



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 **2008**

The Board of Directors (the "Board") 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 2008 ("Period") which have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		For the six months	
		ended 30 June	
		2008	2007
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	583,420	506,274
Cost of sales		(291,442)	(243,287)
Gross profit		291,978	262,987
Other revenue and net income		76,693	110,390
Selling and distribution expenses		(39,307)	(31,358)
General and administrative expenses		(92,260)	(75,407)
Profit from operations	3	237,104	266,612
Finance costs		(8,873)	(5,854)
Profit before taxation		228,231	260,758
Income tax	4	(28,165)	(25,823)
Profit for the period		200,066	234,935
Attributable to:			
Equity holders of the Company		181,811	208,943
Minority interests		18,255	25,992
Profit for the period		200,066	234,935
Dividends	5	-	-
Earnings per share			
Basic	6(a)	HK\$0.1505	HK\$0.1969
Diluted	6(b)	HK\$0.1472	HK\$0.1886

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2008 HK\$'000	Audited As at 31 December 2007 HK\$'000
	<i>Notes</i>		
Non-current assets			
Goodwill	7	459,428	459,428
Property, plant and equipment	8	1,142,905	1,085,699
Investment properties		24,941	23,500
Prepaid lease payments for land under operating leases		178,957	172,964
Intangible assets	8	25,596	27,563
Deposits for acquisition of property, plant and equipment		179,170	173,737
Deposits for acquisition of intangible assets		14,932	14,070
Other deposits and club debenture		170	170
		2,026,099	1,957,131
Current assets			
Prepaid lease payments for land under operating leases		2,966	2,966
Trading securities	9	265,209	198,786
Inventories		74,646	51,217
Trade and other receivables	10	175,653	166,762
Loan receivables		55,790	185,437
Fixed bank deposits		55,018	42,733
Cash and cash equivalents		794,527	472,989
		1,423,809	1,120,890
Current liabilities			
Trade and other payables	11	162,587	163,572
Current portion of long-term bank loans	12	60,000	60,000
Current portion of obligations under finance leases	12	39	39
Tax payable		49,487	44,885
		272,113	268,496
Net current assets		1,151,696	852,394
Total assets less current liabilities		3,177,795	2,809,525

CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)

		Unaudited As at 30 June 2008 HK\$'000	Audited As at 31 December 2007 HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Long-term bank loans	12	150,000	180,000
Obligations under finance leases	12	17	34
Deferred tax liabilities		826	826
Convertible preference shares		138,287	134,191
		289,130	315,051
Net assets			
		2,888,665	2,494,474
Share capital			
	13	128,954	118,334
Reserves			
Share premium		1,040,506	911,885
Convertible preference share reserve		26,635	26,635
Capital reserve		166,159	166,159
Statutory reserve		109,772	88,805
Share-based compensation reserve		17,549	8,924
Exchange fluctuation reserve		94,035	53,134
Retained profits		1,160,761	999,917
		2,615,417	2,255,459
Total equity attributable to equity holders of the Company			
		2,744,371	2,373,793
Minority interests			
		144,294	120,681
		2,888,665	2,494,474

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
For the six months ended 30 June 2008

	Share capital	Share premium	Share-based		Statutory reserve	Exchange fluctuation reserve	Convertible	Retained profits	Total
			Capital reserve	compensation reserve			preference share reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	118,334	911,885	166,159	8,924	88,805	53,134	26,635	999,917	2,373,793
Issue of shares	10,620	115,902	-	-	-	-	-	-	126,522
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	40,901	-	-	40,901
Provision for statutory reserve	-	-	-	-	20,967	-	-	(20,967)	-
Equity settled share-based transactions	-	12,719	-	8,625	-	-	-	-	21,344
Final dividend for 2007	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	181,811	181,811
At 30 June 2008	128,954	1,040,506	166,159	17,549	109,772	94,035	26,635	1,160,761	2,744,371

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

Unaudited
For the six months ended 30 June 2007

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share-based compensation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Convertible preference share reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash inflow from operating activities	261,319	99,774
Net cash used in investing activities	(27,412)	(375,131)
Net cash inflow from financing activities	87,631	88,053
	<hr/>	<hr/>
Increase in cash and cash equivalents	321,538	(187,304)
Cash and cash equivalents at 1 January	472,989	405,181
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	794,527	217,877
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	794,527	217,877
	<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 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that affect the Group and are adopted for the first time for the current period's financial statements.

HK(IFRIC) – Int 11	HKFRS2-Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements

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

These unaudited condensed consolidated financial statements should be read in conjunction with the 2007 annual accounts.

2. SEGMENT INFORMATION

The Group comprises the following main business segments:

- (a) Household products segment – manufacture of household products for sale to wholesalers and retailers in the general consumer market;
- (b) Industrial products segment – manufacture of industrial surfactants for sale principally to textile and garment 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) Biotechnology products segment – manufacture of biotechnology products with medical applications; and
- (e) Investments segment – engaged in provision of loan financing services and investment and/or trading in marketable securities, bonds, foreign currencies, various funds and other income generated fixed assets portfolios.

NOTES TO CONDENSED ACCOUNTS (cont'd)

2. SEGMENT INFORMATION (cont'd)

An analysis of the Group's revenue and results for the Period by business segments are as follows:

	Unaudited													
	For the six months ended 30 June													
	Household products		Industrial products		Cosmetics and skincare products		Biotechnology products		Investments		Consolidated			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007		
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Revenue from external customers	76,030	82,238	197,705	139,800	303,435	256,898	4,015	3,443	2,235	23,895	583,420	506,274		
Segment results	54,800	18,214	73,862	9,262	143,716	139,568	143	(160)	(8,193)	110,901	264,328	277,785		
Unallocated operating income and expenses											(27,224)	(11,173)		
Profit from operations											237,104	266,612		
Finance costs											(8,873)	(5,854)		
Profit before taxation											228,231	260,758		
Income tax											(28,165)	(25,823)		
Profit for the period											200,066	234,935		

NOTES TO CONDENSED ACCOUNTS (cont'd)

3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the followings:

	Unaudited	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Charging		
Amortisation of intangible assets	3,571	3,541
Cost of inventories sold	291,442	243,287
Depreciation of property, plant and equipment	34,886	29,269
Interest expenses on bank advance and other borrowings wholly repayable within five years	4,626	5,687
Interest expenses on finance leases	2	2
Research and development costs	2,183	665
Staff costs	31,451	23,229

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 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 tax prevailing in the countries in which the subsidiaries of the Company operate.

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

	Unaudited	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	(747)	–
Overseas taxation (<i>note (b)</i>)	28,912	25,823
	<hr/>	<hr/>
Taxation charge	28,165	25,823
	<hr/>	<hr/>

NOTES TO CONDENSED ACCOUNTS (cont'd)

4. INCOME TAX (cont'd)

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

	Unaudited	
	For the six months	
	ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Profit before taxation	228,231	260,758
Tax at applicable tax rates (<i>note (a)</i>)	46,493	75,947
Income not subject to tax	1,491	(19,398)
Tax losses not recognised	9,508	14,266
Preferential tax treatment (<i>note (b)</i>)	(29,327)	(44,992)
	28,165	25,823

Notes:

- (a) The applicable tax rates represent the rates of tax prevailing in the countries in which the Company's subsidiaries operate.
- (b) Overseas tax provision is required to be made in respect of 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 25% (2007: 33%). Some of them were entitled to preferential tax treatment from the PRC's authority.

5. DIVIDENDS

	Unaudited	
	Six months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
Interim, paid, of HK\$Nil (2007: HK\$Nil) per ordinary share	-	-

At a meeting held on 25 August 2008, the Directors did not recommend payment of interim dividend for the Period.

NOTES TO CONDENSED ACCOUNTS (cont'd)

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$181,811,000 (2007: HK\$208,943,000) and the weighted average number of 1,208,290,788 (2007: 1,061,284,225) 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 equity holders of the Company of approximately HK\$181,811,000 (2007: HK\$208,943,000) and the weighted average number of 1,234,919,023 (2007: 1,107,796,418) ordinary shares after adjusting for the potential dilutive effect of share options and warrants.

	No. of shares as at 30 June	
	2008	2007
Weighted average number of ordinary shares used in calculating basic earnings per share	1,208,290,788	1,061,284,225
Add: Number of ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options and warrants	26,628,235	46,512,193
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,234,919,023	1,107,796,418

7. GOODWILL

The goodwill arose from the acquisition of 30% equity interest in a non-wholly owned subsidiary of the Company, Global Cosmetics (HK) Company Limited, from Cristal Marketing Management Company Limited, a minority shareholder of a subsidiary of the Company.

NOTES TO CONDENSED ACCOUNTS (cont'd)

8. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

	Unaudited	Property, plant and equipment
	Intangible assets	
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net carrying amount as at 1 January 2008	27,563	1,085,699
Additions	–	27,412
Amortisation/depreciation charge provided during the period	(3,571)	(34,886)
Exchange realignment	1,604	64,680
	<hr/>	<hr/>
Closing net carrying amount as at 30 June 2008	25,596	1,142,905

9. TRADING SECURITIES

	Unaudited	Audited
	30 June	31 December
	2008	2007
	HK\$'000	<i>HK\$'000</i>
Listed equity securities at market value		
– in Hong Kong	265,209	192,209
– outside Hong Kong	–	6,577
	<hr/>	<hr/>
	265,209	198,786

10. TRADE AND OTHER RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2008	2007
	HK\$'000	<i>HK\$'000</i>
Trade receivables	129,992	96,000
Bills receivables	–	12,662
	<hr/>	<hr/>
	129,992	108,662
Prepayments, deposits and other receivables	45,661	58,100
	<hr/>	<hr/>
	175,653	166,762

NOTES TO CONDENSED ACCOUNTS (cont'd)**10. TRADE AND OTHER RECEIVABLES (cont'd)**

At 30 June 2008, the aging analysis of the trade receivables was analysed as follows:

	Unaudited	Audited
	30 June	31 December
	2008	2007
	HK\$'000	HK\$'000
Within 30 days	100,222	100,681
31 - 60 days	19,371	6,492
61 - 90 days	6,146	4,531
Over 90 days	17,439	6,578
	143,178	118,282
Less: Impairment loss on trade receivables	(13,186)	(9,620)
	129,992	108,662

The normal credit period granted to the customers of the Group is 30 to 180 days (2007: 30 to 180 days). Impairment loss on trade receivables was made and thereafter written off when collection of full amount was no longer probable. Bad debts are written off as incurred. Trade receivable are mainly denominated in Renminbi, Hong Kong Dollars and US Dollars.

11. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2008	2007
	HK\$'000	HK\$'000
Trade payables	93,437	71,510
Bills payable	16,024	15,531
	109,461	87,041
Accrued liabilities and other payables	53,126	76,531
	162,587	163,572

NOTES TO CONDENSED ACCOUNTS (cont'd)

11. TRADE AND OTHER PAYABLES (cont'd)

At 30 June 2008, the aging analysis of the trade and bills payables were analysed as follows:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Within 30 days	58,567	45,872
31 - 60 days	22,066	23,954
61 - 90 days	18,883	8,128
Over 90 days	9,945	9,087
	109,461	87,041

Trade and bills payables are mainly denominated in Renminbi, Hong Kong Dollars and US Dollars.

12. LONG-TERM LIABILITIES

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Unsecured bank loans repayable:		
Within 1 year	60,000	60,000
After 1 year but within 2 years	150,000	180,000
After 2 years but within 5 years	-	-
	210,000	240,000
Total unsecured bank loans (<i>Note (a)</i>)		
Obligations under finance leases repayable:		
Within 1 year	43	43
After 1 year but within 2 years	20	36
After 2 years but within 5 years	-	7
	63	86
Less: future finance charges on finance leases	(7)	(13)
	56	73
Present value of obligations under finance leases		
	56	73
Total long-term liabilities	210,056	240,073
Current portion of long-term liabilities	(60,039)	(60,039)
Non-current portion	150,017	180,034

The Group's borrowings are denominated in Hong Kong Dollars.

NOTES TO CONDENSED ACCOUNTS (cont'd)

12. LONG-TERM LIABILITIES (cont'd)

Note:

- (a) On 27 February 2006, the Company obtained a new syndicated bank loan of HK\$200,000,000. The loan was fully drawn down during the year ended 31 December 2006 and it bears an interest rate at HIBOR plus 1% per annum and repayable by 6 unequal semi-annual instalments commencing 12 months after the date of the relevant loan agreement. On 16 March 2007, the Company drew down the revolving loan of HK\$100,000,000 according to the terms stipulated in the above syndicated bank loan agreement. The loan was fully drawn down during the year and it bears an interest rate at HIBOR plus 1% per annum and repayable one month prior to the maturity date on 26 August 2009.

13. SHARE CAPITAL

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
<i>Issued and fully paid:</i>		
1,289,538,507 (2007: 1,183,346,507) ordinary shares of HK\$0.10 each	128,954	118,334
	Number of shares '000	Share capital HK\$'000
At 1 January 2007	1,046,579	104,658
Exercise of warrants	85,493	8,549
Exercise of share options	51,275	5,127
At 31 December 2007 and at 1 January 2008	1,183,347	118,334
Exercise of share options	78,587	7,859
Exercise of warrants	27,605	2,761
At 30 June 2008	1,289,539	128,954

NOTES TO CONDENSED ACCOUNTS (cont'd)

14. OPERATING LEASES COMMITMENTS

As lessee

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

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 <i>HK\$'000</i>
Within 1 year	1,659	1,764
After 1 year but within 5 years	2,508	2,508
After 5 years	–	–
	4,167	4,272

15. CAPITAL COMMITMENTS

At 30 June 2008, the Group had the following capital commitments:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 <i>HK\$'000</i>
Contracted but not provided for:		
Intangible assets	475	475
Plant and equipment	104,959	109,172
Construction-in-progress	–	2,936
	105,434	112,583

The Group did not have any material capital commitments at 30 June 2008 (31 December 2007: Nil).

16. CONTINGENT LIABILITIES

At 30 June 2008, the Company had issued corporate guarantees for banks in respect of HK\$20,000,000 banking facilities (31 December 2007: HK\$20,000,000) granted to a subsidiary of the Company.

NOTES TO CONDENSED ACCOUNTS (cont'd)**17. MATERIAL RELATED PARTY 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 (HK) Company Limited sold cosmetics and skincare products of approximately HK\$3,761,000 (2007: HK\$2,563,000) to Cristal Marketing Management Company Limited under normal commercial terms.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 August 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

2008 began with increasing concerns over an impending U.S. recession, widening credit crunch, rocketing oil prices and soaring inflation risks. These risks are generally expected to weaken the corporate earnings growth in Hong Kong, China and the United States. They have also threatened the growth story of China even though the mainland's 2007 momentum has sustained current growth levels.

In Hong Kong, the market remains volatile and directionless in the first half of 2008. The Hang Seng Index plunged to a year-low of 20,573 on 18 March, following a rebound in early May. Market growth in the second half is expected to be moderate due to the deceleration in corporate earnings growth.

BUSINESS REVIEW

Against this backdrop, Global Green achieved a turnover of HK\$583.42 million for the six months ended 30 June 2008, representing an increase of 15.24% over the same period last year (2007: HK\$506.27 million). Due to selective price increase in certain industrial surfactants, cost reduction due to self-production of replacement materials for industrial surfactants as well as high gross profit margin for cosmetics and skincare products which partly offset the increase in cost of raw materials, the Group's overall gross profit margin could be maintained at 50.05% which was slightly less than last period. Owing to depreciation in market value of investment securities as at 30 June 2008, net profit for the Period decreased to HK\$200.07 million (2007: HK\$234.94 million), representing 14.84% behind the previous period.

OPERATIONAL REVIEW

I. Household Products

For the period under review, turnover of household products were HK\$76.03 million (2007: HK\$82.24 million), representing a decrease of 7.55% as compared with last period and accounting for 13.03% of the Group's turnover. Even with cost increase in major raw materials and keen price competition, demand for our certain products remained strong. The Group also subcontracted part of their manufacturing process to outsiders so as to reduce production overhead to a certain extent.

In addition, the Group's strong R&D team will continue to introduce new products regularly to cater the more sophisticated customer needs. The Group also believes that with its competitive pricing and marketing strategy, the segment will maintain a steady growth and provide an ongoing momentum for fruitful returns.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OPERATIONAL REVIEW (cont'd)

II. Industrial Products

During the review period, turnover of industrial products rose by 41.42% to HK\$197.71 million (2007: HK\$139.8 million), representing 33.89% of the Group's turnover.

With a long operation history and a strong customer base, industrial surfactants remained the bread-and-butter business of the Group. It was able to boost up the profit margin through continuous implementation of stringent cost control measures. Its eco-friendly industrial surfactants were also benefited from the growing awareness of environmental protection issue by the PRC Government.

In addition, the Group's investment in the new factory for self production of industrial enzymes and replacement materials had started to pay off. It was able to reduce the production cost of industrial surfactants and its reliance on overseas import.

III. Cosmetics and Skincare Products

For the six months ended 30 June 2008, turnover of cosmetics and skincare products soared 18.11% to HK\$303.44 million (2007: HK\$256.9 million), accounting for 52.01% of the Group's turnover. Despite the external sector weakness, the Mainland Chinese Government continued to boost domestic consumption, especially with the approaching of the Beijing 2008 Olympic Games. The increasing affluence and rising spending power of the emerging middle class also made our cosmetics and skincare business remain the Group's significant contributor to the revenue and net profit in the first half of 2008.

We have strategically expanded our network into first, second and even third tier cities to enhance our coverage. This network expansion, together with strong same-store sales growth, has brought significant growth to our operations. As of June 2008, the Group has over 1,200 points of sales across China, Hong Kong and Macau and some of them are strategically located in premier shopping malls to capture the consumer's pursue for high quality cosmetics and skincare products.

In addition, the Group has employed effective branding strategies to enhance MB's image and diversified its marketing channels through television commercials, print advertisements, billboard posters, and promotional events with celebrities as spokespersons, etc. We believe that these effective marketing capabilities and the further enhancement of our brand name will assist us in increasing sales and strengthening our market position.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OPERATIONAL REVIEW (cont'd)

III. **Cosmetics and Skincare Products (cont'd)**

The Group's state-of-the-art GMP-production base and R&D technique allowed it to continuously expand into the European and North American markets by providing ODM cosmetics and skincare products in form of gift and premium. This fast developing business recorded a significant growth in revenue again in the first half of 2008.

IV. **Biotechnology Products**

During the period under review, turnover of biotechnology products reached HK\$4.02 million (2007: HK\$3.44 million). These products comprise biotech raw materials for medical companies.

V. **Investments**

The Group's investment portfolio recorded a turnover of HK\$2.24 million (2007: HK\$23.9 million). During the review period, total amount of operating loss in this segment amounted to HK\$8.19 million as compared with operating profit of HK\$110.9 million in the last period.

USE OF PROCEEDS FROM ISSUE OF SHARES

During the Period, 78,587,000 share options and 27,605,000 warrants were exercised at an average price of HK\$1.15 per ordinary share and HK\$1.3 per ordinary share respectively with cash proceeds of approximately HK\$126.26 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 and cash equivalents of approximately HK\$794.53 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 Dollars 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. Total equity attributable to equity holders of the Company as at 30 June 2008 was HK\$2,744.37 million compared with that of HK\$2,373.79 million as at 31 December 2007, representing an increase of HK\$370.58 million or 15.61%.

The Group's capital expenditure for the Period amounted to HK\$27.41 million were funded from cash generation from operations, bank loans and issue of shares.

LIQUIDITY AND FINANCIAL RESOURCES (cont'd)

Selling and distribution expenses for the six months ended 30 June 2008 increased to HK\$39.31 million representing 6.74% of turnover compared with that of HK\$31.36 million or 6.19% of turnover for last period. It was mainly due to the increase in advertising and promotion expenses and freight charges of cosmetics and skincare products by HK\$6.53 million and HK\$1.4 million respectively.

General and administrative expenses increased to HK\$92.26 million or 15.81% of turnover for the six months ended 30 June 2008 as compared to that of HK\$75.41 million or 14.89% of turnover for the last period, mainly due to the increase in share-based payment associated with the employees' share option scheme by HK\$10.99 million and, general and administrative staff costs by HK\$5.86 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 Renminbi. The Group borrowings are monitored to ensure a smooth repayment schedule to maturity.

The Group's inventory turnover period was increased to 39 days from that of 28 days for the same period last year. The turnover period of debtors were slightly increased to 37 days from that of 36 days for the same period last year. The turnover period of creditors was decreased to 51 days from that of 60 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 slightly improved to 20.45% and 10.12% respectively as compared with that of 23.78% and 10.88% respectively for the same period last year. Current ratio and Quick ratio were 5.23 and 2.92 respectively whilst interest cover was 26.72 times.

PROSPECTS

The Group, in line with the two-pronged strategy employed for a long time, will strive to maintain a reasonable profit margin for its traditional industrial products and household products businesses as well as develop the growth driven cosmetics and skincare products business. These businesses provide stable income for the Group to fund new business developments with promising potential. At the same time, the Group will also capture the tremendous opportunities in the green energy recycling business and biotech field.

NEW BUSINESS WITH ENORMOUS POTENTIAL – GREEN ENERGY RECYCLING

The Group is on the march to grasp the vast potential in the green energy recycling sector. It has already established a pilot plant in Dongguan, the PRC. Construction work in the Yuen Long Industrial Estate is expected to start in the second half of 2008 and production will commence in the third quarter of 2009.

At starting stage, the Group plans to develop the Hong Kong market, mainly through wholesaling high quality petroleum products to different public transportation corporations. In the long run, the Group targets to expand into overseas markets facing high oil price pressure, such as Singapore, Malaysia and Japan. With the recent skyrocketing crude oil price, the Group believes that this business will bring remarkable returns and become one of the key contributors to the revenue in future.

COSMETICS AND SKINCARE PRODUCTS

It is widely believed that the PRC government will continue to encourage domestic consumption, even after the Beijing 2008 Olympic Games. Riding on the growing disposable income and strong emergence of the middle class, the Group is well positioned to capture the tremendous opportunities in cosmetics and skincare products market.

Currently, we have 121 skincare products and 11 colour cosmetics under MB's brand name. The Group expects to see the demand for MB growing steadily in the Mainland China and will focus on gaining bigger market share in this market by expansion of sales network. Besides, we have also developed and planned to sell our own private label's toiletries, skincare products and colour cosmetics in hypermarkets and cosmetics shops in PRC in the first half of 2009.

Other than that, we are also engaged in the design and production of 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 "one-stop service" of this ODM and OEM business, we also provide research and development, sourcing, merchandising and technical enquiries to our customers.

INTERIM DIVIDEND

The Board did not recommend payment of interim dividend for the six months ended 30 June 2008 (2007: 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 2008, the Group had 1,258 employees. Total staff costs paid during the period was approximately HK\$31.45 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 2007 annual accounts.

As at 30 June 2008, there was no outstanding shares options which have been granted under the Old Scheme.

During the Period, 109,271,262 share options were granted under the New Scheme to the employees, customers and suppliers of the Group.

SHARE OPTIONS (cont'd)

Detail of the share options outstanding as at 30 June 2008 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 2008	Granted during the period	Exercised during the period	Expired during the period	30 June 2008	At date of grant	At date of exercise
								HK\$	HK\$
Executive Directors									
Wong Ying Yin	20 June 2006 ⁽²⁾	0.89	176,000	-	-	-	176,000	0.89	N/A
Bang Young Bae	20 June 2006 ⁽²⁾	0.89	150,000	-	-	-	150,000	0.89	N/A
			<u>326,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,000</u>		
Suppliers of goods or services, customers and others									
	20 June 2006 ⁽²⁾	0.89	30,250,000	-	(3,000,000)	-	27,250,000	0.89	1.50
	25 March 2008 ⁽¹⁾	1.17	-	53,000,000	(40,900,000)	-	12,100,000	1.17	1.46
			<u>30,250,000</u>	<u>53,000,000</u>	<u>(43,900,000)</u>	<u>-</u>	<u>39,350,000</u>		
Other employees									
In aggregate	13 June 2005 ⁽¹⁾	0.80	280,000	-	-	(280,000)	-	0.80	N/A
	20 June 2006 ⁽²⁾	0.89	20,846,500	-	(1,687,000)	-	19,159,500	0.89	1.45
	25 March 2008 ⁽¹⁾	1.17	-	56,271,262	(33,000,000)	-	23,271,262	1.17	1.38
			<u>21,126,500</u>	<u>56,271,262</u>	<u>(34,687,000)</u>	<u>(280,000)</u>	<u>42,430,762</u>		
Share options granted under the New Scheme			<u>51,702,500</u>	<u>109,271,262</u>	<u>(78,587,000)</u>	<u>(280,000)</u>	<u>82,106,762</u>		

SHARE OPTIONS (cont'd)

Note:

1. The exercisable period of the above share options is 3 years from the date of grant as determined by the Directors.
2. By the ordinary resolution passed on 13 May 2008, all share options granted by the Company on 20 June 2006 pursuant to the share option scheme of the Company adopted by an ordinary resolution of the Company passed on 20 December 2001 which remaining outstanding as at the date hereof shall be exercised at any time after the date of passing of the resolution and up to 20 June 2010.
3. The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of grant of the share options. The price of the Company's shares disclosed as at the date of 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 share options will vest over the vesting period. Upon the exercise of the share 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. Share 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 2008.

As at 30 June 2008, 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 2008, 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	3,940,000 <i>(note (a))</i>	–	88,459,200 <i>(note (b))</i>	7.17%
Mr. Wong Ying Yin	650,000 <i>(note (c))</i>	–	–	0.05%
Mr. Bang Young Bae	850,000 <i>(note (d))</i>	–	–	0.07%

Notes:

- (a) The personal interest of Mr. Lau Jin Wei, Jim comprises 3,940,000 ordinary shares of the Company.
- (b) There are 88,459,200 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. Wong Ying Yin comprises 174,000 ordinary shares and 476,000 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".
- (d) The personal interest of Mr. Bang Young Bae comprises 350,000 ordinary shares and 500,000 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".

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

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>

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 2008 Warrants rank pari passu in all respects with the existing fully-paid ordinary shares in issue on the relevant subscription date.

Notes:

- (a) The personal interest of Mr. Lau Jin Wei, Jim comprises 540,000 2008 Warrants of the Company.
- (b) There are 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.

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 2008, 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 2008 Warrants	Percentage of the Company's share capital
MWC	88,459,200	6,020,000	7.33%
Inviting Finance Limited	90,075,120	7,200,000	7.54%
Bass J Kyle	98,700,000	–	7.65%

The entire share capital of Inviting Finance Limited is owned by Mr. Choi Woon Man, the founder and previous director of the Company.

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

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 2008.

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:

CORPORATE GOVERNANCE (cont'd)

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.

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. Ho Yik Leung, 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 2008 was reviewed by the Audit Committee.

BOARD OF DIRECTORS

As at the date of this Board Meeting, the Board of the Company comprises 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. Ho Yik Leung, Mr. Lin Jian and Mr. Lee Pak Chung.

By Order of the Board

Lau Jin Wei, Jim

Chairman

Hong Kong, 25 August 2008