CREATIVE ENERGY SOLUTIONS HOLDINGS LIMITED

科瑞控股有限公司*

(incorporated in Bermuda with limited liability)

INTERIM REPORT 2001

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Creative Energy Solutions Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover increased by approximately 5.7 times over the corresponding period last year to approximately RMB50.6 million for the six months ended 31st December, 2001.

- Profit attributable to shareholders surged by approximately 6.3 times over the corresponding period of last year to approximately RMB22.8 million for the six months ended 31st December, 2001.

- The Group's new proprietary EMS solution, Savin 2000 II, started to generate revenue of approximately RMB23.3 million for the six months ended 31st December, 2001.

- The Directors do not declare any interim dividend for the six months ended 31st December, 2001.

- Successfully listed on the GEM of the Stock Exchange on 31st January, 2002.

CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)

The board of directors (the "Board") of Creative Energy Solutions Holdings Limited ("Creative Energy" or the "Company") is pleased to announce the unaudited condensed combined financial statements of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 31st December, 2001, together with the comparative unaudited figures for the corresponding periods in 2000, as set out below:

CONDENSED COMBINED INCOME STATEMENT (UNAUDITED)

		For the three months ended 31st December,		For the six months ended 31st December,	
		2001	2000	2001	2000
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*2*	32,554	4,542	50,553	7,460
Cost of services		(12,193)	(1,169)	(16,608)	(1,865)
Gross profit		20,361	3,373	33,945	5,595
Other revenue		10	1	16	8
Distribution costs		(2,020)	(241)	(3,268)	(413)
Administrative expenses		(6,054)	(1,020)	(7,844)	(1,987)
PROFIT FROM OPERATING ACTIVITIES		12,297	2,113	22,849	3,203
Finance costs		(44)	(44)	(79)	(102)
PROFIT BEFORE TAXATION	*3*	12,253	2,069	22,770	3,101
Taxation	*4*	–	–	–	–
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		12,253	2,069	22,770	3,101
Dividends	*5*	–	–	–	–
Earnings per share	*6*				
Basic (in RMB)		4.08 cents	0.69 cents	7.59 cents	1.03 cents

Other than the profit attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a condensed combined statement of recognised gains and losses is not presented in the condensed financial statement for the six months ended 31st December, 2001 and 31st December, 2000.

CONDENSED COMBINED BALANCE SHEET

	Notes	For the Year Ended 31st December, 2001 (unaudited) RMB'000	For the Year Ended 30th June, 2001 (audited) RMB'000
ASSETS			
Non-current assets			
Fixed assets		7,074	6,299
Intangible assets	7	12,400	13,150
		19,474	19,449
Current asset			
Inventories		1,595	159
Trade receivables	10	28,430	3,316
Prepayment, deposits and other receivables		777	4,349
Cash at bank and in hand		6,666	6,370
		37,468	14,194
LIABILITIES			
Current liabilities			
Short-term bank borrowings	8	2,000	2,000
Other payables and accruals		1,832	1,291
Receipt in advance		–	180
Due to a director	9	1,404	–
Tax payable		734	1,970
		5,970	5,441
Net current assets		31,498	8,753
NET ASSETS		50,972	28,202
CAPITAL AND RESERVE			
Share Capital	12	10,959	10,959
Reserves	11	40,013	17,243
		50,972	28,202

CONDENSED COMBINED CASH FLOW STATEMENT

	Six months ended 31st December, 2001 (unaudited) *RMB'000*	Six months ended 31st December, 2000 (unaudited) *RMB'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,016	2,877
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(79)	(102)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(641)	(496)
NET INCREASE IN CASH AND CASH EQUIVALENTS	296	2,279
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,370	1,417
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,666	3,696
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	6,666	3,696

Notes:

1. **Group reorganisation and basis of presentation**

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda on 29th August, 2001. Listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") commenced on 31st January, 2002.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of the Group on 3rd January, 2002, which is principally engaged in the design, management and implementation of EMS solutions. Details of the group reorganisation have been fully described in the paragraph headed "Corporate reorganisation" in Appendix V of the prospectus of the Company dated 24th January, 2002 (the "Prospectus").

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the condensed combined financial statements of the Group have been prepared as if the Group for the six months ended 31st December, 2001 and 31st December, 2000 had been in existence throughout the periods covered by the report or since their respective dates of incorporation, where this is a shorter period.

All significant transactions and balances between companies now comprising the Group have been eliminated on combination. The interim financial statements are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard Accounting Practice 2.125 "Interim Financial Reporting" as issued by the Hong Kong Society of Accountants. The accounting policies and basis for the preparation of the unaudited condensed combined interim financial statements of the Group are consistent with those used in the Accountants' Report as set out in the Prospectus.

2. **Turnover**

The Group's turnover represented revenue generated from the provision of system design and integration services, after deducting 5% PRC business tax and 0.119% government surcharges.

An analysis of turnover and revenue is as follows:

	For the three months ended 31st December,		For the six months ended 31st December,	
	2001	**2000**	**2001**	**2000**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Turnover				
Fees for system design and integration services	32,554	4,542	50,553	7,460
Other revenue				
Bank interest income	10	1	16	8
	32,564	4,543	50,569	7,468

Turnover of top five customers accounted for approximately 53.5% and 46.8% of the Group's turnover for the six months ended 31st December, 2001 and 31st December, 2000 respectively. In view of the fact that the Group operates mainly in the PRC, no geographical segmental information is presented.

3. Profit before taxation

Profit before taxation is arrived at after charging the following items:

	For the three months ended 31st December,		For the six months ended 31st December,	
	2001	**2000**	**2001**	**2000**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of fixed assets	669	399	1,137	205
Amortization of intangible assets	375	375	750	750
Interest on bank borrowings repayable within five years	44	44	79	102

4. Taxation

(i) Hong Kong profits tax

No Hong Kong profit tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong for the six months ended 31st December, 2001 and 31st December, 2000.

(ii) PRC enterprise income tax

Traving Science (a wholly-owned subsidiary of the Group) is a wholly-owned foreign enterprise incorporated in the PRC and is subject to PRC enterprise income tax at a preferential rate of 15%. However, it is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. Traving Science became profitable after offsetting prior's years losses in the year of 2000 and its tax exemption period expired on 31st December, 2001 and thereafter, it is subject to PRC enterprise income tax at 7.5% until 31st December, 2004.

5. Dividend

The Board of Directors do not recommend an interim dividend for the six months ended 31st December, 2001 (six months ended 31st December, 2000: Nil)

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the three months and six months ended 31st December, 2001 of approximately RMB12,253,000 and RMB22,770,000 (2000: RMB2,069,000 and RMB3,101,000) respectively, and is assuming 300,000,000 shares in issue and issuable, comprising 4,900,000 shares in issue as at the date of the Corporate Reorganisation (3rd January, 2002) and 295,100,000 shares to be issued pursuant to the "Capitalization Issue" as described in appendix V of the Prospectus.

No diluted earnings per share for the three months and six months ended 31st December, 2001 and 31st December, 2000 have been presented because there was no dilutive potential ordinary shares in existence during the periods.

7. Intangible asset

	RMB'000
Energy saving technologies for Savin 2000, at cost	15,000
Less: accumulated amortization	(2,600)
Net book value as at 31st December, 2001	12,400

8. Short-term bank borrowings

	RMB'000
Unsecured bank loan repayable within a period of one year	2,000

As at 31st December, 2001, bank loan facilities of the Group were secured by corporate guarantee of 福建國廣投資集團有限公司 (an independent third party to the Group) and the loan will be repaid by the Group soon after its listing from the internal resources.

9. Amount due to a director

An amount of RMB1,403,677 due to a director as at 31st December, 2001 is unsecured and non-interest bearing and will be repaid by the Group after its listing from the internal resources.

10. Trade receivables

Included in trade receivables as at 31st December, 2001 with the following aging analysis:

	RMB'000
Current to 30 days	10,448
31 to 60 days	4,130
61 to 90 days	8,029
91 to 180 days	4,635
Over 180 days	1,188
	28,430

The repayment of the above receivables is according to payment terms specified in each of the contracts and they are expected to be recovered within one year.

11. Reserves

Movement of reserves are:

	Statutory reserve funds	**Statutory public benefit funds**	**Retained profit**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1st July, 2000	50	50	403	503
Transfer from retained profit to reserves	1,674	1,674	(3,348)	–
Profit attributable to shareholders	–	–	16,740	16,740
As at 30th June, 2001	1,724	1,724	13,795	17,243
Transfer from retained profit to reserves	2,277	2,277	(4,554)	–
Profit attributable to shareholders	–	–	22,770	22,770
As at 31st December, 2001	4,001	4,001	32,011	40,013

(i) *Statutory reserve funds*

PRC laws and regulations require wholly-owned foreign enterprises to provide for statutory reserve fund which is appropriated from profit after taxation but before dividend distributions. Traving Science, a subsidiary, is required to allocate at least 10% of its profit after taxation to the fund until the balance of such fund has reached 50% of its registered capital. The fund can only be utilized, upon approval by the relevant PRC authority, to offset accumulated losses or to increase capital.

(ii) *Statutory public benefit funds*

According to Traving Science's Articles of Association, it is required to transfer at least 10% of its profit after taxation to the fund. Such fund can only be utilized for the collective and facilities of the employees of Traving Science. Only employees are entitled to use the facilities; the title and ownership of the facilities will remain with Traving Science. The fund forms part of the shareholder's funds and is not distributable other than on liquidation. The transfer to the fund must be made before dividend distribution to shareholders.

The directors of Traving Science have proposed to transfer 10% of the profit after taxation to each of the above funds respectively for the period ended 31st December, 2001.

12. Share Capital

The share capital (RMB10,959,000) of the Group as at 30th June, 2001 and 31st December, 2001 shown on the Condensed Combined Balance Sheet represented the capital of Traving Science, a subsidiary of the Group, as at that dates.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The financial results of the Group for the second half year of 2001 showed a remarkable growth compared to the financial results for the same period of last year. Turnover of the Group for the six months ended 31st December, 2001 amounted to approximately RMB50,553,000, representing an increase of approximately 5.7 times compared to same period last year, which could be attributed to the first contribution for sales of Savin 2000 II of the Group during the second half of 2001. Profit attributable to shareholders of the Group increased to approximately RMB22,770,000 for the six months ended 31st December, 2001 representing 6.3 times more over the same period last year. Due to the relatively lower gross profit margin on Savin 2000 II as compared to Savin 2000 I, the overall gross profit margin decreased to about 67% from that of 75% of the corresponding period last year.

Cost of services, distribution costs and administrative expenses

The cost of services and distribution costs totaling for 2001 and 2000 was approximately RMB19.9 million and RMB2.3 million respectively. The substantial increase between the periods represented a strong growth in the Group's fees income on the two flagship products, Savin 2000 I & Savin 2000 II. The rate of the increase in the cost was not in proportion to the turnover was primarily attributable to the relatively lower gross profit margin on Savin 2000 II leading to the overall decrease of the ratio to about 67% in 2001 comparing to that of 75% in 2000.

Total administrative expenses for 2001 and 2000 were approximately RMB7.8 million and RMB2 million respectively. The substantial increase was due to the much more depreciation charges of fixed assets and amortization of leasehold improvement (RMB1.1 million) incurred for 2001 (2000: RMB0.2 million). In addition, the Group entered into a cooperation agreement and a strategic alliance agreement with Tsinghua University with a total of RMB2 million on each agreement totaling RMB4 million with an aim to further strengthen the Group's research and development capability. The detailed description of the scope of the agreements could be referred to the header "Business of the Group – research and development (Year ended 30th June, 2001)" of the Company's prospectus dated 24th January, 2002. The aforesaid RMB4 million was expensed out in 2001 accordingly. The remaining factor leading to the increase of administrative expenses could be explained by the establishment of an office in

Hong Kong. Since the Group established its office in Hong Kong during the period in 2001, which would be initially responsible for the coordinations on the listing of the Group on 31st January, 2002, the Group employed staff with financial background and with adequate qualification to further strengthen the management portfolio upon the expansion of the Group. The operating cost relating to the above establishment for the period was approximately HK$0.5 million.

Remuneration Policies and Share Option Scheme

The Group incurred a salary of about RMB0.96 million with a total number of staff about 129 for the six months ended 31st December, 2001 and of about RMB0.77 million with a total number of staff about 127 for the six months ended 31st December, 2000.

Remuneration packages comprised salary and year-ended bonus based on individual merits. A share option scheme was adopted by the Company, pursuant to which the Directors may offer to any eligible employees (including executive directors) of the Company and any of its subsidiaries options to subscribe of shares in the Company in accordance with the terms of the share option scheme. However, no option was granted or outstanding up to 31st January, 2002.

Financial resources and liquidity

The Group has been in a healthy financial position with shareholders funds amounted to approximately RMB51 million as at 31st December, 2001 (2000: RMB28 million). Net current assets increased by approximately RMB22 million to RMB31 million as at 31st December, 2001. Bank borrowings stood steadily at the level of around RMB2 million in 2001. The funding of operations was mainly derived from the internal resources of the Group for the six months ended 31st December, 2001. After the Group's listing on 31st January, 2002 on the GEM of the Stock Exchange, the Group will utilize the net proceeds of approximately HK$89 million for the further expansion of its business as detailed in the "Business Objectives Comparison" underneath.

As the Group did not carry any long term debts over the six months ended 31st December, 2001 and all the current liabilities would be repayable within one year, the Group did not consider the gearing ratio would be so applicable in view of the current state.

Contingent Liabilities

As of the date of the report, the Directors are not aware of any material contingent liabilities.

BUSINESS REVIEW

The latter half of 2001 was definitely a fruitful period for the Group. Energy conservation remains a key concern globally as well as nationally. Favourable government policy continues to drive the demand for energy management systems (EMS) in the PRC. Government study has shown that every 1% improvement in energy efficiency in the PRC translates into RMB13 billion of direct economic benefits. As such, Creative Energy benefited significantly from this burgeoning market and favourable government policies. The effects are clearly evidenced in the Group's remarkable results.

Sales of our flagship product Savin 2000 I boosted about 2.66 times as compared to the same period of last year, contributing RMB27.3 million to the Group's total turnover this year. During the period under review, the Group completed 58 energy retrofit projects for various kinds of commercial buildings, including hotels, shopping malls, offices, hospitals and airports.

In July 2001, the Group successfully launched Savin 2000 II, a new product in our flagship series specially designed to reduce energy consumption of the public district heating systems in the PRC during cool and cold seasons. There are currently 286 cities in 21 provinces installed with public district heating systems in the PRC. Savin 2000 II mainly targeted at Northern PRC cities. During the period under review, the Group engaged into two retrofit energy projects for public district heating systems, respectively in Tianjin and Beijing. It is currently conducting a test project for a public district heating station in Beijing and the testing results have been satisfactory.

Towards strengthening the Group's sales and marketing network, the Group's extended new market coverage in various northern PRC cities, including Beijing and Dalian. During the period under review, the Group had a dedicated team of 35 sales and marketing staff who are well-versed in EMS solutions.

The management of Creative Energy fully understands that effective R&D is the key to the Group's success. During the period, we continued to maintain close working relationships with Tsinghua University. Our technical advisory board includes eight experts from Tsinghua University, specializing in air-conditioning, automation control and computer. At present, Creative Energy and Tsinghua University jointly forms a laboratory to focus on upgrading the existing Savin 2000 I and Savin 2000 II, as well as the R&D for the Group's future products.

PROSPECTS

On 31st January, 2002, the Group was successfully listed on the Growth Enterprise Board (GEM) of the Stock Exchange of Hong Kong Limited. The Group raised approximately HK$103.5 million through listing. Looking ahead, Creative Energy will utilize the net proceeds of approximately HK$89 million for upgrading of existing products, developing new product lines and new markets.

The Group believes that the PRC's entry into World Trade Organisation (WTO) will prove a favourable factor in our business development. The PRC's industrial sectors, currently dominated by State-owned enterprises (SOEs), consume over two-thirds of the PRC's total energy requirements. According to a study by Harvard University, energy consumption can potentially be reduced by 40% to 50% should the PRC's SOEs adopt more efficient energy control. With the PRC's entry into the WTO, we expect there will be increasing pressure for SOEs to trim their cost structure in face of intensifying foreign competition, especially industries with heavy energy consumption such as steel and chemicals.

Creative Energy, as one of the few providers of EMS in the PRC and enjoying enormous first mover advantages, is certain to benefit these favourable market conditions. Towards this end, the Group plans to launch Savin 2000 III in early 2002. Savin 2000 III are industrial water circulation systems used in various manufacturing environments. The steel, chemical and textile industries will be the initial targets.

In order to capture the booming market, Creative Energy has devised a comprehensive development plan, targeting at commercial, public heating, industrial and domestic markets. With our proven R&D capability, the Group endeavours to expand market share utilising the existing solid customer base. On the commercial side, the Group will improve Savin 2000 I, including R&D on new value-added energy efficiency technologies for Savin 2000 I and R&D on variable air volume systems with Tsinghua University. As for public district heating systems, we will improve Savin 2000 II and commence the R&D of district heating systems for upmarket residential communities.

On the industrial side, Savin 2000 III, which focuses on industrial water circulation system, has been completed. The trial launch has started in a chemical engineering factory in Fujian. The Group will also venture into the energy saving domestic appliance market and develop domestic compressor free air conditioners together with our long-term R&D partner, Tsinghua University.

Facing such vast market potentials and with our first mover advantages, outstanding R&D capability, comprehensive module library, solid customer base and effective revenue model, Creative Energy's future prospects are bright and we are confident in bringing satisfactory returns to our shareholders.

BUSINESS OBJECTIVES COMPARISON

As at the listing of the Company on 31st January, 2002, the business progress of the Group is substantially in line with the information as provided in the section headed "Business Objectives and Future Prospects" in the Prospectus. The details of the business progress of the Group are categorized as below:–

Research and development

Improve the Group's energy efficiency control technologies applied in Savin 2000 I, such as enhancing the system's sensitivity to changes in temperature, anti-interference, faster reaction time and internet diagnostic control functions;

Complete the development of technologies with Tsinghua University for integrating Savin 2000 I with the existing building management systems to form an integrated building control system with automated energy management functions and enjoy a wider customer base of building automation systems;

Cooperate with Tsinghua University and continue the overall planning and design of control technologies for VAV systems;

Develop integrated energy efficient control system for commercial buildings by integrating various value-added energy saving technologies developed by the Group to become one comprehensive energy efficient control system for central air-conditioning systems in commercial buildings;

Further improve the automation and control technologies adopted in the Group's Savin 2000 II, which is designed for the public district heating systems in northern PRC cities. The Directors believe that there are significant market potentials, especially in Beijing, for providing energy efficiency services for public district heating operators in the PRC;

Extend the applications of the Group's products and service by launching Savin 2000 III targeting at various industries such as steel, chemical, textile and printing. This system helps deploy optimum control of factory floor temperatures and control on the temperature of the water used in industrial cooling systems in a manufacturing environment; and

Commence the overall planning and development of 無壓縮機家用空調 (domestic compressor-free air conditioners) with Tsinghua University. The target customers for the product are mainly household users in the PRC. The Group intends to focus on the research and development of the technologies and the design of compressor-free air-conditioner and to license the design to domestic air-conditioner producers. The manufacturing and distribution part of the new products will be carried out by a partner who has established brand name and distribution network in the domestic air-conditioner market. The Group will share sales revenue or charge a royalty fee for its products.

Sales and marketing

Further expand the sales network by engaging regional distributors in each of the major cities in the 25 targeted provinces including Heilongjiang, Liaoning, Jilin, Inner Mongolia, Beijing City, Tianjin City, Henan, Hebei, Shandong, Shanxi, Shanghai City, Jiangsu, Anhui, Zhejiang, Chongqing City, Sichuan, Hunan, Hubei, Shaanxi and Guizhou in the PRC. The Group's five wholly-owned subsidiaries to be established will be responsible for providing technical supports to these distributors;

Continue to promote awareness of the Group's EMS solutions which include consultancy services in the new construction and retrofit market by organising product presentation seminars in various provincial cities and advertisements with media;

Maintain close relationship with government energy efficiency departments and increase cooperation with industry associations so as to obtain government supports and customer referrals;

Obtain industry standard and quality accreditations such as ISO 9001 for the Group's products and services;

Develop the Group's own website and sponsor other popular industry websites to advertise the Group's brand name;

Establish training centres in Beijing and Fuzhou in the PRC to provide training to the Group's engineering and sales staff as well as acting as training centres for the customer's operation staff; and

Conduct market research through the professional marketing research firm engaged by the Group to provide market information to the Group for the development of future sales and marketing strategies.

Geographical expansion

Improve the Group's distribution capacity by setting up five regional wholly-owned subsidiaries in Dalian, Chongqing, Beijing, Shanghai and Guangzhou to cover the northeastern, central, northern, eastern and southern regions of the PRC respectively. Each wholly-owned subsidiary will have comprehensive operating functions including sales and marketing, equipment installation, after-sales supports, technical support, training to internal staff as well as to the Group's customers in their respective regions; and

Establish a sales team with after-sales support capability in Hong Kong which signifies the Group's first step in developing the overseas markets.

DIRECTORS' AND CHIEF EXECUTIVE INTEREST IN SECURITIES

Following the listing of the Company on 31st January, 2002, according to the register kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's directors, chief executives and their associates in the securities of the Company or any associated corporations (as defined in the SDI Ordinance) were as follows:

Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total Number of Shares
Shum Fong Chung	243,000,000	–	–	–	243,000,000

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 3rd January, 2002, the Company had conditionally adopted a Share Option Scheme pursuant to which full-time and part-time employees, including executive directors, of the Company and its subsidiaries, may be granted an option to subscribe for Shares. Up to 31st January, 2002, no option was granted under the Share Option Scheme.

Save as disclosed above, up to 31st January, 2002, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance and none of the Company's directors, chief executives or their respective spouse, or children under 18 years of age were granted or had exercised any right to subscribe for shares or debentures of the Company or any other body corporate.

COMPETING INTERESTS

Up to 31st January, 2002, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at the listing of the Company on 31st January, 2002, other than the interests disclosed above in the section head "Directors' and Chief Executive Interest in Securities", no person was interested in 10 percent or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance.

SHARE OPTION SCHEME

On 3rd January, 2002, the Company conditionally adopted the Share Option Scheme, the principal terms of which are set out in the Company's prospectus dated 24th January, 2002.

Up to 31st January, 2002, no option has been granted by the Company under the Share Option Scheme.

INTEREST OF SPONSORS

As updated and notified by the Company's sponsor, Celestial Capital Limited ("CCL") and co-sponsor, JS Cresvale International Limited ("JS Cresvale"), as at 31st January, 2002, neither CCL and JS Cresvale nor their directors, employees and their associates had any interest in the shares of the Company or any subsidiaries of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any member of the Group.

Pursuant to the sponsor agreement dated 24th January, 2002 entered into between the Company and CCL, CCL has received and will receive fees for acting as the Company's sponsor for the period up to 30th June, 2004 or until the termination of the sponsor agreement upon the terms and conditions as set out therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Up to 31st January, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES

Since the date of listing of the Group on 31st January, 2002, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Group has established an audit committee with written terms of reference in compliance with the requirements as set out in rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee comprises two independent non-executive directors, namely Ms. Tsang Hiu Fung and Mr. Shi Jian Hui. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board.

On behalf of the Board
Shum Fong Chung
Chairman

Hong Kong, 5th February, 2002