



## NOTES TO CONDENSED ACCOUNTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated condensed accounts 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 consolidated condensed accounts are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2004, except for the new adoption of Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs as disclosed in note 2 below.

These condensed accounts should be read in conjunction with the 2004 annual accounts.

### 2. IMPACT OF NEW/REVISED HKFRSs AND HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements. The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented for the current and prior periods. Accordingly, no prior period adjustment has been required.

HKAS 1 Presentation of Financial Statements

HKAS 40 Investment Property

The adoption of these new/revISED HKFRSs and HKASs has resulted in the following changes to the Group's accounting policies that have affected the amount reported or disclosures for the current or prior periods.

- (a) The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.



## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 2. IMPACT OF NEW/REVISED HKFRSs AND HKASs (cont'd)

- (b) The adoption of HKAS 40 has resulted in a change of accounting policy for investment property. Prior to this, changes in the value of investment properties are dealt with as movement in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. After adoption of HKAS 40, any changes in value of investment property are dealt with in the profit and loss account and there should be no revaluation reserve available for offsetting against revaluation deficits.

### 3. SEGMENT INFORMATION

The Group is organised into the following main business segments:

- (a) Home and personal care products segment – manufacture of home and personal care 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 under the brand name of Marjorie Bertagne for sale to authorised distributors and retailers in the general consumer market;
- (d) Biotechnology products segment – manufacture of biotechnology products with medical and cosmetic applications; and
- (e) Others – sales of Best Micro-organism System (“BMS”) wastewater and sewage treatment equipment.

There are no sales or other transactions between the business segments.

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 3. SEGMENT INFORMATION (Cont'd)

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

Unaudited Six months ended 30 June 2005						
	Home and personal care products HK\$'000	Industrial products HK\$'000	Cosmetics and skincare products HK\$'000	Bio-technology products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover	104,535	82,790	176,970	10,333	-	374,628
Segment results	18,393	6,562	80,740	95	-	105,790
Interest income and unallocated revenues						3,961
Corporate and unallocated expenses						(4,321)
Operating profit						105,430
Finance costs						(2,530)
Gain on disposal of investment securities						44,662
Profit before taxation						147,562
Taxation						(20,021)
Profit after taxation						127,541
Minority interests						(19,888)
Profit attributable to shareholders						107,653

  

Unaudited Six months ended 30 June 2004						
	Home and personal care products HK\$'000	Industrial products HK\$'000	Cosmetics and skincare products HK\$'000	Bio-technology products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover	116,317	93,355	56,549	19,612	-	285,833
Segment results	17,050	2,184	26,108	7,343	(181)	52,504
Interest income and unallocated revenues						5,950
Corporate and unallocated expenses						(8,065)
Operating profit						50,389
Finance costs						(1,079)
Profit before taxation						49,310
Taxation						(6,734)
Profit after taxation						42,576
Minority interests						(12)
Profit attributable to shareholders						42,564

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 4. OPERATING PROFIT

Operating profit is stated after charging the followings:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
CHARGING		
Amortisation of intangible assets	<b>6,584</b>	5,634
Cost of sales	<b>221,133</b>	177,533
Depreciation of fixed assets	<b>18,455</b>	13,418
Interest on bank loans and overdraft wholly repayable within five year	<b>2,509</b>	920
Interest on finance leases	<b>21</b>	159
Research and developments	<b>2,737</b>	15,586
Staff costs	<b>10,684</b>	11,464

### 5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2004: 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:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Current taxation:		
Hong Kong profits tax	–	140
Overseas taxation ( <i>note (b)</i> )	<b>20,021</b>	13,254
	<b>20,021</b>	13,394
Less: Overprovision in previous period	–	(6,660)
Taxation charge	<b>20,021</b>	6,734

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 5. TAXATION (Cont'd)

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:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>147,561</b>	49,310
Tax at applicable tax rate (note (a))	<b>37,221</b>	4,059
Adjustment for overprovision previous period	–	(6,660)
Income not subject to taxation	<b>(79)</b>	(6)
Expenses not deductible for taxation purposes	<b>823</b>	88
Tax losses not recognised	<b>6,012</b>	9,253
Utilisation of previously unrecognised tax losses	–	–
Preferential tax treatment (note (b))	<b>(23,956)</b>	–
	<b>20,021</b>	6,734

#### 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 Chemicals Co., Limited ("Dongguan Proamine"), Dongguan Gao Bao Chemicals Co., Limited ("Gao Bao"), Global Cosmetics (China) Co., Limited ("Global Cosmetics China") and Dongguan Polygene Biotech Co., Limited ("Dongguan Polygene"), the 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 and Global Cosmetics China were entitled to preferential tax treatment from the PRC's authority.

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 6. DIVIDEND

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Interim, paid, of HK\$Nil (2004: Nil) per ordinary share	—	—

- (a) At a meeting held on 24 September 2004, the Directors did not recommend payment of interim dividend for the period ended 30 June 2004.
- (b) At a meeting held on 12 September 2005, the Directors did not recommend payment of interim dividend for the period ended 30 June 2005.

### 7. EARNINGS PER SHARE

- (a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders of approximately HK\$107,653,000 (2004: HK\$42,564,000) and the weighted average number of 914,384,394 (2004: 866,816,000) ordinary shares in issue during the period.

- (b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to shareholders of approximately HK\$107,653,000 (2004: HK\$42,564,000) and the weighted average number of 918,216,603 (2004: 906,663,000) ordinary shares after adjusting for the effect of share options and convertible bonds.

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 7. EARNINGS PER SHARE (cont'd)

	<b>No. of shares</b>	
	<b>As at 30 June</b>	
	<b>2005</b>	<b>2004</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>914,384,394</b>	866,816,000
Add: Number of ordinary shares deemed to be issued on full conversion of the convertible bonds	–	3,668,000
Add: Number of ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options	<b>3,832,209</b>	36,179,000
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>918,216,603</b>	906,663,000
	<hr/>	<hr/>

### 8. CAPITAL EXPENDITURE

	<b>Unaudited</b>	
	<b>Licences</b>	<b>Fixed assets</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net book value as at 1 January 2005	<b>51,262</b>	<b>342,483</b>
Additions	–	<b>69,222</b>
Amortisation/depreciation charge (Note 4)	<b>(6,584)</b>	<b>(18,455)</b>
	<hr/>	<hr/>
Net book value as at 30 June 2005	<b>44,678</b>	<b>393,250</b>
	<hr/>	<hr/>

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 9. TRADE RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>175,650</b>	258,795
Bills receivables	<b>4,552</b>	2,649
	<b>180,202</b>	261,444

The normal credit period granted to the customers of the Group is 30 to 180 days. At 30 June 2005, the ageing analysis of the trade receivables was analysed as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>51,689</b>	72,892
31 – 60 days	<b>9,314</b>	60,300
61 – 90 days	<b>61,671</b>	65,090
Over 90 days	<b>64,508</b>	70,142
	<b>187,182</b>	268,424
Less: provision	<b>(6,980)</b>	(6,980)
	<b>180,202</b>	261,444



## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 10. TRADE AND BILLS PAYABLE

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>40,514</b>	29,815
Bills payable	<b>–</b>	10,750
	<b>40,514</b>	40,565

At 30 June 2005, the ageing analysis of the trade and bills payable was analysed as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>13,052</b>	25,595
31 – 60 days	<b>9,176</b>	6,798
61 – 90 days	<b>8,587</b>	3,430
Over 90 days	<b>9,699</b>	4,742
	<b>40,514</b>	40,565

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 11. LONG-TERM LIABILITIES

	Unaudited 30 June 2005 HK\$'000	Audited 31 December 2004 HK\$'000
Unsecured bank loans repayable:		
Within one year	117,500	58,750
In the second year	117,500	117,500
In the third to fifth year	—	58,750
	<hr/>	<hr/>
Total unsecured bank loans ( <i>Note (a)</i> )	235,000	235,000
	<hr/>	<hr/>
Obligations under finance leases repayable:		
Within one year	57	120
In the second year	22	—
In the third to fifth year	62	—
	<hr/>	<hr/>
	141	120
	<hr/>	<hr/>
Less: future finance charges on finance leases	(27)	(10)
	<hr/>	<hr/>
Present value of obligations under finance leases	114	110
	<hr/>	<hr/>
Total long-term liabilities	235,114	235,110
Current portion of long-term liabilities	(117,546)	(58,860)
	<hr/>	<hr/>
Non-current portion	117,568	176,250
	<hr/>	<hr/>

*Note:*

- (a) On 19 January 2004, Global Chemical (China) Company Limited ("GCC") entered into a Term Loan Facility Agreement (the "Agreement") with certain banks (the "Banks") for financing the general corporate funding requirements of the Group.

Maximum available facility under the Agreement is HK\$235,000,000, which can be drawn at a maximum number of three loans during the period from 19 January 2004 to 18 July 2004 (the "Availability Period") in accordance with the terms of the Agreement.

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 11. LONG-TERM LIABILITIES (cont'd)

Note:

(a) (cont'd)

GCC shall repay the loans outstanding at the end of the Availability Period by four successive half-year instalments, the first instalment to be paid on the date falling 18 months after the date of the Agreement (i.e. 18 July 2005) 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 GCC at the time when it draws the loans pursuant to the Agreement. GCC may select an interest period of one, two, three or six months or any other period agreed between GCC and the Banks.

The Company has executed an irrevocable and unconditional guarantee in favour of the Banks with respect to this term loan facility offered to GCC.

### 12. SHARE CAPITAL

	<b>Unaudited 30 June 2005 HK\$'000</b>	Audited 31 December 2004 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<b>200,000</b>	200,000
Issued and fully paid:		
935,193,283 (2004: 905,077,283) ordinary shares of HK\$0.10 each	<b>93,519</b>	90,508

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

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
At 1 January 2004	836,076,914	83,608
Exercise of share options	46,478,200	4,648
Conversion of convertible bonds	42,642,169	4,264
Shares repurchased and cancelled	(20,120,000)	(2,012)
At 31 December 2004 and at 1 January 2005	905,077,283	90,508
Exercise of share options	36,320,000	3,632
Shares repurchased and cancelled	(6,204,000)	(621)
At 30 June 2005	935,193,283	93,519

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 13. RESERVES

	Unaudited							
	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserves HK\$'000	Assets revaluation reserves HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2005	675,037	900	116	15,009	-	212	428,350	1,119,624
Issue of shares	19,249	-	-	-	-	-	-	19,249
Repurchase of shares	(3,382)	-	-	-	-	-	-	(3,382)
Profit for the period	-	-	-	-	-	-	107,653	107,653
At 30 June 2005	690,904	900	116	15,009	-	212	536,003	1,243,144
Representing:								
2005 proposed interim dividend							-	
Others							536,003	
							536,003	

	Unaudited							
	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserves HK\$'000	Assets revaluation reserves HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2004	630,889	900	116	7,228	47,771	212	292,711	979,827
Issue of shares	7,448	-	-	-	-	-	-	7,448
Conversion of convertible bonds into shares	24,452	-	-	-	-	-	-	24,452
Share issue expenses	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	42,564	42,564
Balance sheet rate conversion	-	-	-	-	-	(56)	-	(56)
Transfer to statutory reserve	-	-	-	-	8,177	-	(8,177)	-
Final dividend paid	-	-	-	-	-	-	-	-
At 30 June 2004	662,789	900	116	7,228	55,948	156	327,098	1,054,235
Representing:								
2004 proposed interim dividend							-	
Others							327,098	
							327,098	

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 14. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties under an operating lease negotiated for a term of four years. The terms of the lease provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2005, the Group had future aggregate minimum lease receipts under the non-cancellable operating lease as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Not later than one year	–	840
Later than one year and not later than five years	–	–
	<hr/>	<hr/>
	–	840
	<hr/>	<hr/>

(b) 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 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>7,603</b>	4,723
In the second to fifth years	<b>7,980</b>	4,486
Over fifth years	–	3,751
	<hr/>	<hr/>
	<b>15,583</b>	12,960
	<hr/>	<hr/>

## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 15. CAPITAL AND OTHER COMMITMENTS

At 30 June 2005, the Group had the following commitments in addition to the operating lease commitments as detailed in note 14:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for:		
Purchases of other fixed assets	<b>104,685</b>	–
Purchases of intangible assets	<b>157</b>	3,438
	<b>104,842</b>	3,438

The Group did not have any capital commitments at 30 June 2005 (31 December 2004: Nil).

### 16. CONTINGENT LIABILITIES

At 30 June 2005, the Company had provided corporate guarantees to banks for banking facilities provided to its subsidiaries. These banking facilities had been utilised to the extent of approximately HK\$241,801,000 (31 December 2004: HK\$245,750,000), including the syndicated loan of HK\$235 million (note 11(a)), as at the balance sheet date.

### 17. 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:

- (a) Global Bio-Engineering Limited ("Global Bio-Eng"), a wholly owned subsidiary of the Company, has entered into a tenancy agreement with Oriental Fame Investments Limited ("Oriental Fame"), in which Mr. Choi Woon Man, a previous Director of the Company, has a controlling interest. Rental expenses paid to Oriental Fame during the period amounted to HK\$249,000 (2004: HK\$498,000).



## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 17. RELATED PARTIES TRANSACTIONS (cont'd)

- (b) During the year ended 31 December 2003, Dongguan Proamine has purchased certain sewage treatment equipment from Shanghai Jindi Bio-Technology Engineering Co., Ltd. ("Shanghai GI") at a total contract sum of approximately HK\$1,757,000. Shanghai GI is a subsidiary of Bio-Treat in which the Group has an equity interest of 2.6% as at 30 June 2005. Up to 30 June 2005, approximately HK\$1,230,000 was paid to Shanghai GI and the remaining balance of approximately HK\$527,000 (31 December 2004: HK\$527,000) is unsecured, interest free and repayable on demand.
- (c) On 30 June 2002, Dongguan Proamine entered into a tenancy agreement with Golden Idea Bio-Engineering (Dongguan) Co., Ltd. ("Dongguan GI"), a wholly owned subsidiary of Bio-Treat. Dongguan Proamine leases its investment properties located in the PRC to Dongguan GI. Rental income recognised during the period amounted to HK\$840,000 (2004: HK\$840,000). At 30 June 2005, the balance due from Dongguan GI was HK\$840,000 (31 December 2004: Nil) and is unsecured and interest-free and repayable on demand. The future aggregate minimum lease receipts under the operating lease as at the balance sheet date are set out in note 14(a) to the accounts.
- (d) On 30 October 2003, Ocean Force, GI Group and Global Bio-Eng entered into a licence agreement pursuant to which Ocean Force granted to Global Bio-Eng an exclusive right to utilise BMS wastewater treatment and waste management products in Hong Kong and Singapore for an initial term of 10 years (commencing 2 May 2002) with an option for renewal for up to five years. For the year ended 31 December 2003, Global Bio-Eng paid Ocean Force a royalty fee of HK\$936,000, being 10% of the income from the sale of equipment. At 30 June 2005, the balance due to Ocean Force was HK\$936,000 (31 December 2004: HK\$936,000) and is unsecured and interest-free and repayment on demand.
- (e) On 1 January 2004, GCC entered into an agreement for royalty fee and advertising subsidy with Crystal Marketing Management Limited ("Crystal"), a minority shareholder of the Group. For the period ended 30 June 2005, Crystal paid GCC royalty fee of HK\$931,000 (2004: HK\$1,670,000), being 28% of net income generated from sales of MB products to the customers, service income generated from services rendered to the customers and any other income incidental to the sales of MB products or services rendered to the customers in the flagship stores. Crystal also paid GCC advertising and promotional expenses of HK\$1,500,000 (2004: HK\$800,000).



## NOTES TO CONDENSED ACCOUNTS (cont'd)

### 18. SUBSEQUENT EVENTS

Save as disclosed in other notes to the financial statements, the Group has the following significant subsequent events:

- (a) On 18 July 2005, the Group had repaid the principal amount of HK\$58.75 million to the syndicated loan.
- (b) Subsequent to the period ended 30 June 2005, the Group disposed of the remaining 2.61% interest of an investment in Bio-Treat with sales proceeds amounting to HK\$73.11 million.

By Order of the Board

**Lau Jin Wei, Jim**

*Chairman*

Hong Kong, 12 September 2005