

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>
(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	280	618

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
	2,166	2,210

10. TAX

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

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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	37,105	708	24,639	7,877	2,622	72,951
Analysis of cost or valuation:						
At cost	4,105	708	24,639	7,877	2,622	39,951
At valuation in 2000	33,000	-	-	-	-	33,000
	37,105	708	24,639	7,877	2,622	72,951
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	364	156	10,531	2,388	2,429	15,868
Net book value:						
At 31 December 2000	36,741	552	14,108	5,489	193	57,083
At 31 December 1999	26,306	589	15,438	58	395	42,786

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:

1. 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)

- 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	1999
	HK\$'000	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	1999
	HK\$'000	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	1999
	HK\$'000	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>