

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

Business	Product lines	Percentage
Sale of home and personal care products	Home cleansing products	53.84%
	Personal care products	16.11%
	Sub-total	<u>69.95%</u>
Sale of industrial surfactants	EA, RT, EAC, EC, GES, EX, CP and TC series	21.95%
	FA, FC and FD series	2.55%
	SB, SO and fluffing agent series	5.55%
	Sub-total	<u>30.05%</u>

I. Home and Personal Care Products

Revenue generated from the sale of home and personal care products increased by HK\$126.39 million or 112.70% to HK\$238.53 million. The Group currently manufactures 71 home and personal care products of which 29 of them were newly launched. The Group's marketing and advertising activities have been very successful in driving sales of both existing and new products launched. The Group's new products launched in 2001 including shower gel under the brandname "LA DOUCE" registered sales of HK\$54.60 million while increase in sales of existing products amounted to HK\$71.79 million. Apart from marketing its own brand of "Tinolux", "Jiebao", "Soulbio" and "Naomi", the Group also manufactured 51 OEM products for reputable clients. OEM sales registered a 25% increase from prior year to HK\$13 million. As a result of the PRC government policy to gradually phase out phosphorus products, the Group's sales of phosphorus-free cleansing products increased significantly from HK\$42.88 million in 2000 to HK\$60.63 million in 2001, representing a 41.39% increase. During the year under review, 98.57% of the Group's sales of home and personal care products was in the PRC while the remaining was in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

II. Industrial Surfactants

Revenue generated from the sales of industrial surfactants increased by HK\$25.92 million or 33.84% to HK\$102.51 million. Global Green currently manufactures 23 different types of industrial surfactants, which are marketed under 3 main series consisting of the EA, RT, EAC, EC, GES, EX, CP and TC series, FA, FC and FD series, as well as the SB, SO and fluffing agent series. 5 new products were introduced in 2001 and sales of these new products amounted to HK\$20.94 million. During the year under review, 84.26% of the Group's sales of industrial surfactants was in the PRC and 15.74% was derived in Hong Kong.

III. Biotechnology Projects

Strategic Alliance with HKUST – rhEGF

In April 2001, the Group entered into strategic alliance with 3 professors of the Hong Kong University of Science and Technology ("HKUST") for the development of Recombinant Human Epidermal Growth Factor ("rhEGF"). rhEGF has been proven effective in improving human skin cells growth. With the advanced technology developed by the professors, the production cost of rhEGF has been substantially reduced, facilitating the commercial use of rhEGF in cosmetics and skin care products. In late 2001, the Group launched the skin care products marketed under the brand name of "Marjorie Bertagne". It was released

by a wholly-owned subsidiary of the Group in France. Currently, 20 different bioactive skin-care products including eye-gels, cleansing gels, anti-wrinkle creams, whitening masks and toners have been

launched. Another 25 items

will be released in 2002. The Group opened two *Marjorie Bertagne* outlets in Causeway Bay and Admiralty distributing *Marjorie Bertagne* products. The third outlet will be opened in Sha Tin Centre in end-March 2002.



*Part of rhEGF bioactive skin-care
"Marjorie Bertagne" products.*

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Joint Venture with HKU – Enzymes

In June 2001, the Company together with Versitech Limited, a subsidiary of The University of Hong Kong (“HKU”) has established Enzymes Technology Limited (“Enzymes Technology”) for the development and manufacturing of industrial enzymes. With the developed cutting-edge technology, the enzymes’ production costs will be significantly reduced.

The enzyme development project undertaken by HKU and Enzymes Technology has been granted HK\$2.18 million from the University – Industry Collaboration Program under the Innovation and Technology Fund of the Hong Kong Special Administrative Region (“HKSAR”) Government. The recognition shows the potential for development of this project.

FINANCIAL INFORMATION

The Company retains cash or cash equivalent of approximately HK\$85.80 million as at the balance sheet date. As most of the retained cash was placed in Renminbi and Hong Kong Dollar short-term deposits with major banks in the PRC and Hong Kong, exposure to exchange fluctuations has been minimal. Shareholders’ fund increased from HK\$132.81 million of the preceding year to HK\$294.50 million for the year ended 31 December 2001 representing an increase of approximately 121.75%.

The Group’s debtors turnover, inventory turnover and creditors turnover period was approximately 84 days, 42 days and 24 days respectively and the turnover periods are consistent with the Group’s respective general policy on credit terms granted to trade debtors, inventory/purchasing and trade creditor settlement. Debt to equity ratio (total debt over shareholders’ equity) and gearing ratio (total interest bearing debt over total assets) was 20.40% and 14.94% respectively. These ratios increased due to issue of the 2.5% convertible bonds to Credit Suisse First Boston (Hong Kong) Limited in December 2001. Interest cover was 68.79 times for the current year compared to that of 29.63 times for the preceding year. Current ratio and Quick ratio for the year ended 31 December 2001 was 3.18 and 1.24 compared to those of 2.21 and 0.53 for the previous year reflecting a stronger liquidity position of the Group in the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

USE OF NET PROCEEDS FROM LISTING AND ISSUE OF CONVERTIBLE BOND

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 18 December 2000. The Group has applied the net proceeds from the listing in the manner as prescribed in the prospectus dated 5 December 2000. Net proceed from the Tranche 1 Bond of the 2.5% convertible bonds issued to Credit Suisse First Boston (Hong Kong) Limited was approximately HK\$31.8 million and was set aside as general working capital at the end of the financial year.

CONTINGENT LIABILITY AND CHARGE ON GROUP ASSET

The Group did not have any significant contingent liabilities as at 31 December 2001.

EMPLOYEE

As at 31 December 2001, the Group had 268 salaried employees of which 239 and 29 were stationed respectively in the PRC and in Hong Kong. Total remuneration paid during the period was approximately HK\$5.63 million.