKFRSs and HKASs has resulted in the following changes to the Group’s accounting policies that have affected the amount reported or disclosures for the current or prior periods.

- The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.
- The adoption of HKAS 40 has resulted in a change of accounting policy for investment property. Prior to this, changes in the value of investment properties are dealt with as movement in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. After adoption of HKAS 40, any changes in value of investment property are dealt with in the profit and loss account and there should be no revaluation reserve available for offsetting against revaluation deficits.

##### 3. SEGMENT INFORMATION

By business segments:

	Unaudited Six months ended 30 June 2005					
	Home and personal care products	Industrial products	Cosmetics and skincare products	Bio-technology products	Others	Consolidated
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover	104,535	82,790	176,970	10,333	–	374,628
Segment results	18,393	6,562	80,740	95	–	105,790
Interest income and unallocated revenues						3,961
Corporate and unallocated expenses						(4,321)
Operating profit						105,430
Finance costs						(2,530)
Gain on disposal of investment securities						44,662
Profit before taxation						147,562
Taxation						(20,021)
Profit after taxation						127,541
Minority interests						(19,888)
Profit attributable to shareholders						107,653

	Unaudited Six months ended 30 June 2004					
	Home and personal care products	Industrial products	Cosmetics and skincare products	Bio-technology products	Others	Consolidated
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover	116,317	93,355	56,549	19,612	–	285,833
Segment results	17,050	2,184	26,108	7,343	(181)	52,504
Interest income and unallocated revenues						5,950
Corporate and unallocated expenses						(8,065)
Operating profit						50,389
Finance costs						(1,079)
Profit before taxation						49,310
Taxation						(6,734)
Profit after taxation						42,576
Minority interests						(12)
Profit attributable to shareholders						42,564

##### 4. OPERATING PROFIT

The Group’s profit from operating activities is arrived at after charging:

	For the six months ended 2005	2004
	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Cost of inventories sold	221,133	153,870
Depreciation of fixed assets	18,455	13,418
Amortisation of intangible assets	6,584	5,634
Interest on bank loans and overdrafts wholly repayable within five years	2,509	920
Interest on finance leases	21	159
Research and development costs	2,737	15,586
Staff costs	10,684	11,464

##### 5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2004: 17.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	For the six months ended 2005	2004
	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Current taxation:		
– Hong Kong profits tax	–	140
– Overseas taxation (Note (b))	20,021	13,254
	20,021	13,394
Less: Overprovisions in previous period	–	(6,660)
Taxation charge	20,021	6,734

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	For the six months ended 30 June 2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Profit before taxation	147,561	49,310
Tax at applicable tax rates (Note (a))	37,221	4,059
Adjustment for overprovision in previous period	–	(6,660)
Income not subject to taxation	(79)	(6)
Expenses not deductible for taxation purposes	823	88
Tax losses not recognised	6,012	9,253
Preferential tax treatment (Note (b))	(23,956)	–
Taxation charge	20,021	6,734

Notes:

- (a) The applicable taxation rates represent the rates of taxation prevailing in the countries in which the group companies operate.
- (b) Overseas tax provision is required to be made in respect of Dongguan Proamine Chemicals Co., Limited ("Dongguan Proamine"), Dongguan Gao Bao Chemicals Co., Limited ("Gao Bao"), Global Cosmetics (China) Co., Limited ("Global Cosmetics China") and Dongguan Polygene Biotech Co., Limited ("Dongguan Polygene"), the wholly owned subsidiaries of the Company established in the PRC. In accordance with the relevant PRC income tax rules and regulations, the enacted PRC income tax is 33%. Dongguan Proamine and Global Cosmetics China were entitled to preferential tax treatment from the PRC's authority.

6. DIVIDEND

	For the six months ended 30 June 2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interim dividend of HK\$Nil (2004: Nil) per ordinary share	–	–

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders of approximately HK\$107,653,000 (2004: HK\$42,564,000) and the weighted average number of 914,384,394 (2004: 866,816,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to shareholders of approximately HK\$107,653,000 (2004: HK\$42,564,000) and the weighted average number of 918,216,603 (2004: 906,663,000) ordinary shares after adjusting for the effect of share options.

8. EQUITY

	(Unaudited) HK\$'000
At 1 January 2005	1,210,132
Profit for the period	107,653
Issue of shares	22,881
Repurchase of shares	(4,003)
At 30 June 2005	1,336,663

MANAGEMENT DISCUSSION AND ANALYSIS  
OPERATION REVIEW

I. Home and Personal Care Products

For the period ended 30 June 2005, turnover of the business was maintained at approximately HK\$104.54 million, while the operating profit increased 7.86% to around HK\$18.39 million against the same period last year. Currently the business contributes 27.9% to the total turnover of the Group.

Despite the increase in cost of major raw materials, and the keen competition within the market reviving along with the economy, the Group strategically increased the prices of products with strong demand. As a result, the Group was able to transfer some cost to customer and improved overall profit margin.

The Group is committed to expanding its market by diversifying into OEM and premium business targeting at overseas market. The management expected the business to generate notable income and report favorable profit in the second half of the year.

II. Industrial Surfactants

Turnover of industrial products was maintained at HK\$82.79 million in the review period, contributing nearly 22.1% of the Group's turnover. During the period under review, operating profit grew to HK\$6.56 million, an impressive 201% when compared with that of last year.

Thanks to its quality products which have strong foothold in the market, the Group succeeded in transferring some cost to customers to alleviate raw material price pressure and greatly boosted profit margin. In addition, the Group applied an array of stringent cost control measures such as lowered research and development expenses, which resulted great cost savings during the period. With the market improving plus the Chinese government introducing policies to phase out phosphorus surfactants, the Group is confident of benefiting from its continuous development of environmental-friendly industrial surfactants. The Group believes that industrial surfactants will continue to drive its stable growth.

III. Cosmetics and Skin Care Products – Marjorie Bertagne ("MB")

During the period under review, MB recorded a turnover of HK\$176.97 million, a three-fold growth against the same period last year. Its operating profit rose 209.23% to HK\$80.74 million. The segment contributed more than 47.24% to the total turnover of the Group.

The satisfactory results were attributable to the Group's effective branding strategy for MB. With Ms Rosmund Kwan as its spokesperson, the brand has taken on a premium image. To reinforce customer loyalty to the brand, the Group launched a series of commercials on television, complemented by printed and billboard advertising in the first half of the year. In addition, through its widespread retail network with a total of 125 outlets in Mainland China and 18 counters in Hong Kong and Macau, the Group expects to capture more market share in the second half year.

IV. Biotechnology Products and New Production Facilities for Replacement Materials

During the period under review, the business recorded turnover of HK\$10.33 million. The contribution of this business to the Group's total turnover lowered to 2.76%. It was mainly due to the boosting of MB business. In the review period, most of the Group's capacity was used to produce "hEGF", an important ingredient of MB products, to meet the strong internal consumption, hence only a small capacity was available for producing other biotech products.

The Group believes that its patented biotech raw materials have bright prospects in the market and can at the same time boost the cost competitiveness of the Group's products. As a result, the Group has been proactively expanding its production capacity. Construction of a new factory for producing solvent-based raw materials ("replacement materials") such as industrial enzymes and L-Lactic acid, which are essential to the Group's production, has been on schedule. The Group expected to benefit from own production of replacement materials, which will help to minimise the Group's exposure to risks from further increase and fluctuation of production cost. The Group regards its solidly-founded biotechnology business as one of its major business growth drivers.

PROSPECTS

Riding on its proven traditional three-pillar business – home and personal care products, industrial surfactants and "MB" businesses, the Group will continue to grow its household and personal care products and industrial surfactants business, with the aim of deepening penetration of the China market and hence secure a stable income. Regarding the cosmetics business, it has become the Group's main growth driver. The Group will strive to achieve an optimum proportion of the three major businesses to ensure stable income.

The Group is always keeping a close watch on new business opportunities to diversify its income stream. In view of the volatile crude oil price and the unstable international oil supply, the Group has stepped up the development of environmental friendly power technology. The technology enables the recycling of waste plastic materials. Partnering with a local petroleum refinement company, the Group uses the technology to recycle waste plastics, tyres, PVC foam and used oil into usable gasoline, diesel and natural gas with high efficiency. Applying the integrative pyrolysis procedure in treating waste materials,

the technology is patented in the PRC.

The technological breakthrough facilitated and marked the formal entry of the Group into the environmental friendly energy industry. The Group is applying to the Government of the Hong Kong Special Administrative Region ("HKSAR Government") to acquire land in the Industrial Estate at low price for the construction of a production plant. The Group will also discuss other arrangements such as tax exemption and subsidies with the HKSAR Government.

Regarding the target market, the Group will first develop the Hong Kong market, mainly through wholesaling high quality petroleum products to different transportation corporations, such as bus, taxi and ferry companies. In the long run, the Group targets to expand the business overseas to markets under high oil price pressure, such as Singapore, Malaysia and Japan. The Group believes its development strategy will accelerate its growth and bring remarkable returns to shareholders.

USE OF PROCEEDS FROM BORROWING AND ISSUE OF SHARES

During the period, 36,320,000 share options were exercised at an average price of HK\$0.63 per ordinary share with cash proceeds of approximately HK\$22.88 million, before any related expenses. The net proceeds from the exercise of share options were used to finance general working capital requirement of the Group. The exercise of 36,320,000 share options resulted in the issue of 36,320,000 additional shares of the Company.

During the period, the Company repurchased a total of 6,204,000 of its ordinary shares on the Stock Exchange at an average purchase price of HK\$0.65 per share. The total amount incurred for this purpose was approximately HK\$4.03 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash or cash equivalent of approximately HK\$782.21 million as at the balance sheet date. The Group adopts conservative treasury policies in cash and financial management. Most of the retained cash was placed in Renminbi and Hong Kong Dollar short term deposits and therefore exposure to exchange fluctuations was minimal. The Group also invested in other investments such as bonds and marketable securities to increase financial returns. Shareholders' fund as at 30 June 2005 was HK\$1,336.66 million compared with that of HK\$1,210.13 million as at 31 December 2004, representing an increase of HK\$126.53 million or 10.46%.

The Group capital expenditure for the six months ended 30 June 2005 amounted to HK\$69.22 million were funded from cash generated from operation, bank loans and issue of shares.

The indebtedness of the Group mainly comprises of trust receipt loans, bank loans and finance leases which are largely denominated in Hong Kong dollars and Reminbi. The Group borrowings are monitored to ensure a smooth repayment schedule to maturity.

The banking facilities mainly comprised of trust receipt loans and invoice financing loan of tenor up to 120 days from the invoice date. The bank interest rates are mainly fixed by reference to either the Hong Kong Prime rate or the Hong Kong Interbank Offer Rate.

As at 30 June 2005, the Group's banking facilities had been utilized to the extent of approximately HK\$241.8 million, including HK\$235 million of syndicated loan.

During the period, the Group acquired 0.61% and disposed of 2.91% equity interest in Bio-Treat Technology Limited ("Bio-Treat") in the Stock Exchange of Singapore at HK\$14.27 million and HK\$59.04 million respectively. The acquisition of equity interest in Bio-Treat was stated at cost in the balance sheet as at 30 June 2005 whereas the gain on disposal of equity interest in Bio-Treat amounting to HK\$44.66 million was recognised in the profit and loss account for the period.

The Group's inventory turnover period was decreased to 35 days from that of 52 days for the same period last year. The turnover period of debtors were increased to 107 days from that of 76 days for the same period last year owing to tremendous increase in sales to the customers of cosmetics and skincare products which required longer credit days. The turnover period of creditors had slightly increased to 33 days from that of 30 days for the same period last year.

Debt to equity ratio (total debt over shareholders' equity) and gearing ratio (total interest bearing debt over total assets) were increased to 18.1% and 14.18% respectively as compared with that of 22.37% and 17.3% for the same period last year. Current ratio and quick ratio were improved to 4.71 and 4.52 respectively whilst interest cover was 41.67 times.

INTERIM DIVIDEND

At a meeting on 12 September 2005, the Directors did not recommend payment of interim dividend for the six months ended 30 June 2005 (2004: Nil).

CONTINGENT LIABILITY AND CHARGE OF GROUP ASSETS

The Group did not have any significant contingent liabilities as at 30 June 2005.

As at 30 June 2005, all banking facilities of the Group were secured by corporate guarantees executed by the Company and certain subsidiaries of the Group.

EMPLOYEE AND REMUNERATION POLICIES

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

As at 30 June 2005, the Group had 585 salaried employees of which 545 and 40 were stationed respectively in the PRC and in Hong Kong. Total staff costs paid during the period was approximately HK\$10.68 million.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period ended 30 June 2005, the Company repurchased a total of 6,204,000 of its ordinary shares on the Stock Exchange.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rule throughout the six months ended 30 June 2005, with deviation from code provisions A.4.1 and A.4.2 of the Code in respect of service term and rotation of directors.

Under the code provision A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, they are subject to the retirement by rotation under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Under the Bye-laws of the Company, the Chairman of the Board were not subject to retirement by rotation. This constituted a deviation from the code provision A.4.2 of the Code. To comply with the code provision, relevant amendment to Bye-laws of the Company was proposed subject to the approval of the shareholders at the forthcoming general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in Model Code throughout the six months ended 30 June 2005.

AUDIT COMMITTEE

The Company's Audit Committee comprises three Independent Non-executive Directors, namely Mr. Ou Ying Ji, Mr. Lin Jian and Mr. Lee Pak Chung.

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

The Audit Committee has regularly reviewed with the management the accounting principles and policies adopted by the Group. The unaudited interim financial statements for the six months ended 30 June 2005 was reviewed by the audit Committee.

BOARD OF DIRECTORS

As at the date of the Board Meeting for this interim results announcement on 12 September 2005, the Board of the Company comprises of three executive Directors, namely Mr. Lau Jin Wei, Jim, Mr. Wong Ying Yin and Ms. Wong Wai Kwan, Connie; one non-executive Director, namely Mr. Yip Wai Leung, Jerry; three independent non-executive Directors, namely Mr. Ou Ying Ji, Mr. Lin Jian and Mr. Lee Pak Chung.

By Order of the Board  
**Lau Jin Wei, Jim**  
Chairman

Hong Kong, 12 September 2005