



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



Interim Report 2007

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 2007 ("Period") which have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Unaudited	
		For the six months ended	
		30 June	
	<i>Notes</i>	2007	2006
		HK\$'000	HK\$'000
Turnover	2	506,274	402,325
Cost of sales		(243,287)	(226,443)
Gross profit		262,987	175,882
Other revenues		110,390	5,298
Selling and distribution expenses		(31,358)	(16,000)
General and administrative expenses		(75,407)	(38,088)
Operating profit	3	266,612	127,092
Finance costs		(5,854)	(7,711)
Profit before taxation		260,758	119,381
Taxation	4	(25,823)	(13,815)
Profit for the period		234,935	105,566
Attributable to:			
Equity shareholders of the Company		208,943	75,867
Minority interests		25,992	29,699
Profit for the period		234,935	105,566
Dividends	5	–	–
Earnings per share			
Basic	6	HK\$0.1969	HK\$0.0789
Diluted	6	HK\$0.1886	HK\$0.0784

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	<i>Notes</i>	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Non-current assets			
Fixed assets	7	1,186,153	1,090,796
Intangible assets	7	29,250	32,791
Deferred tax assets		6,925	6,925
Goodwill	8	222,963	–
Deposit for acquisition of interest in leasehold land held for own use under operating leases		39,015	39,015
Deposits for acquisition of other property, plant and equipments		216,239	207,110
Deposits for acquisition of intangible assets		13,272	13,272
Other deposits and club debenture		170	170
		1,713,987	1,390,079
Current assets			
Inventories		43,465	33,200
Trading securities	9	268,602	176,276
Trade and other receivables	10	239,254	152,369
Cash and cash equivalents		217,877	405,181
		769,198	767,026
Current liabilities			
Trade and other payables	11	151,033	183,989
Tax payable		55,027	31,143
Current portion of long-term bank loans	12	60,000	60,000
Current portion of obligations under finance leases	12	39	39
		266,099	275,171
Net current assets		503,099	491,855
Total assets less current liabilities		2,217,086	1,881,934
Non-current liabilities			
Long-term bank loans	12	210,000	140,000
Obligations under finance leases	12	56	73
		210,056	140,073
Net assets		2,007,030	1,741,861

CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)*As at 30 June 2007*

		Unaudited	Audited
		30 June	31 December
		2007	2006
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Share capital	13	109,977	104,658
Reserves		1,892,729	1,629,249
Total equity attributable to the shareholders of the Company		2,002,706	1,733,907
Minority interests		4,324	7,954
Total equity		2,007,030	1,741,861

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Unaudited										
	Share capital	Share premium	Share-based Capital reserve	Share-based compensation reserve	Investment property revaluation reserves	Land & buildings revaluation reserves	Statutory reserves	Exchange fluctuation reserves	Fair value reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	104,658	784,877	900	11,325	-	-	18,694	22,425	-	791,028	1,733,907
Issue of shares	5,319	44,598	-	-	-	-	-	-	-	-	49,917
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	3,757	-	-	3,757
Net equity settled share-based transactions	-	3,223	-	2,959	-	-	-	-	-	-	6,182
Final dividend for 2006	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	208,943	208,943
At 30 June 2007	109,977	832,698	900	14,284	-	-	18,694	26,182	-	999,971	2,002,706
At 31 December 2005	93,519	690,904	900	17,086	116	15,009	18,694	3,090	(97,196)	614,269	1,356,391
Adjustment in respect of:											
HKAS17	-	-	-	-	(116)	-	-	-	-	116	-
HKAS40	-	-	-	-	-	(15,009)	-	874	-	-	(14,135)
HKAS39	-	-	-	-	-	-	-	-	97,196	-	97,196
At 1 January 2006 (restated)	93,519	690,904	900	17,086	-	-	18,694	3,964	-	614,385	1,439,452
Issue of shares	8,418	58,032	-	-	-	-	-	-	-	-	66,450
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	1,320	-	-	1,320
Equity settled share-based transactions	-	11,924	-	(7,679)	-	-	-	-	-	-	4,245
Final dividend for 2005	-	-	-	-	-	-	-	-	-	(17,584)	(17,584)
Profit for the period	-	-	-	-	-	-	-	-	-	75,867	75,867
At 30 June 2006	101,937	760,860	900	9,407	-	-	18,694	5,284	-	672,668	1,569,750

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2007*

	Unaudited	
	For the six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash inflow from operating activities	99,774	109,200
Net cash used in investing activities	(375,131)	(103,409)
Net cash inflow from financing activities	88,053	80,051
	<hr/>	<hr/>
Increase in cash and cash equivalents	(187,304)	85,842
Cash and cash equivalents at 1 January	405,181	514,066
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	217,877	599,908
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	217,877	599,908
	<hr/>	<hr/>

NOTES TO CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and 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 condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

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
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment

These unaudited condensed consolidated financial statements should be read in conjunction with the 2006 annual accounts.

2. SEGMENT INFORMATION

The Group is organised into the following main business segments:

- (a) Household products segment – manufacture of household products for sale to wholesalers and retailers in the general consumer market;
- (b) Industrial products segment – manufacture of industrial surfactants for sale principally to textile and garment manufacturers and traders;
- (c) Cosmetics and skincare products segment – manufacture of cosmetics and skincare products for sale to authorised distributors and retailers in the general consumer market;
- (d) Bio-technology products segment – manufacture of biotechnology products with medical applications; and
- (e) Investment segment – engaged in money lending and investment and/or trading in marketable securities, bonds, foreign currencies, various funds and other income generated fixed assets portfolios; and

NOTES TO CONDENSED ACCOUNTS (cont'd)

2. SEGMENT INFORMATION (cont'd)

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

	Unaudited											
	For the six months ended 30 June											
	Household products		Industrial products		Cosmetics and skincare products		Bio-technology products		Investment		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	82,238	97,240	139,800	108,570	256,898	189,074	3,443	7,441	23,895	-	506,274	402,325
Segment results	18,214	20,500	9,262	7,494	139,568	102,485	(160)	(285)	110,901	-	277,785	130,194
Unallocated operating income and expenses											(11,173)	(3,102)
Operating profit											266,612	127,092
Finance costs											(5,854)	(7,711)
Profit before taxation											260,758	119,381
Taxation											(25,823)	(13,815)
Profit after taxation											234,935	105,566

3. OPERATING PROFIT

Operating profit is stated after charging the followings:

	Unaudited	
	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Charging		
Amortisation of intangible assets	3,541	6,350
Cost of inventories sold	243,287	226,443
Depreciation of fixed assets	29,269	21,794
Interest on bank loans and overdraft wholly repayable within five year	5,687	4,477
Interest on finance leases	2	2
Research and developments	665	3,813
Staff costs	23,229	13,521

NOTES TO CONDENSED ACCOUNTS (cont'd)

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2006: 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 consolidated profit and loss account represents:

	Unaudited	
	For the six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	-	254
Overseas taxation (<i>note (b)</i>)	25,823	13,561
	<hr/>	<hr/>
Taxation charge	25,823	13,815
	<hr/>	<hr/>

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	
	For the six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Profit before taxation	260,758	119,381
	<hr/>	<hr/>
Tax at applicable tax rate (<i>note (a)</i>)	75,947	42,719
Income not subject to taxation	(19,398)	(5,280)
Expenses not deductible for taxation purposes	-	823
Tax losses not recognised	14,266	5,865
Preferential tax treatment (<i>note (b)</i>)	(44,992)	(30,312)
	<hr/>	<hr/>
	25,823	13,815
	<hr/>	<hr/>

NOTES TO CONDENSED ACCOUNTS (cont'd)

4. TAXATION (cont'd)

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 Chemical Co., Limited ("Dongguan Proamine"), Dongguan Gao Bao Chemical Co., Limited ("Gao Bao"), Global Cosmetics (China) Co., Limited ("Global Cosmetics China") and Dongguan Polygene Biotech Co., Limited ("Dongguan Polygene"), the 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	
	For the six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Interim, paid, of HK\$Nil (2006: Nil) per ordinary share	-	-

At a meeting held on 17 September 2007, 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 the Company of approximately HK\$208,943,000 (2006: HK\$75,867,000) and the weighted average number of 1,061,284,225 (2006: 961,863,193) 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 the Company of approximately HK\$208,943,000 (2006: HK\$75,867,000) and the weighted average number of 1,107,796,418 (2006: 967,513,725) ordinary shares after adjusting for the potential dilutive effect of share options and warrants.

NOTES TO CONDENSED ACCOUNTS (cont'd)

6. EARNINGS PER SHARE (cont'd)

(b) Diluted earnings per share (cont'd)

	No. of shares as at 30 June	
	2007	2006
Weighted average number of ordinary shares used in calculating basic earnings per share	1,061,284,225	961,863,193
Add: Number of ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options and warrants	46,512,193	5,650,532
	1,107,796,418	967,513,725

7. CAPITAL EXPENDITURE

	Unaudited	
	Licences	Fixed assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount as at 1 January 2007	32,791	1,090,796
Additions	–	124,626
Amortisation/depreciation charge (Note 3)	(3,541)	(29,269)
	29,250	1,186,153

8. GOODWILL

On 2 January 2007, Global Success Properties Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Cristal Marketing Management Limited (the "Vendor") for the acquisition of 17% of the entire issued share capital of Global Cosmetics (HK) Company Limited ("Global Cosmetics") at consideration of HK\$241,090,000 which is determined having regard to the net asset value and earnings of Global Cosmetics and its wholly owned subsidiary, namely Global Cosmetics (China) Co. Ltd. and the market potential of their business. This is pursuant to the structural reorganisation as disclosed in note 18(a). The goodwill arose from the acquisition was approximately HK\$222,963,000.

NOTES TO CONDENSED ACCOUNTS (cont'd)

9. TRADING SECURITIES

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Listed equity securities at market value		
– in Hong Kong	268,602	167,727
– outside Hong Kong	–	8,549
	268,602	176,276

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Trade receivables	92,148	103,768
Bills receivables	–	4,591
	92,148	108,359
Prepayments, deposits and other receivable	147,106	44,010
	239,254	152,369

The normal credit period granted to the customers of the Group is 30 to 180 days. At 30 June 2007, the ageing analysis of the trade receivables was analysed as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within 30 days	72,834	93,740
31 – 60 days	21,727	8,236
61 – 90 days	8,093	4,431
Over 90 days	3,928	16,259
	106,582	122,666
Less: provision	(14,434)	(14,307)
	92,148	108,359

NOTES TO CONDENSED ACCOUNTS (cont'd)

11. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Trade payables	67,096	76,399
Bills payables	12,525	7,334
	79,621	83,733
Accrued liabilities and other payables	71,412	100,256
	151,033	183,989

At 30 June 2007, the ageing analysis of the trade and bills payable were analysed as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within 30 days	40,857	29,521
31 – 60 days	22,588	17,791
61 – 90 days	9,552	9,803
Over 90 days	6,624	26,618
	79,621	83,733

NOTES TO CONDENSED ACCOUNTS (cont'd)

12. LONG-TERM LIABILITIES

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Unsecured bank loans repayable:		
Within one year	60,000	60,000
In the second year	60,000	60,000
In the third to fifth year	150,000	80,000
Total unsecured bank loans (<i>Note (a)</i>)	270,000	200,000
Obligations under finance leases repayable:		
Within one year	43	43
In the second year	43	43
In the third to fifth year	22	43
	108	129
Less: future finance charges on finance leases	(13)	(17)
Present value of obligations under finance leases	95	112
Total long-term liabilities	270,095	200,112
Current portion of long-term liabilities	(60,039)	(60,039)
Non-current portion	210,056	140,073

Note:

- (a) On 27 February 2006, Global Green Tech Group Limited ("GGTG") entered into a Term Loan and Revolving Credit Facility Agreement (the "Agreement") with certain banks (the "Banks") for firstly repaying all its indebtedness of the Company and its subsidiaries owing under the existing facility and secondly, as to any balance, towards financing the general corporate funding requirements of the Group. Maximum available facility under the Agreement was HK\$300,000,000.

GGTG shall repay the loans outstanding at the end of the Availability Period by six unequal semi-annual instalments, the first instalment to be paid on the date falling 12 months after the date of the Agreement (i.e. 27 February 2006) and thereafter on the last day of each successive half-yearly period.

The outstanding loans will bear an interest at HIBOR plus 1% per annum and the interest payments will be made by the end of each interest period as selected by GGTG at the time when it draws the loans pursuant to the Agreement. GGTG may select an interest period of three or six months or any other period agreed between GGTG and the Banks.

The wholly owned subsidiary of GGTG, Global Chemicals (China) Company ("GCC"), has executed an irrevocable and unconditional guarantee in favour of the Banks with respect to this term loan and revolving credit facility offered to GGTG

NOTES TO CONDENSED ACCOUNTS (cont'd)

13. SHARE CAPITAL

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,099,773,017 (2006: 1,046,579,483) ordinary shares of HK\$0.10 each	109,977	104,658

During the Period, the following movements in the issued share capital of the Company were recorded:

	Number of shares '000	Share capital HK\$'000
At 1 January 2006	935,193	93,519
Exercise of share options	104,469	10,447
Exercise of warrants	6,917	692
At 31 December 2006 and at 1 January 2007	1,046,579	104,658
Exercise of share options	18,945	1,894
Exercise of warrants	34,249	3,425
At 30 June 2007	1,099,773	109,977

NOTES TO CONDENSED ACCOUNTS (cont'd)**14. OPERATING LEASE COMMITMENTS****(a) As lessee**

The Group leases certain land and buildings under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 30 June 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within one year	2,379	4,131
In the second to fifth years	401	400
Over fifth years	6,794	–
	9,574	4,531

15. CAPITAL AND OTHER COMMITMENTS

At 30 June 2007, the Group had the following commitments in addition to the operating lease commitments as detailed in note 12:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Contracted but not provided for:		
Intangible assets	–	168
Plant and equipment	116,226	128,372
Construction in progress	–	79,620
	116,226	208,160

The Group did not have any capital commitments at 30 June 2007 (31 December 2006: Nil).

16. CONTINGENT LIABILITIES

At 30 June 2007, the Company had issued corporate guarantees for banks in respect of HK\$20,000,000 banking facilities (31 December 2006: HK\$20,000,000) granted to its subsidiaries.

NOTES TO CONDENSED ACCOUNTS (cont'd)

17. MATERIAL RELATED PARTIES TRANSACTIONS

During the Period, the Group has entered into the following significant related party transactions in its ordinary course of business and on terms mutually agreed between the relevant parties.

Global Cosmetics sold cosmetics products approximately HK\$2,563,000 (for the six months ended 30 June 2006: HK\$2,205,000) to Cristal Marketing Management Limited under normal commercial terms.

18. ORGANISATION RESTRUCTURING

During the Period, the Group had underwent the following restructuring steps pursuant to the reorganisation:

- (a) On 5 March 2007, Global Chemical Investment Limited ("Global Chemical BVI"), as nominated by Global Success Properties Limited ("Global Success") to act as the transferee, was transferred from Cristal Marketing Management Limited ("Cristal Marketing") 6,800,000 shares of HK\$1 each in the issued share capital of Global Cosmetics (HK) Company Limited ("Global Cosmetics (HK)") for a consideration of HK\$241.09 million.
- (b) On 6 June 2007, Global Chemicals (China) Company Limited ("Global Chemicals (China)") transferred the beneficial interest of 10,000 shares of HK\$1 each in the issued share capital of High Billion Investment Limited ("High Billion") (being the entire issued share capital of High Billion) to Global Chemical BVI in consideration of the allotment and issuance of 1 share in the share capital of Global Chemical BVI, credited as fully paid, to Global Success (as directed by Global Chemicals (China)).
- (c) On 7 June 2007, Bio Beauty Group ("BBG"), which has been incorporated in the Cayman Islands, will act as the parent company of the Cosmetics Group. The authorised share capital of the BBG, on incorporation, is HK\$100,000 divided into 1,000,000 shares ("BBG Shares") of HK\$0.10 each, of which one nil-paid share was subscribed by the Company.
- (d) On 8 June 2007, the Company transferred an aggregate of 800 shares of 10 euros each in the share capital of Global Cosmetics (France) SARL ("GC France") (being the entire share capital of GC France) to Global Chemical BVI in cash consideration of 8,000 euros.
- (e) On 30 June 2007, the authorised share capital of BBG has been increased from HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each to HK\$200,000,000 divided into 20,000,000,000 shares of HK\$0.10 each by creation of a further 19,999,000,000 shares each ranking pari passu in all respects with the existing shares of BBG.
- (f) On 30 June 2007, Global Success transferred the entire issued share capital of Global Chemical BVI to BBG in consideration of (i) the allotment and issuance of 90,849,999 shares in share capital of the BBG, credited as fully paid, to GGT (as directed by Global Success); and (ii) BBG crediting as fully paid the 1 nil-paid share held by the Company.

NOTES TO CONDENSED ACCOUNTS (cont'd)

19. POST BALANCE SHEET EVENTS

- (a) By an ordinary resolution passed on 1 August 2007, BBG issued redeemable exchangeable preference shares ("REPS") to Macquarie Investment Holdings No.2 Pty. Limited ("Macquarie") at a subscription price of US\$21,000,000. Completion of the issue of the REPS took place on 7 August 2007. The REPS shall be automatically converted to ordinary shares of BBG upon the listing of BBG. Macquarie will hold 9.15% of the then entire issued share capital of BBG immediately before the issue of new shares under the global offering. Completion of the issue of the REPS took place on 7 August 2007. Global Success has transferred the entire issued shares in Global Chemical BVI to BBG in return for (i) an aggregate number of 90,849,999 BBG Shares allotted to GGT (as directed by Global Success), credited as fully paid and (ii) credit as fully paid at par the one nil-paid share which is registered in the name of GGT.

- (b) On 6 August 2007, the Company and some of its subsidiaries (which are neither the BBG nor any of the BBG's subsidiaries) assigned to the BBG certain loans in the aggregate net sum of HK\$480,026,048 due from certain subsidiaries of BBG to the Company and its subsidiaries, in consideration of one BBG Share being allotted and issued to the Company, credited as fully paid.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 June 2007, the Group's turnover increased by 25.83% to HK\$506.27 million from HK\$402.33 million for the same period in 2006. Due to the selectively increase in price of certain home and personal care products and industrial surfactants together with high gross profit margin for cosmetics and skincare products, the Group's overall gross profit margin increased to 51.95% from that of 43.72% in the last period. Net profit for the Period was increased by 122.54% to HK\$234.94 million from that of HK\$105.57 million in the last period.

OPERATIONAL REVIEW

I. Household Products

During the Period, turnover of household products was HK\$82.24 million, representing 16.24% of the Group's turnover. Operating profit slightly decreased to HK\$18.21 million. 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 household products will continue to become a stable growth and ongoing momentum of the Group.

II. Industrial Surfactants

During the Period, turnover of industrial products was HK\$139.8 million, representing 27.61% of the Group's turnover. Operating profit increased by 23.63% to HK\$9.26 million. Through implementation and enforcement of stringent cost control measures and the emphasis of environmental protection issue by the PRC's government, the Group can be able to benefit from its environmental-friendly industrial surfactants. The Group also believes that by means of self production of industrial enzymes and replacement materials, the production cost of industrial surfactants can further decrease.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OPERATIONAL REVIEW (cont'd)

III. Cosmetics and Skincare Products

During the Period, turnover of cosmetics and skincare products was HK\$256.9 million, representing 50.74% of the Group's turnover. Operating profit increased by 36.18% to HK\$139.57 million. The satisfactory results were attributable to the Group's effective branding strategy, promotion of celebrities as spokespersons, sponsorship of television programmes, advertising campaigns through variety of media including product launch press conferences, television commercials, billboard posters, newspapers and magazines. We believe that these marketing capabilities and our focus on continually building our brand name will help us to increase sales and strengthen our market position.

IV. Biotechnology Products

During the Period, turnover of biotech products was HK\$3.44 million. Construction of the new factory base for production of biotech products was completed in June 2007. The Group expects to benefit from own production of industrial enzymes and replacement materials, which will help to increase revenues, decrease production costs and minimise the Group's exposure to risks from further increase and fluctuation of production costs due to reliance on external sources of supply of raw materials.

V. Investment

During the Period, turnover of investment business was HK\$23.9 million, representing 4.72% of the Group's turnover. Operating profit, which comprised of realized profit on sales of listed securities in the market and unrealized profit on revaluation of the listed securities to market value at balance sheet date, was HK\$110.9 million, representing 39.92% of the Group's operating profit. The Group believes that with continuing boom of the securities market in Greater China and Asia Pacific region, the Group can be able to generate promising return to the Group.

USE OF PROCEEDS FROM ISSUE OF SHARES

During the Period, 18,944,000 share options and 34,249,000 warrants were exercised at an average price of HK\$0.77 per ordinary share and HK\$1.01 per ordinary share respectively with cash proceeds of approximately HK\$49.92 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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash or cash equivalent of approximately HK\$217.88 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 2007 was HK\$2,002.71 million compared with that of HK\$1,733.91 million as at 31 December 2006, representing an increase of HK\$268.8 million or 15.5%.

The Group's capital expenditure for the Period amounted to HK\$124.63 million were funded from cash generation from operation, bank loans and issue of shares.

Selling and distribution expenses for the six months ended 30 June 2007 increased to HK\$31.36 million representing 6.19% of turnover compared with that of HK\$16 million or 3.98% of turnover for last period. It was mainly due to the increase in advertising and promotion expenses of cosmetics and skincare products and commission and distribution expenses by HK\$8.18 and HK\$7.18 million respectively.

General and administrative expenses increased to HK\$75.41 million or 14.9% of turnover for the six months ended 30 June 2007 compared to that of HK\$38.1 million or 9.47% of turnover for the last period, mainly due to the increase in share-based payment associated with the employees' share option scheme by HK\$3.73 million, general and administrative staff costs by HK\$6.39 million, legal and professional fee relating to proposed spin-off of cosmetics group by HK\$22.43 million and depreciation expenses by HK\$4.85 million.

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.

LIQUIDITY AND FINANCIAL RESOURCES (cont'd)

The Group's inventory turnover period was decreased to 28 days from that of 42 days for the same period last year. The turnover period of debtors were decreased to 36 days from that of 65 days for the same period last year. The turnover period of creditors was increased to 60 days from that of 53 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 23.78% and 10.88% respectively as compared with that of 13.59% and 11.81% for the same period last year. Current ratio and Quick ratio were 2.89 and 0.82 respectively whilst interest cover was 45.54 times.

PROSPECTS

Green Energy Recycling

Regarding the green energy recycling project (the "Project"), the Hong Kong Science and Technology Parks Corporation of the HKSAR's Government granted a site of approximately 24,000 square metres in the Yuen Long Industrial Estate at approximately HK\$39.01 million. The Group expects the Project will be completed in the second half of 2008. Over one year's liaison with the German government, the German government finally recognised our recycling technology as environmental friendly and recently granted the Group with a licence for importing waste tyres (which is the major raw materials for the recycling business) from Germany to Hong Kong and the German government will subsidise the Group in importing waste tyres from Germany. It ensured that the Group could have another source of raw material supplied. 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.

Biotech Products

Through years of collaboration with research and development team in University of Hong Kong together with the approved grant from Innovation and Technology Fund of the HKSAR's Government, the industrial enzymes came into final phase of commercialisation. The new factory base for biotech products was completed in June 2007. Trial run for production of industrial enzymes are now on schedule. The Group expects that the production of the industrial enzymes by ourselves will significantly reduce the Group's reliance on import from overseas suppliers and also the production costs. The Directors also believed that the Group could produce extra quantities of industrial enzymes and sold to the market for generating additional revenues to the Group.

PROSPECTS (cont'd)

Cosmetics and Skincare Products

Currently, we have nine products series which comprise of 116 skincare products and 40 colour cosmetics under the brand name of "Majorie Bertagne" (MB). Besides, we have also developed and produced colour cosmetics and personal care products through our in-house products design and development team, under our own private label brand names which plan to launch some of these products in 2007, targeting at overseas and PRC market. In addition to manufacturing products under our own brand, we are also engaged in the ODM and OEM business, under which we design and produce our high quality skincare products, colour cosmetics and toiletries for our ODM and OEM customers in Europe and United States at competitive prices. As part of our ODM and OEM business, we provide research, development, sourcing, merchandising and technical enquiries to our customers so that they can enjoy our "One-Stop Service".

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: 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 2007, the Group had about 1,200 employees. Total staff costs paid during the period was approximately HK\$23.23 million.

SHARE OPTIONS

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 20 December 2001, the share option scheme adopted by the Company on 28 November 2000 (the "Old Scheme") was terminated and another share option scheme (the "New Scheme") was adopted. Upon termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme remain in force and all share options granted prior to such termination continue to be valid and exercisable in accordance therewith. There are no changes in any terms of the schemes during the Period. The detailed terms of the schemes were disclosed in the 2006 annual accounts.

SHARE OPTIONS (cont'd)

As at 30 June 2007, there was no outstanding shares options which have been granted under the Old Scheme.

Detail of the share options outstanding as at 30 June 2007 which have been granted under the New Scheme are as follows:

Participant	Date of grant	Exercise price HK\$	Number of share options				Company's share price (3)		
			1 January 2007	Granted during the period	Exercise during the period	Expired during the period	30 June 2007	At date of grant HK\$	At date of exercise HK\$
Executive Directors									
Wong Ying Yin	20 June 2006 (2)	0.89	350,000	-	-	-	350,000	0.89	N/A
Bang Young-bae	20 June 2006 (2)	0.89	300,000	-	-	-	300,000	0.89	N/A
			<u>650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,000</u>		
Ex-Directors									
Mr. Yip Wai Leung, Jerry	7 June 2004 (1)	0.63	150,000	-	-	(150,000)	-	0.63	N/A
Mr. Yip Wai Leung, Jerry	13 June 2005 (1)	0.80	200,000	-	-	-	200,000	0.80	N/A
			<u>350,000</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>200,000</u>		
Suppliers of goods or services, customers and others									
	20 June 2006 (2)	0.89	60,500,000	-	(12,100,000)	-	48,400,000	0.89	1.42
			<u>60,500,000</u>	<u>-</u>	<u>(12,100,000)</u>	<u>-</u>	<u>48,400,000</u>		
Other employees									
In aggregate	7 June 2004 (1)	0.63	30,000	-	-	(30,000)	-	0.63	N/A
	13 June 2005 (1)	0.80	840,000	-	(370,000)	-	470,000	0.80	1.27
	20 June 2006 (2)	0.89	40,787,000	-	(6,474,400)	-	34,312,600	0.89	1.44
			<u>41,657,000</u>	<u>-</u>	<u>(6,844,400)</u>	<u>(30,000)</u>	<u>34,782,600</u>		
Share options granted under the New Scheme			<u>103,157,000</u>	<u>-</u>	<u>(18,944,400)</u>	<u>(180,000)</u>	<u>84,032,600</u>		

SHARE OPTIONS (cont'd)

Note:

- (1) The exercisable period of the above share options is 3 years from the date of the grant as determined by the Directors.
- (2) The exercisable period of the above share options is 3 years from the date of the grant as determined by the Directors subject to the conditions that the maximum percentage of the total number of shares under Share Option that can be subscribed for pursuant to the exercise of the Share Option (including those Shares which have been allotted and issued to you under the Share Option) cannot exceed:
 - (a) 20% commencing from the date of option certificate and ending on the day immediately before the first anniversary of the date of option certificate;
 - (b) 50% commencing from the date of option certificate and ending on the day immediately before the second anniversary of the date of option certificate;
 - (c) 100% commencing from the date of option certificate and ending on the day immediately before the second anniversary of the date of option certificate.
- (3) The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average closing price of the shares immediately before the dates on which share options were exercised.

The fair value of share options granted is recognised in profit and loss account taking into account the probability that the options will vest over the vesting period. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed, if any, prior to their exercise date are deleted from the outstanding options.

CONTINGENT LIABILITY AND CHARGE OF GROUP ASSETS

The Group did not have any significant contingent liabilities as at 30 June 2007.

As at 30 June 2007, 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY, DEBT SECURITIES OR WARRANTS

At 30 June 2007, the interests (which are all long positions) of the Directors and Chief Executives in the ordinary shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which they are deemed or taken to have under such provisions of the SFO)), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company were as follows:

Name of Director	Number of ordinary shares/underlying shares held			
	Personal interests	Corporate interests	Family interests	Percentage holding
Mr. Lau Jin Wei, Jim	3,400,000 <i>(note (a))</i>	–	80,712,000 <i>(note (b))</i>	7.65%
Mr. Choi Woon Man	860,200 <i>(note (c))</i>	81,968,000 <i>(note (d))</i>	–	7.53%
Mr. Wong Ying Yin	350,000 <i>(note (e))</i>	–	–	0.03%
Mr. Bang Young Bae	500,000 <i>(note (f))</i>	–	–	0.05%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY, DEBT SECURITIES OR WARRANTS (cont'd)*Notes:*

- (a) The personal interest of Mr. Lau Jin Wei, Jim comprises of 3,400,000 ordinary shares of the Company.
- (b) There are 83,012,000 ordinary shares of the Company as shown above held by Motivated Workforce Consultants Limited ("MWC"), a company incorporated in the British Virgin Islands. The entire share capital of MWC is owned by Mr. Lau Ru Dong, the father of Mr. Lau Jin Wei, Jim.
- (c) The personal interest of Mr. Choi Woon Man comprises of 860,200 ordinary shares of the Company. Mr. Choi Woon Man resigned as Director of the Company on 30 September 2004.
- (d) There are 81,968,000 ordinary shares of the Company as shown above held by Inviting Finance Limited ("IFL"), a company incorporated in the British Virgin Islands. The entire share capital of IFL is owned by Mr. Choi Woon Man.
- (e) The personal interest of Mr. Wong Ying Yin comprises of 350,000 underlying shares in respect of share options granted by the company to him, the details of which are stated in the above section "Share options".
- (f) The personal interest of Mr. Bang Young Bae comprises of 200,000 ordinary shares and 300,000 underlying shares in respect of share options granted by the company to him, the details of which are stated in the above section "Share options". Mr. Bang Young Bae was appointed as Director of the Company on 9 June 2006.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY, DEBT SECURITIES OR WARRANTS (cont'd)

Name of Director	Number of 2007 Warrants granted		
	Personal interests	Corporate interests	Family interests
Mr. Lau Jin Wei, Jim	540,000 <i>(note (a))</i>	–	6,020,000 <i>(note (b))</i>
Mr. Choi Woon Man	46,920 <i>(note (c))</i>	7,200,000 <i>(note (d))</i>	–

Name of Director	Number of 2008 Warrants granted		
	Personal interests	Corporate interests	Family interests
Mr. Lau Jin Wei, Jim	540,000 <i>(note (a))</i>	–	6,020,000 <i>(note (b))</i>
Mr. Choi Woon Man	46,920 <i>(note (c))</i>	7,200,000 <i>(note (d))</i>	–

Each of the 2007 Warrant entitles the holder thereof to subscribe for one ordinary share at subscription price of HK\$0.9654 per share, payable in cash and subject to adjustment, at any time during the period from 8 July 2005 to 7 July 2007 (both dates inclusive). Each of the 2008 Warrant entitles the holder thereof to subscribe for one ordinary share at subscription price of HK\$1.3 per share, payable in cash and subject to adjustment, at any time during the period from 8 July 2005 to 7 July 2008 (both dates inclusive). Any shares falling to be issued upon the exercise of the subscription rights attaching to the 2007 Warrants and 2008 Warrants rank pari passu in all respects with the existing fully-paid ordinary shares in issue on the relevant subscription date.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY, DEBT SECURITIES OR WARRANTS (cont'd)

Notes:

- (a) The personal interest of Mr. Lau Jin Wei, Jim comprises of 540,000 2007 Warrants and 540,000 2008 Warrants of the Company.
- (b) There are 6,020,000 2007 Warrants and 6,020,000 2008 Warrants of the Company held by MWC, a company incorporated in the British Virgin Islands. The entire share capital of MWC is owned by Mr. Lau Ru Dong, the father of Mr. Lau Jin Wei, Jim.
- (c) The personal interest of Mr. Choi Woon Man comprises of 46,920 2007 Warrants and 46,920 2008 Warrants of the Company. Mr. Choi Woon Man resigned as Director of the Company on 30 September 2004.
- (d) There are 7,200,000 2007 Warrants and 7,200,000 2008 Warrants of the Company held by IFL, a company incorporated in the British Virgin Islands. The entire share capital of IFL is owned by Mr. Choi Woon Man.

Save as disclosed above, no directors, chief executives or their associates had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2007, the register of substantial shareholders maintained under Section 336 of the SFO showed that, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares	Number of 2007/2008 Warrants	Percentage of the Company's share capital
MWC	80,712,000	12,040,000	8.43%
IFL	81,968,000	14,400,000	8.76%

All the interests disclosed above represent long positions in the shares of the Company.

SUBSTANTIAL SHAREHOLDERS (cont'd)

Details of the terms of the 2007 Warrants and the 2008 Warrants are set out in the paragraph headed "Directors' and chief executives' interest in equity, debt securities or warrants" above.

Save as disclosed above, the Company has not been notified by any other person (other than a director of the Company disclosed above) who has an interest or short position in the shares or underlying shares of the Company pursuant to Section 336 of the SFO as at 30 June 2007.

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 complied 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 2007 was reviewed by the Audit Committee.

BOARD OF DIRECTORS

As at the date of this Board Meeting, 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, 17 September 2007