



NOTES:

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under historical cost convention.

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting ("SSAP 25") issued by the Hong Kong Society of Accountants, except that comparative figures are not presented either for the statement of recognised gains and losses or for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2000.

2. SEGMENTAL INFORMATION

The Group's turnover and contribution to profit from operations for the six months ended 30th September, 2000 analysed by principal activities and by geographical market are as follows:

Six months ended 30th September,

	2000		1999	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal Activities	Turnover	Contribution to profit from operations	Turnover	Contribution to profit from operations
High molecular chemical products & mixed solvents	179,491	25,375	160,061	29,898
Paints	223,121	9,995	232,380	23,996
Raw solvents	106,600	5,357	53,719	5,355
Lubricants	32,205	(1,936)	23,883	(770)
Inks	25,826	1,182	17,451	1,282
Storage	7,441	448	5,560	(1,090)
	<u>574,684</u>	<u>40,421</u>	<u>493,054</u>	<u>58,671</u>
	2000	2000	1999	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Geographical Market	Turnover	Contribution to profit from operations	Turnover	Contribution to profit from operations
The People's Republic of China				
– Mainland China	544,623	41,083	469,362	57,280
– Hong Kong	26,299	(573)	20,577	1,223
Others	3,762	(89)	3,115	168
	<u>574,684</u>	<u>40,421</u>	<u>493,054</u>	<u>58,671</u>

**3. PROFIT FROM OPERATIONS**

	Six months ended 30th September,	
	2000 HK\$'000	1999 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of deferred expenditure	4,732	6,810
Amortisation of pre-operating expenditure	—	735
Depreciation and amortisation of property, plant and equipment	12,497	13,961
and after crediting:		
Interest income	900	364
	<u>900</u>	<u>364</u>

4. TAXATION

	Six months ended 30th September,	
	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period	2,698	3,032
Enterprise Income Tax in Mainland China calculated at the rates prevailing in the respective jurisdictions	244	—
	<u>2,942</u>	<u>3,032</u>

Deferred taxation has not been provided for in the financial statements as the amounts involved are not significant.

**5. DIVIDENDS**

	Six months ended 30th September,	
	2000 HK\$'000	1999 HK\$'000
Interim dividend, proposed: 2.5 cents per share <i>(2.5 cents per share for the six months ended 30th September, 1999)</i>	12,272	12,204
Underprovision of final dividend in the previous year due to exercise of share options prior to the book close date	33	24
	<u>12,305</u>	<u>12,228</u>

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th September,	
	2000 HK\$'000	1999 HK\$'000
Earnings		
Net profit for the period for the purpose of basic and diluted earnings per share	<u>34,934</u>	<u>50,537</u>
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	490,100	487,002
Effect of dilutive potential shares: Share options	<u>1,471</u>	<u>963</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>491,571</u>	<u>487,965</u>

**7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately HK\$13 million (*HK\$15 million for the six months ended 30th September, 1999*) on additions to manufacturing plant in the Mainland China to upgrade its manufacturing capacities.

8. TRADE DEBTORS

The group allows an average credit period ranged from 30 to 90 days to its trade customers.

The aging analysis of trade debtors at the reporting date is as follows:

	At 30th September, 2000 HK\$'000	At 31st March, 2000 HK\$'000
0 – 3 months	242,288	141,895
4 – 6 months	36,827	34,796
Over 6 months	21,567	16,103
	300,682	192,794
<i>Less: Provision for bad and doubtful debts</i>	(15,932)	(13,888)
	284,750	178,906

9. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors and their aging analysis is as follows:

	At 30th September, 2000 HK\$'000	At 31st March, 2000 HK\$'000
0 – 3 months	78,320	44,013
4 – 6 months	4,371	3,409
Over 6 months	1,973	740
	84,664	48,162
Other creditors and accrued charges	42,333	31,116
Total	126,997	79,278

**10. BANK BORROWINGS**

As at 30th September, 2000, Handsome Chemical Services Limited has a committed and unsecured banking facility of HK\$30,000,000 obtained from an international bank for a period of one year with a maturity date on 5th June, 2001. In negotiating the facility, the borrowers undertook to procure that Mr. Ip Chi Shing, Tony, Ms. Ip Fung Kuen and Mr. Yip Tsz Hin, Stephen would maintain their aggregate beneficial interests in the Company at a level above 51%. Any breach of the aforesaid obligation will cause defaults in respect of the facility.

11. SHARE CAPITAL

	Authorised	Issued and fully paid	
	At 30th September, 2000 & 31st March, 2000 HK\$'000	At 30th September, 2000 HK\$'000	At 31st March, 2000 HK\$'000
Shares of HK\$0.10 each	<u>80,000</u>	<u>49,086</u>	<u>48,936</u>

Movements in the issued share capital of the Company during the period are as follows:

	Number of shares	Amounted HK\$'000
At 1st October, 1999	488,159,121	48,816
Exercise of share options	<u>1,200,000</u>	<u>120</u>
At 31st March, 2000 and 1st April, 2000	489,359,121	48,936
Exercise of share options	<u>1,500,000</u>	<u>150</u>
At 30th September, 2000	<u>490,859,121</u>	<u>49,086</u>

During the six months ended 30th September, 2000, 1,500,000 share options were exercised, resulting in the issue of 1,000,000 shares and 500,000 shares of HK\$0.10 each in the Company at a price of HK\$0.314 per share and HK\$0.389 per share respectively.

All shares issued rank pari passu with the then existing shares in issue in all respects.



12. RESERVES

	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Legal reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2000	206,090	(6,320)	509	252,866	116	453,261
Premium arising from shares issued upon exercise of options	360	—	—	—	—	360
Exchange difference arising on translation of financial statements of subsidiaries outside Hong Kong	—	13,184	—	—	—	13,184
Net profit for the period	—	—	—	34,934	—	34,934
Goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	(330)	—	(330)
Dividends	—	—	—	(12,305)	—	(12,305)
At 30th September, 2000	206,450	6,864	509	275,165	116	489,104

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

14. CAPITAL COMMITMENTS

	At 30th September, 2000 <i>HK\$'000</i>	At 31st March, 2000 <i>HK\$'000</i>
Contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	278	1,797

In addition, certain subsidiaries are committed to contribute approximately HK\$3.1 million (*HK\$3.1 million at 31st March, 2000*) in respect of unpaid investment in their subsidiaries.