

NOTES TO CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements are prepared in accordance 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 2005.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

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

These unaudited condensed consolidated financial statements should be read in conjunction with the 2005 annual accounts.

2. 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 skin care products segment – manufacture of cosmetics and skin care products 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 gift and premium.

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

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 Six months ended 30 June 2006					Consolidated HK\$'000
	Home and personal care products HK\$'000	Industrial and skincare products HK\$'000	Cosmetics and skincare products HK\$'000	Bio- technology products HK\$'000	Others HK\$'000	
Turnover	97,240	108,570	178,999	7,441	10,075	402,325
Segment results	20,500	7,494	101,403	(285)	1,082	130,194
Unallocated operating income and expenses						(3,102)
Operating profit						127,092
Finance costs						(7,711)
Profit before taxation						119,381
Taxation						(13,815)
Profit after taxation						105,566

	Unaudited Six months ended 30 June 2005					Consolidated HK\$'000
	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	
Turnover	104,535	82,790	176,970	10,333	–	374,628
Segment results	18,393	6,562	80,740	95	–	105,790
Unallocated operating income and expenses						(360)
Operating profit						105,430
Finance costs						(2,530)
Profit on disposal of available-for-sales securities						44,662
Profit before taxation						147,562
Taxation						(20,021)
Profit after taxation						127,541

NOTES TO CONDENSED ACCOUNTS (cont'd)**3. OPERATING PROFIT**

Operating profit is stated after charging the followings:

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Charging		
Amortisation of intangible assets	6,350	6,584
Cost of inventories sold	226,443	221,133
Depreciation of fixed assets	21,794	18,455
Interest on bank loans and overdraft wholly repayable within five year	4,477	2,509
Interest on finance leases	2	21
Research and developments	3,813	2,737
Staff costs	13,521	10,684

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2005: 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 condensed consolidated income statement represents:

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	254	—
Overseas taxation (<i>Note (b)</i>)	13,561	20,021
Taxation charge	13,815	20,021

NOTES TO CONDENSED ACCOUNTS (cont'd)

4. 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:

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation	119,381	147,562
Tax at applicable tax rate (<i>Note (a)</i>)	42,719	37,221
Income not subject to taxation	(5,280)	(79)
Expenses not deductible for taxation purposes	823	823
Tax losses not recognised	5,865	6,012
Preferential tax treatment (<i>Note (b)</i>)	(30,312)	(23,956)
	13,815	20,021

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 wholly owned 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	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interim, paid, of HK\$Nil (2005: Nil) per ordinary share	-	-

At a meeting held on 25 September 2006, 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 shareholders of approximately HK\$75,867,000 (2005: HK\$107,653,000) and the weighted average number of 961,863,193 (2005: 914,384,394) 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\$75,867,000 (2005: HK\$107,653,000) and the weighted average number of 967,513,725 (2005: 918,216,603) ordinary shares after adjusting for the effect of share options and warrants.

	No. of shares as at 30 June	
	2006	2005
	HK'000	HK'000
Weighted average number of ordinary shares used in calculating basic earnings per share	961,863,193	914,384,394
Add: Number of ordinary shares deemed to be issued at no consideration on exercise of all outstanding share options and warrants	5,650,532	3,832,209
Weighted average number of ordinary shares used in calculating diluted earnings per share	967,513,725	918,216,603

7. CAPITAL EXPENDITURE

	Unaudited	
	Licences	Fixed assets
	HK\$'000	HK\$'000
Opening net book amount as at 1 January 2006	40,725	556,201
Additions	—	157,327
Amortisation/depreciation charge (Note 3)	(6,350)	(21,794)
Closing net book amount as at 30 June 2006	34,375	691,734

NOTES TO CONDENSED ACCOUNTS (cont'd)

8. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Trade receivables	137,814	145,926
Bills receivables	133	5,679
	137,947	151,605
Prepayments, deposits and other receivables	49,276	55,838
	187,223	207,443

The normal credit period granted to the customers of the Group is 30 to 180 days. At 30 June 2006, the ageing analysis of the trade receivables was analysed as follows:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Within 30 days	113,823	77,779
31 – 60 days	4,338	33,206
61 – 90 days	2,562	6,447
Over 90 days	25,268	48,219
	145,991	165,651
Less: provision	(8,044)	(14,046)
	137,947	151,605

NOTES TO CONDENSED ACCOUNTS (cont'd)

9. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Trade payables	74,426	24,356
Bills payable	–	20,556
	74,426	44,912
Accrued liabilities and other payable	38,923	37,803
	113,349	82,715

At 30 June 2006, the ageing analysis of the trade and bills payable was analysed as follows:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Within 30 days	52,614	17,258
31 – 60 days	8,670	15,522
61 – 90 days	3,554	8,572
Over 90 days	9,588	3,560
	74,426	44,912

NOTES TO CONDENSED ACCOUNTS (cont'd)

10. LONG-TERM LIABILITIES

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Unsecured bank loans repayable:		
Within one year	30,000	117,500
In the second year	60,000	58,750
In the third to fifth year	110,000	–
Total unsecured bank loans (Note (a))	200,000	176,250
Obligations under finance leases repayable:		
Within one year	22	22
In the second year	22	22
In the third to fifth year	40	49
	84	93
Less: future finance charges on finance leases	(16)	(17)
Present value of obligations under finance leases	68	76
Total long-term liabilities	200,068	176,326
Current portion of long-term liabilities	(30,018)	(117,518)
Non-current portion	170,050	58,808

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 Limited ("GCC"), had executed an irrevocable and unconditional guarantee in favour of the Banks with respect to this term loan and revolving credit facility offered to GGTG.

During the Period, GGTG had utilised term loan facility to the extent of HK\$200,000,000 of which HK\$117,500,000 was used to fully repay the previous syndicated loan.

NOTES TO CONDENSED ACCOUNTS (cont'd)

11. SHARE CAPITAL

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,019,370,483 (2005: 935,193,283) ordinary shares of HK\$0.10 each	101,937	93,519

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

	Number of shares	Share capital HK\$'000
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 31 December 2005 and at 1 January 2006	935,193,283	93,519
Exercise of share options	77,260,000	7,726
Exercise of warrants	6,917,200	692
At 30 June 2006	1,019,370,483	101,937

NOTES TO CONDENSED ACCOUNTS (cont'd)

12. 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 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 <i>HK\$'000</i>
Within one year	5,172	5,115
In the second to fifth years	6,293	4,865
Over fifth years	–	3,773
	11,465	13,753

13. CAPITAL AND OTHER COMMITMENTS

At 30 June 2006, the Group had the following commitments in addition to the operating lease commitments as detailed in note 13:

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 <i>HK\$'000</i>
Contracted but not provided for:		
Intangible assets	161	161
Plant & equipment	23,426	134,146
Construction in progress	19,630	7,341
	43,217	141,648

The Group did not have any capital commitments at 30 June 2006 (31 December 2005: Nil).

14. CONTINGENT LIABILITIES

At 30 June 2006, 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\$213,246,000 (31 December 2005: HK\$241,801,000), including the syndicated loan of HK\$200 million (note 10(a)), as at the balance sheet date.

NOTES TO CONDENSED ACCOUNTS (cont'd)**15. 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:

During the Period, Cristal Marketing Management Limited ("Cristal") paid Global Cosmetics (HK) Company Limited ("Global Cosmetics") a royalty fee of HK\$445,861 (2005: HK\$931,000), 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. Cristal also paid Global Cosmetics advertising and promotional expenses of HK\$Nil (2005: HK\$1,500,000). On the other hand, Global Cosmetics sold cosmetics products totalling approximately HK\$2,205,000 (for the six months ended 30 June 2005: HK\$1,270,000) to Cristal under normal commercial terms.

16. SUBSEQUENT EVENTS

Save as disclosed in other notes to the financial statements, no significant event was occurred subsequent to the balance sheet date.