

NOTES TO FINANCIAL STATEMENTS

31 December 2000

6. TURNOVER AND REVENUE (continued)

The Group's turnover by principal activity and geographical area, disclosed pursuant to the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

| | 2000 HK\$'000 | 1999 HK\$'000 |
|---|------------------|------------------|
| (i) By principal activity: | | |
| Manufacture and sale of home and personal care products | 112,145 | 58,728 |
| Manufacture and sale of industrial surfactants | 76,589 | 47,819 |
| | <u>188,734</u> | <u>106,547</u> |
| | | |
| | 2000 HK\$'000 | 1999 HK\$'000 |
| (ii) By geographical area: | | |
| People's Republic of China ("PRC"): | | |
| Hong Kong | 28,344 | 17,148 |
| Elsewhere | 160,390 | 89,399 |
| | <u>188,734</u> | <u>106,547</u> |

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

| | 2000 HK\$'000 | 1999 HK\$'000 |
|---|------------------|------------------|
| Cost of inventories sold | 100,544 | 59,105 |
| Auditors' remuneration | 850 | 700 |
| Staff costs: | | |
| Salaries and wages (excluding directors' remuneration - note 8) | 3,203 | 2,649 |
| Pension fund contributions | 54 | 72 |
| Provisions for doubtful debts | 1,717 | 157 |
| Depreciation | 5,436 | 3,537 |
| Research and development costs | 5,787 | 1,177 |
| Operating lease rentals on land and buildings | 167 | 142 |
| Net exchange loss | 69 | 44 |
| Gain on disposal of fixed assets | (12) | - |
| Interest income | (576) | (2) |
| Gross and net rental income | <u>(1,529)</u> | <u>(1,248)</u> |

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7. PROFIT FROM OPERATING ACTIVITIES (continued)

The Group's profit from operating activities by principal activity and by geographical area disclosed pursuant to the requirements of the Listing Rules were as follows:

| | 2000 HK\$'000 | 1999 HK\$'000 |
|--|------------------|------------------|
| (i) By principal activity: | | |
| Manufacture and sale of home and personal care products | 35,518 | 18,998 |
| Manufacture and sale of industrial surfactants | 28,671 | 15,054 |
| | <u>64,189</u> | <u>34,052</u> |
| | | |
| (ii) By geographical area: | | |
| PRC: | | |
| Hong Kong | 4,887 | (452) |
| Elsewhere | 59,302 | 34,504 |
| | <u>64,189</u> | <u>34,052</u> |

8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

Directors' remuneration

Details of the aggregate director's remuneration are as follows:

| | 2000 HK\$'000 | Group 1999 HK\$'000 |
|--|------------------|---------------------------|
| Fees: | | |
| Executive directors | - | - |
| Non-executive director | 20 | - |
| Independent non-executive directors | 40 | - |
| Other emoluments: | | |
| Basic salaries, housing benefits, other allowances and benefits in kind | 1,641 | 402 |
| | <u>1,701</u> | <u>402</u> |

The remunerations of each of the directors fell within the Nil to HK\$1,000,000 band for the years ended 31 December 1999 and 2000.

In addition to the directors' remuneration above, a total of 18,425,000 share options to subscribe for ordinary shares in the Company were granted to certain directors of the Company subsequent to the balance sheet date (note 24). In the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options. Accordingly, no value has been included in the directors' remuneration in respect thereof.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

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8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES (continued)

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Five highest paid employees

The five highest paid employees during the year included four directors (1999: two), details of whose remuneration are disclosed above. The remuneration of the remaining highest paid, non-director employee is analysed as follows:

| | Group | |
|--|------------|------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Basic salaries, housing benefits, other allowances and benefits in kind | <u>280</u> | <u>618</u> |

The remuneration of the highest paid, non-director employees fell within the Nil to HK\$1,000,000 band for the years ended 31 December 1999 and 2000.

In addition to the remuneration above, a total of 3,905,000 share options to subscribe for ordinary shares in the Company were granted to the highest paid, non-director employee subsequent to the balance sheet date (note 24). In the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options. Accordingly, no value has been included in the remuneration of the highest paid, non-director employee in respect thereof.

9. FINANCE COSTS

| | Group | |
|--|--------------|--------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans and overdrafts wholly repayable: | | |
| - Within five years | 1,558 | 1,543 |
| - After five years | 608 | 667 |
| | <u>2,166</u> | <u>2,210</u> |

10. TAX

| | Group | |
|-------------------------|--------------|--------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Current year provision: | | |
| Hong Kong | - | - |
| Elsewhere | 7,488 | 4,158 |
| Tax charge for the year | <u>7,488</u> | <u>4,158</u> |

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10. TAX (continued)

Hong Kong profits tax has not been provided as the Group has tax losses carried forward to offset the assessable profits arising in Hong Kong for the year (1999: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Dongguan Proamine Chemicals Co., Limited ("Dongguan Proamine"), a wholly-owned subsidiary established in the PRC, was exempt from PRC corporate income tax for two years starting from its first profit-making year of operations, which was for the year ended 31 December 1997, and thereafter is eligible for a 50% relief from PRC corporate income tax for the following three years under the relevant tax laws of the PRC. The standard PRC corporate income tax rate applicable to Dongguan Proamine was 24%. As a result of the 50% relief, the PRC corporate income tax rate for Dongguan Proamine for the year ended 31 December 2000 was reduced to 12% (1999: 12%).

No deferred tax asset has been recognised at the balance sheet date (1999: Nil) as the realisation of the relevant amounts cannot be assured beyond reasonable doubt.

The Group did not have any significant unprovided deferred tax liabilities as at 31 December 2000 (1999: Nil).

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the period from 25 September 2000 (date of incorporation) to 31 December 2000 was HK\$501,000.

12. DIVIDENDS

| | 2000 HK\$'000 | 1999 HK\$'000 |
|------------------|------------------|------------------|
| Interim dividend | 20,000 | - |
| Special dividend | 10,000 | - |
| Final dividend | - | 6,000 |
| | <u>30,000</u> | <u>6,000</u> |

All of the dividends declared and paid for the years ended 31 December 1999 and 2000 were paid by subsidiaries of the Company to their then shareholders prior to the Reorganisation detailed in notes 1 and 24 to the financial statements.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of HK\$54,535,000 (1999: HK\$27,684,000) and the pro forma weighted average of 201,780,822 (1999: 200,000,000) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 December 1999 includes the pro forma issued share capital of the Company, comprising 100 shares issued nil paid on incorporation of the Company, 999,900 shares issued for the acquisition of the entire issued share capital of GSPL and the capitalisation issue of 199,000,000 shares, as further detailed in note 24 to the financial statements. The weighted average number of shares used to calculate the earnings per share for the year ended 31 December 2000 also includes the 50,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 18 December 2000.

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13. EARNINGS PER SHARE (continued)

The diluted earnings per share for the years ended 31 December 1999 and 2000 have not been shown as there were no potential dilutive ordinary shares in existence during either of the years.

14. FIXED ASSETS

Group

| | Leasehold land and buildings HK\$'000 | Leasehold improve- ments HK\$'000 | Plant and machinery HK\$'000 | Furniture, fixtures and computer equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|--------------------------------|--|--|------------------------------------|--|-------------------------------|-------------------|
| Cost or valuation: | | | | | | |
| At 1 January 2000 | 28,245 | 708 | 23,554 | 200 | 2,742 | 55,449 |
| Additions | - | - | 1,085 | 7,677 | - | 8,762 |
| Disposals | - | - | - | - | (120) | (120) |
| Revaluation surplus | 8,860 | - | - | - | - | 8,860 |
| At 31 December 2000 | <u>37,105</u> | <u>708</u> | <u>24,639</u> | <u>7,877</u> | <u>2,622</u> | <u>72,951</u> |
| Analysis of cost or valuation: | | | | | | |
| At cost | 4,105 | 708 | 24,639 | 7,877 | 2,622 | 39,951 |
| At valuation in 2000 | <u>33,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>33,000</u> |
| | <u>37,105</u> | <u>708</u> | <u>24,639</u> | <u>7,877</u> | <u>2,622</u> | <u>72,951</u> |
| Accumulated depreciation: | | | | | | |
| At 1 January 2000 | 1,939 | 119 | 8,116 | 142 | 2,347 | 12,663 |
| Provided during the year | 566 | 37 | 2,415 | 2,246 | 172 | 5,436 |
| Disposals | - | - | - | - | (90) | (90) |
| Written back on revaluation | (2,141) | - | - | - | - | (2,141) |
| At 31 December 2000 | <u>364</u> | <u>156</u> | <u>10,531</u> | <u>2,388</u> | <u>2,429</u> | <u>15,868</u> |
| Net book value: | | | | | | |
| At 31 December 2000 | <u>36,741</u> | <u>552</u> | <u>14,108</u> | <u>5,489</u> | <u>193</u> | <u>57,083</u> |
| At 31 December 1999 | <u>26,306</u> | <u>589</u> | <u>15,438</u> | <u>58</u> | <u>395</u> | <u>42,786</u> |

The leasehold land and buildings of the Group are held under medium term leases outside Hong Kong.

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14. FIXED ASSETS (continued)

As at 31 December 2000, the Group's interests in certain of its medium term leasehold land and buildings were revalued on an open market, existing use basis by AA Property Services Limited, an independent firm of professional valuers, at HK\$33,000,000. The resulting revaluation surplus of HK\$11,001,000 has been recognised in the assets revaluation reserve (note 25).

The Group is in the process of applying for the building ownership certificates for its remaining interests in medium term leasehold land and buildings (the "Buildings"). The carrying amount of the Buildings was stated at their historical construction costs of HK\$4,105,000 as at 31 December 2000.

Based on a valuation report issued by AA Property services Limited, the valuation of the Group's entire medium term leasehold land and buildings was at HK\$42,000,000, as valued on an open market, existing use basis on the assumption that the Group will be able to obtain the building ownership certificates for the Buildings. The directors will reflect the additional revaluation surplus of HK\$5,259,00 for the Buildings once the related building ownership certificates are obtained.

Had the Group's medium term leasehold land and buildings been valued at cost less accumulated depreciation, the carrying amount would be HK\$25,741,000.

15. INVESTMENT PROPERTIES

| | Group | |
|-------------------------------|---------------|---------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Valuation: | | |
| At beginning of year | 15,846 | 15,846 |
| Revaluation surplus - note 25 | 154 | - |
| At 31 December | <u>16,000</u> | <u>15,846</u> |

The investment properties of the Group are situated outside Hong Kong and are held under medium term leases.

As at 31 December 2000, the Group's investment properties were revalued on an open market, existing use basis under the income approach by AA Property Services Limited, an independent firm of professional valuers, at HK\$16,000,000. The resulting revaluation surplus of HK\$154,000 has been recognised in the investment properties revaluation reserve (note 25).

16. INTERESTS IN SUBSIDIARIES

| | Company |
|--------------------------|---------------|
| | 2000 |
| | HK\$'000 |
| Unlisted shares, at cost | 89,347 |
| Due from subsidiaries | <u>3,841</u> |
| | <u>93,188</u> |

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's subsidiaries are as follows:

| Company | Place of incorporation/ establishment and operations | Paid-up share/ registered capital | Percentage of equity attributable to the Company | | Principal activities |
|--|--|---|--|----------|---|
| | | | Direct | Indirect | |
| Global Success Properties Limited | British Virgin Islands | US\$200 Ordinary | 100% | - | Investment holding |
| Global Chemical Investment Limited | British Virgin Islands/ PRC | US\$100 Ordinary | - | 100% | Holding of production formulas |
| Global Chemical International Limited | British Virgin Islands | US\$1 Ordinary | - | 100% | Holding of intellectual property rights |
| Global Chemical Overseas Limited | British Virgin Islands/ PRC | US\$1 Ordinary | - | 100% | Provision of technical support services |
| Global Chemicals (China) Company Limited ("GCC") | Hong Kong | HK\$10,000 Ordinary HK\$1,000,000 Non-voting deferred (Note 1) | - | 100% | Investment holding, and trading of home and personal care products and industrial surfactants |
| Dongguan Proamine Chemicals Co., Limited | PRC | HK\$67,000,000 (Note 2) | - | 100% | Manufacture and sale of home and personal care products and industrial surfactants |

Notes:

- The non-voting deferred shares carry no rights as to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up (other than 1% of the surplus assets of GCC available for distribution after a total of HK\$1,000,000,000,000 has been distributed to the holders of the ordinary shares of GCC in such a winding-up).

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16. INTERESTS IN SUBSIDIARIES (continued)

2. Dongguan Proamine is a wholly foreign-owned enterprise established by the Group in the PRC for an operating period of twelve years commencing from the date of the issuance of its business licence on 29 August 1995. The registered capital of Dongguan Proamine is HK\$67,000,000 which was wholly paid up by the Group.

17. INVENTORIES

| | Group | |
|----------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Raw materials | 8,569 | 12,809 |
| Finished goods | 8,740 | 3,553 |
| | <u>17,309</u> | <u>16,362</u> |

No inventories were stated at net realisable value as at 31 December 2000 (1999: Nil).

18. TRADE AND BILLS RECEIVABLE

| | Group | |
|-------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Bills receivable | - | 51 |
| Trade receivables | 52,598 | 21,694 |
| | <u>52,598</u> | <u>21,745</u> |

The ages of the Group's trade and bills receivable as at 31 December 2000 are analysed as follows:

| | Group | |
|-----------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Current to 30 days | 34,088 | 12,176 |
| 31 days to 60 days | 7,696 | 4,632 |
| 61 days to 90 days | 11,008 | 3,200 |
| 91 days to 180 days | 1,073 | 1,838 |
| 181 days to 360 days | 605 | 54 |
| | <u>54,470</u> | <u>21,900</u> |
| Provision | (1,872) | (155) |
| Total after provision | <u>52,598</u> | <u>21,745</u> |