



# 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)

### 2006 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Directors”) of the Global Green Tech Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006 (“Period”) which have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		Unaudited Six months ended 30 June 2006 HK\$'000	2005 30 June HK\$'000
Turnover	Note 2	402,325	374,628
Cost of sales		(226,443)	(221,133)
Gross profit		175,882	153,495
Other revenues		5,298	6,450
Selling and distribution expenses		(16,000)	(24,373)
General and administrative expenses		(38,088)	(30,142)
Operating profit	3	127,092	105,430
Finance costs		(7,711)	(2,530)
Profit on disposal of available-for-sales securities		–	44,662
Profit before taxation		119,381	147,562
Taxation	4	(13,815)	(20,021)
Profit for the Period		105,566	127,541
Attributable to:			
Equity shareholders of the company		75,867	107,653
Minority interests		29,699	19,888
Profit for the Period		105,566	127,541
Dividends	5	–	–
Earnings per share			
Basic	6	HK\$0.0789	HK\$0.1177
Diluted	6	HK\$0.0784	HK\$0.1172

#### CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

		Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
<b>Non-current assets</b>			
Fixed assets		691,734	556,201
Intangible assets		34,375	40,725
Deposits for acquisition of fixed assets		336,422	342,961
Deposits for acquisition of intangible assets		12,438	12,762
Other deposits and club debenture		170	530
Investments in securities		31,500	31,500
Deferred tax assets		5,109	5,109
		1,111,748	989,788
<b>Current assets</b>			
Trading securities		9,936	10,773
Inventories		71,741	33,987
Trade and other receivables	7	187,223	207,443
Cash and cash equivalents		599,908	514,066
		868,808	766,269
<b>Current liabilities</b>			
Trade and other payables	8	113,349	82,715
Short-term bank loans, unsecured		13,246	2,815
Current portion of long-term bank loans		30,000	117,500
Current portion of obligations under finance leases		18	18
Current taxation		20,592	20,897
		177,205	223,945
<b>Net current assets</b>		691,603	542,324
<b>Total assets less current liabilities</b>		1,803,351	1,532,112
<b>Non-current liabilities</b>			
Long-term bank loans		170,000	58,750
Obligations under finance leases		50	58
<b>Net assets</b>		1,633,301	1,473,304
Financed by:			
<b>Share capital</b>		101,937	93,519
<b>Reserves</b>		1,467,813	1,345,933
<b>Total equity attributable to the shareholders of the company</b>		1,569,750	1,439,452
<b>Minority interests</b>		63,551	33,852
<b>Total equity</b>		1,633,301	1,473,304

#### NOTES TO CONDENSED ACCOUNTS

##### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2005.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives

These unaudited condensed consolidated financial statements should be read in conjunction with the 2005 annual accounts.

##### 2. SEGMENT INFORMATION

An analysis of the Group’s turnover and results for the Period by business segment is as follows:

	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000
Turnover	97,240	108,570
Segment results	20,500	7,494
Unallocated operating income and expenses		
Operating profit		
Finance costs		
Profit before taxation		
Taxation		
Profit after taxation		

	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2005 HK\$'000
Turnover	104,535	82,790
Segment results	18,393	6,562
Unallocated operating income and expenses		
Operating profit		
Finance costs		
Profit on disposal of available-for-sales securities		
Profit before taxation		
Taxation		
Profit after taxation		

##### 3. OPERATING PROFIT

Operating profit is stated after charging the followings:

	Unaudited Six months ended 30 June 2006 HK\$'000	2005 30 June HK\$'000
<b>Charging</b>		
Amortisation of intangible assets	6,350	6,584
Cost of inventories sold	226,443	221,133
Depreciation of fixed assets	21,794	18,455
Interest on bank loans and overdraft wholly repayable within five year	4,477	2,509
Interest on finance leases	2	21
Research and developments	3,813	2,737
Staff costs	13,521	10,684

##### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2005: 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 subsidiaries of the Group operate.

The amount of taxation charged to the condensed consolidated income statement represents:

	Unaudited Six months ended 30 June 2006 HK\$'000	2005 30 June HK\$'000
Current taxation:		
Hong Kong profits tax	254	–
Overseas taxation (Note (b))	13,561	20,021
Taxation charge	13,815	20,021

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:

	Unaudited Six months ended 30 June 2006 HK\$'000	2005 30 June HK\$'000
Profit before taxation	119,381	147,562
Tax at applicable tax rate (Note (a))	42,719	37,221
Income not subject to taxation	(5,280)	(79)
Expenses not deductible for taxation purposes	823	823
Tax losses not recognised	5,865	6,012
Preferential tax treatment (Note (b))	(30,312)	(23,956)
	13,815	20,021

##### Notes:

- The applicable taxation rates represent the rates of taxation prevailing in the countries in which the group companies operate.
- 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, Global Cosmetics China, Gao Bao were entitled to preferential tax treatment from the PRC’s authority.

##### 5. DIVIDEND

	Unaudited Six months ended 30 June 2006 HK\$'000	2005 30 June HK\$'000
Interim, paid, of HK\$Nil (2005: Nil) per ordinary share	–	–

At a meeting held on 25 September 2006, the Directors did not recommend payment of interim dividend for the Period.

**6. 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\$75,867,000 (2005: HK\$107,653,000) and the weighted average number of 961,863,193 (2005: 914,384,394) 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\$75,867,000 (2005: HK\$107,653,000) and the weighted average number of 967,513,725 (2005: 918,216,603) ordinary shares after adjusting for the effect of share options and warrants.

	No. of shares as at 30 June 2006 HK'000	2005 HK'000
Weighted average number of ordinary shares used in calculating basic earnings per share	961,863,193	914,384,394
Add: Number of ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options and warrants	5,650,532	3,832,209
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>967,513,725</u>	<u>918,216,603</u>

**7. TRADE AND OTHER RECEIVABLES**

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Trade receivables	137,814	145,926
Bills receivables	133	5,679
	<u>137,947</u>	<u>151,605</u>
Prepayments, deposits and other receivables	<u>49,276</u>	<u>55,838</u>
	<u>187,223</u>	<u>207,443</u>

The normal credit period granted to the customers of the Group is 30 to 180 days. At 30 June 2006, the ageing analysis of the trade receivables was analysed as follows:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Within 30 days	113,823	77,779
31 – 60 days	4,338	33,206
61 – 90 days	2,562	6,447
Over 90 days	<u>25,268</u>	<u>48,219</u>
	145,991	165,651
Less: provision	<u>(8,044)</u>	<u>(14,046)</u>
	<u>137,947</u>	<u>151,605</u>

**8. TRADE AND OTHER PAYABLES**

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Trade payables	74,426	24,356
Bills payable	–	20,556
	<u>74,426</u>	<u>44,912</u>
Accrued liabilities and other payable	<u>38,923</u>	<u>37,803</u>
	<u>113,349</u>	<u>82,715</u>

At 30 June 2006, the ageing analysis of the trade and bills payable was analysed as follows:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Within 30 days	52,614	17,258
31 – 60 days	8,670	15,522
61 – 90 days	3,554	8,572
Over 90 days	<u>9,588</u>	<u>3,560</u>
	<u>74,426</u>	<u>44,912</u>

**RESULTS**

For the six months ended 30 June 2006, the Group's turnover increased by 7.39% to HK\$402.33 million from HK\$374.63 million for the same period in 2005. Due to the selectively increase in price of certain home and personal care products and industrial surfactants together with exemption from consumption tax in PRC for skincare products, the Group's overall gross profit margin increased to 43.72% from that of 40.97% in the last period. Net profit for the Period was increased by 27.38% to HK\$105.57 million from that of HK\$82.88 million (i.e. being HK\$127.54 million minus HK\$44.66 million) in the last period which was before taking into account the one-off profit on disposal of available-for-sales securities.

**MANAGEMENT DISCUSSION AND ANALYSIS  
OPERATIONAL REVIEW****I. Home and Personal Care Products**

During the Period, turnover of the business contributed 24.17% to the total turnover of the Group, while the operating profit increased 11.46% to around HK\$20.5 million against the same period last year. Despite the increase in cost of major raw materials and the price competition within the market, the Group strategically increased the prices of products with strong demand so as to transfer part of the cost to customer. The Group believes that with its strong research and development team together with its pricing and marketing strategy, it can be able to enjoy the fruitful returns in this market. The Group also believes that home and personal care products will continue to become a stable growth and ongoing momentum of the Group.

**II. Industrial Surfactants**

Turnover of industrial products contributed 26.99% of the Group's turnover during the Period. Even though the Group experienced the rise in price of crude oil during the Period, it can still maintained the growth in sales by 31.14% as compared with that of last period. The Group had applied an array of stringent cost control measures 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 Skincare**

During the period under review, cosmetics and skincare products recorded a turnover of HK\$179 million whereas its operating profit rose by 25.59% to HK\$101.4 million. The segment contributed 44.49% to the total turnover of the Group.

The satisfactory results were attributable to the Group's effective branding strategy and exemption from consumption tax in PRC for skincare products during the period. With Ms Rosamund 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 advertisement on television, complemented by printed and billboard advertising. In addition, through its widespread retail network with a total of 150 outlets in Mainland China and 20 counters in Hong Kong and Macau, the Group expects to capture more market share in the second half year.

**IV. Biotechnology Products**

During the period under review, the business recorded turnover of HK\$7.44 million. In order to boost up cosmetics and skincare business, the Group's capacity was used to produce "hEGF" to meet the strong internally consumption.

Construction of the new factory for producing replacement materials will be completed in the third quarter of 2006 and trial run is schedule in the fourth quarter of 2006. The Group expects 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 costs.

**V. OEM and Premium**

With completion of a 4-storey production complex designated to the production of OEM and premium products in the third quarter of 2006, the Group believes that the OEM and premium business will be able to generate promising return to the Group.

**USE OF PROCEEDS FROM ISSUE OF SHARES**

During the Period, 77,260,000 share options and 6,917,200 warrants were exercised at an average price of HK\$0.77 per ordinary share and HK\$1.01 per ordinary shares respectively with cash proceeds

of approximately HK\$59.77 million and HK\$6.99 million, before any related expenses. The net proceeds from the exercise of share options and warrants were used to finance general working capital requirement of the Group. The exercise of 77,260,000 share options and 6,917,200 warrants resulted in the issue of totally 84,177,200 additional shares of the Company.

**LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained cash or cash equivalent of approximately HK\$599.91 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 2006 was HK\$1,569.75 million compared with that of HK\$1,439.45 million as at 31 December 2005, representing an increase of HK\$130.3 million or 9.05%.

The Group capital expenditure for the Period amounted to HK\$157.33 million were funded from cash generation 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 Group's inventory turnover period was increased to 42 days from that of 35 days for the same period last year. The turnover period of debtors were decreased to 65 days from that of 107 days for the same period last year. The turnover period of creditors was increased to 53 days from that of 33 days for the 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 decreased to 13.59% and 11.81% respectively as compared with that of 18.1% and 14.18% for the same period last year. Current ratio and Quick ratio were 4.9 and 3.39 respectively whilst interest cover was 16.48 times.

**PROSPECTS**

Riding on its proven traditional three-pillar business – home and personal care products, industrial surfactants and cosmetics and skincare 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 to fund new business developments. Cosmetics and skincare business 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.

Regarding the green recycling energy project (the "Project"), the Government of the Hong Kong Special Administrative Region ("HKSAR Government") had already granted a site of approximately 24,000 square metres in the Yuen Long Industrial Estate at low price for the construction of a production plant for the Project. The Group expects the Project will be completed in the fourth quarter of 2007 and trial run will be scheduled in the first quarter of 2008. The Group believes that this business will become one of the major source of revenue to the Group in future. 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.

**INTERIM DIVIDEND**

The Board does not recommend payment of interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

**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 2006, the Group had 818 employees. Total staff costs paid during the period was approximately HK\$13.52 million.

**CONTINGENT LIABILITY AND CHARGE OF GROUP ASSETS**

The Group did not have any significant contingent liabilities as at 30 June 2006.

As at 30 June 2006, all banking facilities of the Group were secured by corporate guarantees executed by the Company and certain subsidiaries of the Group.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

The Company had no purchase, redemption or sales of its own shares during the Period.

**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 Period except for the deviations as mentioned below:

Code provision A.2.1 stipulated that the role of chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board ensured that all Directors compiled with good corporate governance practices and are properly briefed on issues arising at the Board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

Code provision A.4.1 and A.4.2 of the Code stipulated that, (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 made.

**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 Period.

**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 HKICPA. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee 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 2006 was reviewed by the Audit Committee.

**BOARD OF DIRECTORS**

As at the date of the Board Meeting for this interim results announcement on 25 September 2006, the Board of the Company comprises of three executive Directors, namely Mr. Lau Jin Wei, Jim, Mr. Wong Ying Yin and Mr. Bang Young Bae and 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, 25 September 2006