



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 ("SSAP 25"), Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

The condensed interim financial statements should be read in conjunction with the 2000/01 annual financial statements.

The accounting policies and methods of computation used in the preparation of the condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2001, except for those changes as a result of adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 26	Segment reporting

The changes to the Group's accounting policies and the effects of adopting these new policies are set out below:

- (a) In accordance with the revised SSAP 9, the Group no longer recognise dividends proposed or declared after balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparative figures presented have been restated accordingly.

The opening retained earnings at 1st April, 2001 have been increased by \$12,273,000. This represents the reversal of the provision for the 2000/01 final dividend previously recorded as a liability as at 31st March, 2001. A corresponding decrease in current liabilities by \$12,273,000 has been reflected in the balance sheet as at 31st March, 2001.

- (b) In note 2 to the condensed interim financial statements, the segment turnover and results and the comparative information for the corresponding period of last year have been presented in accordance with SSAP 26. Business segments have been used as the primary reporting format and geographical segments as the secondary reporting format.



## 2. SEGMENT INFORMATION

The Group's turnover and contribution to profit/ (loss) from operations for the six months ended 30th September, 2001 analysed by principal activities and geographical market are as follows:

### Six months ended 30th September,

	2001		2000	
	HK\$'000	HK\$'000	HK\$'000	(Restated) HK\$'000
<b>Principal activities</b>	<b>Turnover</b>	<b>Contribution to profit/(loss) from operations</b>	<b>Turnover</b>	<b>Contribution to profit/(loss) from operations</b>
High molecular chemical products & mixed solvents	163,530	23,701	179,491	25,474
Paints	201,379	5,339	223,121	10,672
Raw solvents	142,747	6,621	106,600	5,046
Lubricants	41,940	953	32,205	(1,790)
Inks	42,394	4,205	25,826	1,173
Storage	6,965	(2,176)	7,441	540
	<b><u>598,955</u></b>	<b><u>38,643</u></b>	<b><u>574,684</u></b>	<b><u>41,115</u></b>
Interest income		228		900
Unallocated corporate expenses		(1,591)		(1,594)
		<b><u>37,280</u></b>		<b><u>40,421</u></b>
<b>Geographical market</b>	<b>Turnover</b>	<b>Contribution to profit/(loss) from operations</b>	<b>Turnover</b>	<b>Contribution to profit/(loss) from operations</b>
The People's Republic of China				
- Mainland China	579,684	40,322	544,623	41,771
- Hong Kong	15,928	(1,388)	26,299	(549)
Others	3,343	(291)	3,762	(107)
	<b><u>598,955</u></b>	<b><u>38,643</u></b>	<b><u>574,684</u></b>	<b><u>41,115</u></b>
Interest income		228		900
Unallocated corporate expenses		(1,591)		(1,594)
		<b><u>37,280</u></b>		<b><u>40,421</u></b>

**3. PROFIT FROM OPERATIONS**

	<b>Six months ended 30th September,</b>	
	<b>2001 HK\$'000</b>	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of deferred expenditure	<b>7,558</b>	4,732
Depreciation and amortisation of property, plant and equipment	<b>13,659</b>	12,497
and after crediting:		
Interest income	<b>228</b>	900
	<b><u>228</u></b>	<u>900</u>

**4. TAXATION**

	<b>Six months ended 30th September,</b>	
	<b>2001 HK\$'000</b>	2000 HK\$'000
The charge comprises :		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period	<b>2,350</b>	2,698
Overprovision in previous years	<b>(1)</b>	—
	<b>2,349</b>	2,698
Enterprise Income Tax in Mainland China calculated at the rates prevailing in the respective jurisdictions	<b>325</b>	244
	<b>2,674</b>	2,942
	<b><u>2,674</u></b>	<u>2,942</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,	
	2001 HK\$'000	2000 HK\$'000
<b>Dividend declared before period end</b> Final dividend of the previous year: HK 2.5 cents per share (2000: HK 3.5 cents per share)	<b>12,309</b>	17,170
<b>Dividend declared after period end</b> Interim dividend: HK 2.5 cents per share (2000: HK 2.5 cents per share)	<b>12,311</b>	12,272

## 6. EARNINGS PER SHARE

Amounts presented for basic and diluted earnings per share have been calculated as follows:-

	Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000
Profit attributable to shareholders and earnings for the purpose of basic and diluted earnings per share	<b>31,731</b>	34,934
	'000	'000
Weighted average number of shares for the purpose of basic earnings per share	<b>491,463</b>	490,100
Effect of dilutive potential shares: Share options	<b>2,567</b>	1,471
Weighted average number of shares for the purpose of diluted earnings per share	<b>494,030</b>	491,571

## 7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$12 million (HK\$13 million for the six months ended 30th September, 2000) on additions to manufacturing plant in the Mainland China to upgrade its manufacturing capacities.



## 8. TRADE DEBTORS

The group allows a credit period ranging from 30 to 90 days to its credit sales customers.

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

	<b>At 30th September, 2001 HK\$'000</b>	At 31st March, 2001 HK\$'000
0 – 3 months	<b>244,863</b>	175,370
4 – 6 months	<b>35,527</b>	48,073
Over 6 months	<b>33,468</b>	25,246
	<b>313,858</b>	248,689
Less: Provision for bad and doubtful debts	<b>(26,570)</b>	(17,658)
	<b>287,288</b>	231,031

## 9. CREDITORS AND ACCRUED CHARGES

At the reporting date, the balance of creditors and accrued charges included trade creditors of HK\$63,856,000. The aging analysis of trade creditors is as follows :

	<b>At 30th September, 2001 HK\$'000</b>	At 31st March, 2001 HK\$'000
0 – 3 months	<b>58,563</b>	49,437
4 – 6 months	<b>2,007</b>	4,015
Over 6 months	<b>3,286</b>	3,073
	<b>63,856</b>	56,525
Other creditors and accrued charges	<b>35,113</b>	30,315
	<b>98,969</b>	86,840



## 10. BANK BORROWINGS

On 30th November, 2000, Handsome Chemical Services Limited ("HCSL") signed a banking facility letter with an international bank and obtained an unsecured banking facility of HK\$30,000,000 ("Facility A").

On 4th June, 2001, HCSL signed a banking facility letter with an international bank and obtained a committed and unsecured banking facility of HK\$40,000,000 for a period of one year with a maturity date on 8th June, 2002 ("Facility B").

In negotiating the Facility A and Facility B, 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 50% and 51% respectively. Any breach of the aforesaid obligation will cause defaults in respect of the facilities.

## 11. SHARE CAPITAL

	<b>Authorised</b>	<b>Issued and fully paid</b>	
	<b>At 30th</b>	<b>At 30th</b>	At 31st
	<b>September, 2001 &amp;</b>	<b>September,</b>	March,
	<b>31st March, 2001</b>	<b>2001</b>	2001
		<b>HK\$'000</b>	HK\$'000
Shares of HK\$0.10 each	<u>80,000</u>	<u>49,244</u>	<u>49,094</u>

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

	<b>Number of</b>	<b>Amounted</b>
	<b>shares</b>	<b>HK\$'000</b>
At 1st October, 2000	490,859,121	49,086
Exercise of share options	<u>80,000</u>	<u>8</u>
At 31st March, 2001 and 1st April, 2001	490,939,121	49,094
Exercise of share options	<u>1,500,000</u>	<u>150</u>
<b>At 30th September, 2001</b>	<b><u>492,439,121</u></b>	<b><u>49,244</u></b>

During the six months ended 30th September, 2001, 1,500,000 share options were exercised, resulting in the issue of 200,000 shares and 1,300,000 shares of HK\$0.10 each in the Company at a price of HK\$0.314 per share and HK\$0.395 per share respectively.

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



**12. RESERVES**

	Share premium HK\$'000	Translation reserve HK\$'000	Legal reserve HK\$'000	Accumulated profits HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
At 1st April, 2000						
- As originally stated	206,090	(6,320)	509	252,866	116	453,261
- Prior year adjustment	—	—	—	17,136	—	17,136
	<u>206,090</u>	<u>(6,320)</u>	<u>509</u>	<u>270,002</u>	<u>116</u>	<u>470,397</u>
Premium arising from shares issued upon exercise of options	376	—	—	—	—	376
Exchange difference arising on translation of financial statements of subsidiaries outside Hong Kong	—	10,800	—	—	—	10,800
Translation differences realised on disposal of a subsidiary	—	(165)	—	—	—	(165)
Goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	(330)	—	(330)
Profit attributable to shareholders	—	—	—	39,517	—	39,517
Dividends	—	—	—	(29,443)	—	(29,443)
	<u>206,466</u>	<u>4,315</u>	<u>509</u>	<u>279,746</u>	<u>116</u>	<u>491,152</u>
At 31st March, 2001						
- As originally stated	206,466	4,315	509	267,473	116	478,879
- Prior year adjustment	—	—	—	12,273	—	12,273
	<u>206,466</u>	<u>4,315</u>	<u>509</u>	<u>279,746</u>	<u>116</u>	<u>491,152</u>
Premium arising from shares issued upon exercise of options	427	—	—	—	—	427
Exchange difference arising on translation of financial statements of subsidiaries outside Hong Kong	—	8,994	—	—	—	8,994
Profit attributable to shareholders	—	—	—	31,731	—	31,731
Dividends	—	—	—	(12,309)	—	(12,309)
	<u>206,893</u>	<u>13,309</u>	<u>509</u>	<u>299,168</u>	<u>116</u>	<u>519,995</u>
<b>At 30th September, 2001</b>	<b><u>206,893</u></b>	<b><u>13,309</u></b>	<b><u>509</u></b>	<b><u>299,168</u></b>	<b><u>116</u></b>	<b><u>519,995</u></b>

**13. CHARGES ON ASSETS**

As at 30th September, 2001, certain assets of a subsidiary of the Group with aggregate carrying value of HK\$11,095,000 were pledged to secure its own general banking facilities. There were no pledged assets as at 31st March, 2001.



#### 14. CONTINGENT LIABILITIES

Corporate guarantees given by the Company to the bankers for general banking facilities granted to the Company's subsidiaries amounted to HK\$299,000,000 as at 30th September, 2001 (31st March, 2001: HK\$239,000,000).

As at 30th September, 2001, the Company has provided guarantees to four (31st March, 2001: two) independent third parties to guarantee the payment of all indebtedness for the purchases of goods by its subsidiaries from the third parties.

#### 15. CAPITAL COMMITMENTS

	<b>At 30th September, 2001 HK\$'000</b>	At 31st March, 2001 HK\$'000
Contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	<b><u>2,293</u></b>	<u>2,183</u>

In addition, certain subsidiaries are committed to contribute approximately HK\$4.1 million (HK\$4.1 million at 31st March, 2001) in respect of unpaid investment in their subsidiaries.

#### 16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.