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## **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)**

### **Continuing Connected Transactions: Royalty Agreement**

On 1 January 2004, Global Chemicals and Cristal Marketing entered into the Royalty Agreement, detailed terms of which are set out in the section headed “Royalty Agreement” below. The transactions contemplated under the Royalty Agreement ceased in April 2006 when all the tenancy agreements entered into between the Group (as tenant) and the respective landlords in respect of the Flagship Stores expired. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, at the time when Global Chemicals and Cristal Marketing entered into the Royalty Agreement, each of Cristal Marketing and its ultimate beneficial owners was an independent third party not connected with the Company and its connected persons.

Since 18 September 2004, Cristal Marketing had become a connected person of the Company when it acquired 30% interest of Global Cosmetics, a non-wholly owned subsidiary of the Company. As at the date of this announcement, Cristal Marketing held 15.34% of the interests in Global Cosmetics.

In or around December 2007, the Company reviewed all previous transactions between the Group and Cristal Marketing and regrettably, it was noted by the Company that it had overlooked that the Royalty Agreement constituted a continuing connected transaction of the Company during the period from 18 September 2004 to April 2006. The said transaction would be subject to reporting and announcement requirements under Chapter 14A of the Listing Rules although the Company has made disclosure in its 2005, 2006 and 2007 annual reports of the Royalty Agreement as related party transactions and has also disclosed the connected relationship between Cristal Marketing and the Group. The Company admits that it has breached the relevant requirements under Chapter 14A of the Listing Rules in respect of the Royalty Agreement. The Company has forthwith notified the Stock Exchange and has taken steps to rectify the breach, including by way of this announcement.

As each of the percentage ratios of the Royalty Agreement (calculated on an individual basis and on an aggregated basis after aggregating the transactions contemplated under the Royalty Agreement with the transactions contemplated under the Previous Agreement) on an annual basis was less than 2.5%, the Royalty Agreement was subject to the reporting and announcement requirements under Chapter 14A the Listing Rules.

This announcement is made to inform the shareholders of the Company of the major terms of the Royalty Agreement.

## **BACKGROUND**

Global Chemicals, a wholly owned subsidiary of the Company, had been acting as the sales arm of the cosmetic business of the Group.

On 1 January 2004, Global Chemicals and Cristal Marketing entered into the Royalty Agreement, detailed terms of which are set out in the section headed “Royalty Agreement” below. The transactions contemplated under the Royalty Agreement ceased in April 2006 when all the tenancy agreements entered into between the Group (as tenant) and the respective landlords in respect of the Flagship Stores expired. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, at the time when Global Chemicals and Cristal Marketing entered into the Royalty Agreement, each of Cristal Marketing and its ultimate beneficial owners was an independent third party not connected with the Company and its connected persons.

In order to strengthen the relationship between the Group and its distributor, on 18 September 2004, Cristal Marketing became a minority shareholder of Global Cosmetics then holding 30% interest of Global Cosmetics. The remaining 70% interest of Global Cosmetics was then held by the Group. Accordingly, Cristal Marketing became a connected person of the Company on 18 September 2004. As at the date of this announcement, Cristal Marketing held 15.34% of the interests in Global Cosmetics.

In or around July 2007 when the Group was preparing for a proposed spin-off of its cosmetics business, the Directors realised that Cristal Marketing was a connected person of the Company by virtue of its being a substantial shareholder of Global Cosmetics which was a subsidiary of the Company.

In or around December 2007, the Company reviewed all previous transactions between the Group and Cristal Marketing and regrettably, it was noted by the Company that it had overlooked that the Royalty Agreement constituted a continuing connected transaction of the Company during the period from 18 September 2004 to April 2006. The said transaction would be subject to reporting and announcement requirements under Chapter 14A of the Listing Rules although the Company has made disclosure in its 2005, 2006 and 2007 annual reports of the Royalty Agreement as related party transactions and has also disclosed the connected relationship between Cristal Marketing and the Group. The Company admits that it has breached the relevant requirements under Chapter 14A of the Listing Rules in respect of the Royalty Agreement. The Company has forthwith notified the Stock Exchange and has taken steps to rectify the breach, including by way of this announcement.

The Stock Exchange has indicated that it reserved its rights to take appropriate action against the Company regarding such breach.

In addition, the Group will appoint CCIF Corporate Consultancy Limited (“CCIF”) to perform a review of the effectiveness and efficiencies of the internal control systems of the Group in the areas of, among others, related party transactions and corporate governance measures in order to formulate and impose measures to remediate the deficiencies identified. As at the date of this announcement, the scope of review and the

fee for the engagement of CCIF have been agreed between the Company and CCIF. It is expected that the internal control review will be completed in June 2008. The Company will inform the public of any major negative findings by way of announcement upon completion of such review.

This announcement is made to inform the shareholders of the Company of the major terms of the Royalty Agreement.

## **ROYALTY AGREEMENT**

### **Date**

1 January 2004

### **Parties**

- (1) Global Chemicals, a wholly owned subsidiary of the Company
- (2) Cristal Marketing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, at the time when Global Chemicals and Cristal Marketing entered into the Royalty Agreement, each of Cristal Marketing and its ultimate beneficial owners was an independent third party not connected with the Company and its connected persons. Cristal Marketing had become a connected person of the Company since 18 September 2004 when it acquired 30% interest of Global Cosmetics, a non-wholly owned subsidiary of the Company.

### **Term**

The initial fixed term of the Royalty Agreement was from 1 January 2004 to 31 December 2005. After the expiry of the initial fixed term, the transactions between Global Chemicals and Cristal Marketing contemplated under the Royalty Agreement continued until April 2006 when all the tenancy agreements entered into between the Group (as tenant) and the respective landlords in respect of the Flagship Stores expired, though no written agreement has been entered into for the continued term.

### **Principal Terms**

The principal operative terms of the Royalty Agreement are set out below:

1. Global Chemicals appointed Cristal Marketing as its sole distributor of MB Products in Hong Kong;
2. Global Chemicals shall (i) maintain a net Advertising and Promotional Expenditure in respect of MB Products of not less than HK\$5 million per year during the term of the Royalty Agreement; and (ii) lend out the Flagship Stores at nil consideration to Cristal Marketing provided that Cristal Marketing shall only use the Flagship Stores for the purpose of sale and promotion of MB Products or provision of any services in relation to MB Products;

3. Cristal Marketing shall pay to Global Chemicals (i) the Royalty Fee, payable on monthly basis, which was calculated at 28% of the net income generated from sale 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; and (ii) the Advertising Subsidy, payable on monthly basis, at an amount of HK\$100,000 per month from January 2004 to April 2004, and which shall be increased to HK\$200,000 per month from May 2004 and thereafter. If the net Advertising and Promotional Expenditure incurred by Global Chemicals for a year was less than HK\$5 million, the Advertising Subsidy shall be reduced proportionally; and
4. the Royalty Fee shall be payable by Cristal Marketing to Global Chemicals within 60 days after the relevant month when all factors for calculation of the Royalty Fee are clarified and confirmed; whereas the Advertising Subsidy shall be payable by Cristal Marketing to Global Chemicals within 60 days after the end of each month, irrespective of the amount of the Advertising and Promotional Expenditure actually incurred for that month.

#### **HISTORICAL FIGURES**

The amount paid by Cristal Marketing to the Group pursuant to the Royalty Agreement during the period from 18 September 2004 (being the date when Cristal Marketing first became a connected person of the Company) to 31 December 2006 were as follows:

<b>For the period from 18 September 2004 to 31 December 2004</b>	<b>For the year ended 31 December 2005</b>	<b>For the year ended 31 December 2006</b>
HK\$1,417,535	HK\$1,706,000	HK\$446,000

#### **LISTING RULES REQUIREMENTS**

As each of the percentage ratios of the Royalty Agreement (calculated on an individual basis and on an aggregated basis after aggregating the transactions contemplated under the Royalty Agreement with the transactions contemplated under the Previous Agreement) on an annual basis was less than 2.5%, the Royalty Agreement was subject to the reporting and announcement requirements under Chapter 14A the Listing Rules.

#### **REASONS FOR THE ROYALTY AGREEMENT**

The principal activities of the Group are the manufacturing and sale of home and personal care products, industrial products, cosmetics and skin care products and biotechnology products with medical applications and investment and/or trading in marketable securities, bonds, foreign currencies, various funds and income generated fixed assets' portfolios.

The principal activities of Cristal Marketing are retailing of cosmetics products and provision of beauty treatment services.

Cristal Marketing is experienced in the cosmetics and beauty treatment service area and is a marketing expert specialising in the distribution of cosmetics and skin care products. The appointment of Cristal Marketing as the Group's sole distributor of MB products in Hong Kong under the Royalty Agreement could take advantage of Cristal Marketing's expertise in sales, advertising and promotion of cosmetics and skin care products and beauty treatment services which could promote and boost sales of MB Products.

In view of the above, the Directors (including independent non-executive Directors) of the Company were of the opinion that the terms of the Royalty Agreement were negotiated between the parties on an arm's length basis and on normal commercial terms that were fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **DEFINITIONS**

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Advertising Subsidy”	the advertising subsidy agreed to be paid by Cristal Marketing to Global Chemicals pursuant to the Royalty Agreement
“Advertising and Promotional Expenditure”	the expenditure incurred by Global Chemicals in the advertising and promotion of MB Products
“Board”	the board of Directors
“Company”	Global Green Tech Group Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cristal Marketing”	Cristal Marketing Management Company Limited, a company incorporated in Hong Kong with limited liability
“Director(s)”	the director(s) of the Company
“Flagship Stores”	the three flagship stores, all located in Hong Kong, lent by Global Chemicals to Cristal Marketing for the sale and promotion of MB Products or provision of any services in relation to MB Products pursuant to the Royalty Agreement

“Global Chemicals”	Global Chemicals (China) Company Limited (高寶化工(中國)有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Global Cosmetics”	Global Cosmetics (HK) Company Limited (高寶化妝品(香港)有限公司), company incorporated in Hong Kong with limited liability on 6 August 2004. As at the date of this announcement, 84.66% of its entire issued share capital was indirectly held by the Company, whereas the remaining 15.34% was held by Cristal Marketing
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MB Products”	the cosmetics and skin care products with the brand name “Marjorie Bertagne” developed and/or manufactured by the Group
“PRC”	the People’s Republic of China
“Previous Agreement”	the distribution agreement entered into between Global Cosmetics and Cristal Marketing dated 18 September 2004 which was for a term of 5 years commencing from 18 September 2004 to 17 September 2009, the details of which are set out in the announcement of the Company dated 10 August 2007
“Royalty Agreement”	the agreement for royalty fee and advertising subsidy dated 1 January 2004 and entered into between Global Chemicals and Cristal Marketing
“Royalty Fee”	the royalty fee agreed to be paid by Cristal Marketing to Global Chemicals pursuant to the Royalty Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

Mr. Lau Jin Wei, Jim  
Mr. Wong Ying Yin  
Mr. Bang Young Bae

*Independent non-executive Directors:*

Mr. Ho Yik Leung  
Mr. Lin Jian  
Mr. Lee Pak Chung

By Order of the Board  
**Global Green Tech Group Limited**  
**Lau Jin Wei, Jim**  
*Chairman*

Hong Kong, 27 May 2008

\* *For identification purposes only*