

On behalf of the Board, I am pleased to announce the annual results of Global Green Tech Group Limited (“Global Green”/the “Group”) for the year ended 31 December 2004.

## **BUSINESS REVIEW**

Turnover for the year ended 31 December 2004 was HK\$624.89 million (2003: HK\$633.59 million). Profit attributable to shareholders increased from HK\$92.24 million in 2003 to HK\$105.1 million in 2004.

## **OPERATIONAL REVIEW**

### **I. Home and Personal Care Products**

For the year ended 31 December 2004, home and personal care products continued to generate recurring and stable income for the Group, recording a turnover of HK\$210.91 million, contributing 33.75% to the total turnover. During the year, record high oil price pushed up prices of raw materials such as plastics, which affected the gross margin and profitability of the home and personal care products. With the increased awareness of personal and environmental hygiene after the outbreak of the Severe Acute Respiratory Syndrome in (“SARS”) 2003, and the government’s extensive promotion of personal hygiene and environmental protection, the Group believes the sales of home and personal care products will continue to develop steadily and contribute stable returns to the Group.

To expand the home and personal care products business, Global Green acquired 100% equity interest of a company in the mainland China in July 2004. It possesses well-established customer base in regions where the Group has not reached yet. As a result, the Group will be able to effectively increase its market shares and reduce income tax. In addition, in view of the increasing market recognition of the Group’s household products, the Group has established a wholly owned subsidiary in November 2004 for expanding the OEM and premium business.



## **II. Industrial Surfactants**

Boosted by the expanded production capacity, the turnover of industrial surfactants increased by 6.07%, reaching HK\$204.62 million and accounting for 32.74% of the Group's total turnover. High oil price leading to increase in raw material prices impacted the profit margins and profitability of the Group for the year. However, the abolition of quota on mainland China made apparel in January 2005 is expected to stimulate the demand for apparel products in the years to come. The growing demand plus the government's policy to phase out phosphorus surfactants in mainland China, the Group is confident of benefiting from its continuous development of environmental-friendly industrial surfactants. To meet the anticipated growth in demand, the Group added a new manufacturing base with 6 production lines adjacent to its Dongguan plant in September 2004. The expanded facility lifted the Group's production capacity by 300%.

## **III. Cosmetics and Skincare – Marjorie Bertagne (“MB”)**

The stronger consuming power in the China market fuelled the demand for cosmetics and skincare products of higher quality. With a state-of-the-art GMP compliant manufacturing base, the Group is well equipped to tap the market potential and expand its market share in mainland China. During the year, MB recorded a turnover of HK\$ 183.49 million, 81.69% higher than last year. Sales of MB picked up significantly in the second half of the year, it constituted nearly 29.36% of the Group's turnover during the year under review. The increase in turnover was attributable to the improvement in the economy after the SARS outbreak. To further expand the cosmetics and skincare products business, the Group strengthened its retail network by setting up a total of 20 outlets in Hong Kong and Macau, and 119 in mainland China. With an aim to build up a diversified product portfolio, the Group launched 66 new products in 2004, including professional and salon products as well as retail products such as body lift serum, eye lift serum, absolute effect, and sun screening series.

### **IV. Biotechnology Products and New Production Facilities for Raw Materials**

During the year, Global Green was committed to diversify its revenue source by engaging in the production of patented biotech raw materials for medical and cosmetic companies. These products included a range of biotechnology products, such as “hEGF”, which is effective in revitalizing human skin and heal surface wounds, have promising market potential. The Group believes the business segment will contribute promising return in a long run.

The Group plans to build its own production facilities for the purpose of manufacturing solvent-based raw materials (“Replacement Materials”), which are essential ingredients for the Group’s products. The Group has completed the R&D of the production of Replacement Materials such as industrial enzymes and L-Lactic acid, and medium-scale production has started. Large-scale production will commence upon the completion of the new production facilities in the first quarter of 2006. The investment can minimize the Group’s exposure to the risk of further increase and fluctuation of crude oil price and the consequential rise in production costs.

During the year, the Group paid a sum of approximately HK\$105.7 million for the purchase of a piece of land of approximately 66,800 square meter located next to the Group's existing manufacturing building in Dongguan. The Group will build a new factory with a total production area of approximately 60,000 square meter which will enable it to manufacture Replacement Materials at low cost. The total investment of this project is estimated at approximately HK\$293.8 million.



## PROSPECTS

Looking ahead, Global Green will continue to apply stringent cost control measures to alleviate price pressure on raw materials. At the same time, the Group will continue to expand its existing businesses and explore other business opportunities to accelerate its growth.

As Global Green's household products earn increasing market recognition, the Group targets to expand the segment through OEM and premium offers to overseas markets. The Group expects the expansion plan to generate notable income and the business to become a major revenue source in coming years.

Over the years, the Group has been actively building the MB brand. To further strengthen the brand image of MB, the Group has recently appointed celebrity Ms Rosmund Kwan as its spokesperson and launched a series of promotional campaigns including advertisements featuring Ms. Kwan via the printed media, and on billboards and television. The Group targets to boost the sales of MB products through extensive promotion, hence, further expand its cosmetics and skincare products business and generate promising profits to the Group.

The Group also cooperated with a marketing expert company to establish a new company of which the Group owned 70% equity interest. The new company will focus sales and marketing of a new line of salon and professional skincare products that catering for beauty salons and special usage. This strategic move will enable the Group to enter new market segment and generate new source of revenue.

Global Green is always looking for new business opportunities to diversify its income stream. In view of the volatile crude oil price and the unstable international oil supply, the Group has identified a unique investment with vast market potential. Boasting strong R&D capabilities and sophisticated facilities, the Group plans to produce a catalyst which can transform and recycle scrap plastic materials, used oil and car tire into usable oil, gasoline and diesel. Apart from Hong Kong, the Group will also explore markets in the top-tier cities in China such as Shanghai and Beijing. The Group believes this business has great potential and the management will closely monitor its development, with the aim of launching the business in the near future.



## *Chairman's Statement*

### **APPRECIATION**

Last but not least, on behalf of the Board, I would like to extend my sincere gratitude to all members of our management team and staff for their continuous hard work over the years. I would also like to thank our shareholders for their unwavering confidence in the Group. With their valuable support, Global Green is well positioned to grow its business in the future.

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

25 April 2005