



**GP NanoTechnology Group Limited**

(Incorporated in Bermuda with limited liability)

**2001  
Annual Report**



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

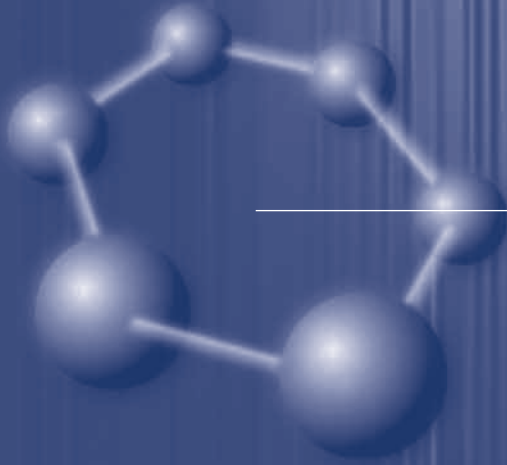
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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 annual 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 annual report.

This annual report, for which the directors of GP NanoTechnology Group Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to GP NanoTechnology Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



# ***CONTENTS***

---

|    |  |
|----|--|
| 2  | CORPORATE INFORMATION  |
| 3  | CHAIRMAN'S STATEMENT   |
| 9  | COMPARISON OF BUSINESS OBJECTIVES<br>WITH ACTUAL BUSINESS PROGRESS |
| 14 | DIRECTORS AND<br>SENIOR MANAGEMENT PROFILES                        |
| 17 | DIRECTORS' REPORT  |
| 23 | JOINT AUDITORS' REPORT   |
| 24 | CONSOLIDATED INCOME STATEMENT                                      |
| 25 | CONSOLIDATED BALANCE SHEET   |
| 26 | BALANCE SHEET  |
| 27 | CONSOLIDATED CASH FLOW STATEMENT                                   |
| 28 | NOTES TO THE FINANCIAL STATEMENTS                                  |
| 45 | FINANCIAL SUMMARY  |
| 46 | NOTICE OF ANNUAL GENERAL MEETING                                   |

CORPORATE  
INFORMATION**Executive Directors**

Mr. Fung Chiu (*Chairman*)  
Mr. Ong Hong Hoon (*Chief Executive*)  
Mr. Lian En Sheng  
Mr. Kwong Chun Kau  
Mr. Chow Chun Kwong

**Independent Non-executive Directors**

Mr. Fong Shi Sheung, Anthony  
Mr. Tsun Kok Chung, Richard

**Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

**Head Office and Principal Place of Business**

509–510 Lippo Centre  
Tower 2  
89, Queensway  
Hong Kong

**Company Secretary**

Mr. Cheung Ho Wah, Cliff ACCA

**Compliance Officer**

Mr. Chow Chun Kwong

**Qualified Accountant**

Mr. Cheung Ho Wah, Cliff ACCA

**Audit Committee**

Mr. Fong Shi Sheung, Anthony (*Chairman*)  
Mr. Chow Chun Kwong  
Mr. Tsun Kok Chung, Richard

**Technical Advisory Committee**

Dr. Chan Chi Ming (*Chairman*)  
Dr. Zeng Hanmin  
Dr. Chen Jian Feng  
Mr. Lian En Sheng

**Authorised Representatives**

Mr. Fung Chiu  
Mr. Chow Chun Kwong

**Bermuda Principle Share Registrar and Transfer Office**

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

**Hong Kong Branch Share Registrar and Transfer Office**

Standard Registrars Limited  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

**Principal Bankers**

Nanyang Commercial Bank Limited  
Bank of China (Hong Kong) Limited  
Hongkong and Shanghai Banking Corporation Limited

## FINANCIAL PERFORMANCE

On behalf of the Board of Directors (the "Board"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2001. During this first year of listing of the shares (the "Shares") of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Group recorded a turnover amounting to approximately HK\$79 million, compared to HK\$67 million for the same period in 2000.

For the financial year ended 31st December, 2001, the Group's turnover amounted to approximately HK\$79 million, representing an increase of 18% compared to the financial year of 2000. Such increase in turnover was due primarily to better sales of the Group's core products of PCC nanomaterials.

The Group's gross profit amounted to approximately HK\$36 million, representing an increase of 18% compared to the financial year of 2000. The improvement in gross profit was mainly due to the decrease in the cost of diesel and the installation of new energy saving facilities in the fourth quarter. Profit attributable to shareholders for the financial year ended 31st December, 2001 was approximately HK\$11 million and earnings per share was HK\$0.026.

Notwithstanding the improved turnover and gross profit, the Directors are of the opinion that the Group's financial performance could have been better if not for an unexpected combination of unfortunate global and local events, which either dampened product demand or hindered implementation of planned projects.

## DIVIDEND

The Board does not recommend the payment of a final dividend by the Company for the financial year ended 31st December, 2001. The payment of dividend in 2000 represents dividends paid by a subsidiary of the Company to its then shareholder prior to the Group Reorganisation.

## BUSINESS REVIEW

The year under review was a challenging one, and the Group's business was not spared the unexpected adverse effect of the slowdown in the global economy following the September 11 terrorist attack in the United States ("U.S."). As a result, demand for the Group's products in its main market, the PRC, was negatively affected. The prevailing lacklustre economic situation in South East Asia, which was further aggravated by the downturn in the U.S. economy, also hampered the Group's efforts to expand to regional markets.

Unforeseen circumstances leading to unavoidable delay in completion of the Group's joint venture research and development projects in the PRC inevitably resulted in further adverse impact on projected turnover. Furthermore, the implementation of a quality enhancement program for the manufacturing of ceramic fine powder had to be deferred to safeguard product quality.

The Group has also, in the third quarter of 2001, set up GP Nano Investments Limited that own 70% of Ever Innovation Limited, which in turn holds 100% equity of GP Nano Composite Materials Limited, a company involved in the manufacture and sale of PCC nanomaterials-filled PP nanocomposites, a product that can be used by the entire plastic industry.

During the year under review, the Group maintained its main line of business, namely, the manufacture and sale of PCC nanomaterials. As part of the ongoing efforts to expand its products range, the Group has successfully launched a new product line in the PRC market, PCC nanomaterials for the ink and paints industries, which can also be used by other industries. The sale of this new product is expected to make contribution to the Group in 2002.

In anticipation of market demand and as part of product range expansion, the Group has, in 2001, also successfully established a new product line of PCC nanomaterials for use in PP resin to produce high quality plastic household products. This development is ahead of its original schedule as set out in the Business Objective in the Prospectus. The Group is optimistic about this product as it can replace more expensive materials and yet improve product quality, and it will enable the Group to explore the market for manufacturers of high end products. The production facility for this product line has been set up, and the Group expects production to commence in March 2002.

In the production of ceramic fine powder, new equipment for quality enhancement has been successfully installed in the factory plants of Guang Ping Chemical Industrial Enterprise Co. Ltd. However, due to the unforeseen delay in identifying suppliers of the best quality raw materials for ensuring the finished product to be of the highest quality, production of enhanced ceramic fine powder is re-scheduled to around June 2002.

Production samples of the new SnO<sub>2</sub> nanomaterials and one category of natural gas detecting device, developed in collaboration with Xian Kai Yang, have been submitted to the licensing department of Guangdong Province in the PRC since the third quarter of 2001, and the Group expects to obtain the relevant production licences in March 2002. Actual production is expected to commence later in mid 2002. The Group is also currently co-operating with Shanghai Jiao Tong University Nanotechnology Research Institute to develop a new nanomaterials gas detecting device for carbon monoxide, details of which are set out in the section headed "Comparison of Business Objectives with Actual Business Progress" to this announcement.

In 2001, Guang Ping Chemical Industrial Enterprise Co. Ltd. received a research and development ("R&D") fund of RMB1 million from the Finance Department and the Science and Technology Department of Guangdong Province, for the purpose of research and development of the Group's project on SnO<sub>2</sub> nanomaterials gas sensing device.

During the year under review, the Group invested substantially in human resources, especially in personnel training, and office re-engineering with a long-term view to establishing a highly capable, competent and productive workforce operating in an extensively computerised environment. Office re-engineering includes setting up new offices and information system. The Group regards this investment for long-term benefit as essential in order to cope with an increasingly competitive marketplace and to maintain its lead in the industry.

Regarding the application of ISO 9001 for the Group's production facilities, the Hong Kong Productivity Council was appointed as the Group's consultant during the year under review, and the Group expects to receive ISO 9001 certification in mid 2002. The ISO 9001 certification will definitely enhance the Group's marketing efforts in the international arena.

## PRODUCTION

During the year under review, the Group successfully installed a new energy saving equipment for the production of PCC nanomaterials. By using the new energy saving equipment, the Group can use coal, a cost saving fuel, to replace a large quantity of diesel fuel, resulting in significant reduction in overall production costs. The Group has improved the existing PCC nanomaterials production facility, resulting in an increase of approximately 7,000 tonnes to the total annual production capacity. Regarding production of PCC nanomaterials for the ink and paints industries, due to the rather stagnant global economy in 2001, the Group considered it prudent to commit the first production line with an output capacity of 3,500 tonnes. Operation of the other production lines will be deferred until the economy picks up.

For producing SnO<sub>2</sub> nanomaterials and new gas sensing devices, the Group has established a clean room for stabilising materials and a production line which is ready for mass production as soon as the relevant licences are obtained.

In Dongguan, the PRC, the Group is also setting up a new production line for producing PCC nanomaterials-filled PP nanocomposites. Installation of machinery began in stages in December 2001, with a view to an eventual annual production capacity of approximately 10,000 tonnes in 2002.

## RESEARCH AND DEVELOPMENT

The Group is currently carrying out research on using ADDP surface treatment method to improve the performance of PCC nanomaterials. The initial co-operation in 2001 with Wuxi University on this research could not be continued due to unforeseen circumstances. Nevertheless this project is ongoing, as the Group's internal R&D section is still working on its own portion of the joint-development project, even as the Group is seeking another party to carry out and complete the external portion of the project (originally undertaken by Wuxi University).

During the year under review, the Group established a co-operation agreement with Hong Kong University of Science and Technology ("HKUST") for the research and development of PCC nanomaterials-filled PP nanocomposites. With the assistance of HKUST, the Group has successfully obtained a patent from the United States Patent and Trademark Office for PCC nanomaterials-filled PP nanocomposites. The HKUST will continue with further development into the mixing of PCC nanomaterials with other polymers to produce new polymer nanocomposites.

Apart from the main R&D centre located at Enping, Guangdong Province, another smaller R&D centre has also been set up and commissioned in Dongguan, the PRC, as the Group considers Dongguan to be a better and more strategic location. Reflecting existing needs, eight engineers were recruited for the R&D centre in 2001 and additional personnel will be recruited in 2002 to cope with increased activities in the R&D centre. The Group will continue to identify and carry out all relevant R&D activities in order to ensure that all the Group's products maintain the highest quality and competitiveness in the global market.

## MARKETING AND OTHERS

The Group has established a marketing office in Dongguan in mid 2001, and will set up a liaison office in Shanghai in 2002. In the Hong Kong office, three marketing staff were recruited to monitor the Group's sales and marketing efforts in 2001. For the U.S. market, the Group is still identifying the right sales agent, while for the South East Asian market, the Group is negotiating with potential parties to be sales agents.

The Group will continually computerise its information system in order to enhance production efficiency, and the Group's website, [www.gpnano.com](http://www.gpnano.com) is being fully utilised.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2001, the Group had net assets of approximately HK\$126 million (2000: approximately HK\$32 million) comprising non-current assets of approximately HK\$95 million (including fixed assets of approximately HK\$81 million (2000: approximately HK\$26 million) and deposit made for acquisition of investments of approximately HK\$14 million (2000: Nil)), current assets of approximately HK\$61 million (2000: approximately HK\$53 million), current liabilities of approximately HK\$25 million (2000: approximately HK\$35 million), long term liabilities of approximately HK\$4 million (2000: approximately HK\$12 million) and minority interests of approximately HK\$1.4 million (2000: Nil). The Group had cash and bank deposit of approximately HK\$15 million in total (2000: approximately HK\$0.3 million), short term borrowings of approximately HK\$9 million (2000: approximately HK\$17 million) and long term borrowings of approximately HK\$4 million (2000: approximately

CHAIRMAN'S  
STATEMENT

HK\$12 million). The Group's leasehold land and buildings at a net book value of approximately HK\$20 million has been pledged to banks to secure borrowings granted to the Group. The net asset value per share amounted to approximately HK\$0.25.

As at the balance sheet dated 31st December, 2001, the Group's gearing ratio, representing total borrowings divided by shareholders' funds, was approximately 10% (2000: approximately 91%). The Group has no material contingent liabilities as at 31st December, 2001 and 31st December, 2000.

The Group received Renminbi income from sales in the PRC. The Renminbi income is used to meet working capital commitments in the PRC. As the Group believes that Renminbi will remain relatively stable in the foreseeable future, the Group considers that there is no significant exposure to foreign exchange risk.

The Group generally finances its operations with internally generated cashflows and bank facilities and the Group has no specific treasury policies. As at 31st December, 2001, the Group had no outstanding foreign exchange contracts, interest on currency swaps or other financial derivatives.

As at 31st December, 2001, the Group had capital expenditure commitments of approximately HK\$1.4 million (2000: approximately HK\$1.8 million) relating to the acquisition of property, plant and machinery. In addition, the Group had commitments to pay approximately HK\$1.9 million (2000: approximately HK\$1.6 million) to various universities and research centres for the development of new products.

During the financial year ended 31st December, 2001, the Group had no material acquisitions and disposals of subsidiaries and affiliated Companies, and material investment.



**USE OF PROCEEDS**

The Group raised net proceeds of HK\$44 million (after deduction of listing expenses) from the placing of Shares and listing of the Shares on GEM on 17th July, 2001. From 17th July, 2001 to 31st December, 2001, the Group had utilised approximately HK\$30.4 million in accordance with the Group's business objectives and strategies set out in the Prospectus, which include product development, production, sales and operations, research and development, and other activities. An analysis of the use of proceeds as at 31st December, 2001 is as follows:

|   | <b>Actual</b><br>(HK\$ million) | <b>As stated in<br/>prospectus up to<br/>31st December,<br/>2001 planned</b><br>(HK\$ million) |
|---|---------------------------------|--|
| <b>Product development and development of production facilities</b>                     |                                 |  |
| For setting up of new production facilities   | 19.6                            | 15   |
| For upgrading the Group's computer software, hardware and management information system | 0.1                             | 1  |
| <b>Enhancement of research and development capabilities</b>                             |                                 |  |
| For research and development of new product   | 1.2                             | 1  |
| <b>Geographical expansion</b>   |                                 |  |
| For setting up a sales office in Dongguan and a liaison office in Shanghai              | 0.4                             | 0.5  |
| <b>Others</b>   |                                 |  |
| For repayment of bank loans and other loans   | 9.1                             | 10   |
|   | 30.4                            | 27.5   |

Use of proceeds is almost the same as the estimation made in the Prospectus dated 9th July, 2001. The differences in the actual and planned expenditures are due to the setting up of the production line for PP resin ahead of its original schedule in 2002 and the installation of the larger capacity energy saving facilities.

The remaining net proceeds of approximately HK\$13.6 million have been placed with licensed banks in Hong Kong for future use in accordance with business plans as stated in the Prospectus. The Directors do not envisage any circumstances that may lead to any material alteration in the proposed use of the net proceeds.

**PROSPECT**

The Directors are optimistic that the continued economic growth of the PRC and its accession into the World Trade Organisation will be beneficial to the Group, as there will be an increasing demand for plastic, paper, rubber, paints and engineering components, all of which are products that require PCC nanomaterials. Further, the Directors believe that PCC nanomaterials will gradually replace all conventional PCC materials.

CHAIRMAN'S  
STATEMENT

Due to the broad commercial applications of nanomaterials, and given the rising standard of living and other lifestyle indicators especially in the PRC market, there is tremendous potential for the Group's nanomaterials. The Group is also excited about PCC nanomaterials-filled PP nanocomposites, as this product can be tailor-made to suit customers' individual requirements. With the assistance of HKUST, the Group is developing new PCC nanomaterials-filled polymer nanocomposites, which eventually, can cover the whole plastic industry. Hence, the Directors remain confident about the Company's prospects, and that the Group is on track to achieve the business objectives as set out in the Company's prospectus.

**APPRECIATION**

On behalf of the Board of Directors, I wish to thank all our valued shareholders, customers, business associates, the various government and regulatory authorities, consultants, and advisors for their invaluable assistance, strong support and encouragement.

I would also like to express my thanks and appreciation to my fellow Directors, the management and the staff for their dedication, commitment and valuable contributions that have enabled the Group to reach its present level of achievement.

Our valued shareholders can be assured that the Board, the management and the staff will continue to work diligently for the sustained progress of the Group.

**Fung Chiu**  
*Chairman*

The following is the actual progress report made in comparison with the business objectives as set out in the Prospectus of the Company dated 9th July, 2001 for the period from 17th July, 2001 to 31st December, 2001.

**A. Product development**

- **PCC nanomaterials**

- *Improve the performance of PCC nanomaterials by using the ADDP surface treatment method*

This project began as a co-operative project with Wuxi University, the PRC. However, due to the relocation and transfer of the research scientist to another university, difficulties arose at Wuxi University, which would have resulted in an adverse effect on the objectives of the project. Thus, the Group considered it prudent to terminate the co-operative project with Wuxi University, and is currently seeking another party to continue with and complete the project. Nevertheless this project is ongoing, as the Group's internal R&D section is still working on its own portion of the joint-development project.

- *Launch new PCC nanomaterials for the ink and paints industries in the PRC*

This product line was launched in 2001 and can also be used in other industries such as the adhesives and rubber industry. It is expected to make contribution to the growth of the Group in 2002.

- **Ceramic fine powder**

- *Resumption of commercial production of quality enhanced ceramic fine powder for the automobile industry in the PRC in August 2001*

This is a vertically integrated manufacturing activity, and as product quality is always of paramount importance to meet international standards, the Group had to spend extra time to identify suppliers of the highest quality raw materials. Hence, this activity is being re-scheduled to June 2002 in order to safeguard the quality of the finished product.

- **SnO<sub>2</sub> nanomaterials gas sensing device**

- *Launch new SnO<sub>2</sub> nanomaterials and gas sensing device for detecting natural gas, in the PRC*

Production samples of the SnO<sub>2</sub> nanomaterials natural gas sensing devices, developed in collaboration with Xian Kai Yang since 1999, have been submitted to the licensing department of Guangdong Province in the PRC since the third quarter of 2001. The Group expects to obtain the relevant production licences in March 2002 and actual production is expected to commence later in 2002.

The Group is also currently co-operating with Shanghai Jiao Tong University Nanotechnology Research Institute (the "Institute") to develop a new nanomaterials gas detecting device for carbon monoxide. This new device is expected to be ready in April 2002 for testing. The Group and the Institute will continue to develop other types of gas detecting devices.

**B. Expansion of production facilities**

● **PCC nanomaterials**

- *Purchase a reaction facility for producing PCC nanomaterials for the ink and paints industries, with initial annual production capacity at approximately 10,000 tonnes*

We have installed the first production line with a production capacity of 3,500 tonnes. Due to the relatively stagnant global economy in 2001, which has generally dampened product demand, the Group has decided to defer installation of the other lines.

- *Establish a production line for producing ADDP for surface treatment process, with initial production capacity at approximately 400 tonnes*

The production is being deferred as the Group is currently seeking another party to carry out and complete the external portion of the R&D project that was originally undertaken by Wuxi University, and now terminated. (Refer to comment in Section A).

- *Improve the existing production facility so as to increase an additional of approximately 7,000 tonnes to the total annual production capacity*

This has been achieved, and the contribution of the increased output of PCC nanomaterials is reflected in the year 2001 earnings.

According to the Group's original business objectives as mentioned in the Prospectus, the Group intends to set up a production line for PP resin in the first half of 2002. However, anticipating the market demand for PP resin, the Directors were able to successfully establish a new production line for PP resin in 2001, ahead of schedule.

● **Ceramic fine powder**

- *Improve the existing production line so as to increase the annual production capacity by approximately 100 tonnes*

This was deferred due to extra time required to identify suppliers of high quality raw materials. (Refer to comment in Section A.)

● **SnO<sub>2</sub> nanomaterials gas sensing device**

- *Establish a production line for producing SnO<sub>2</sub> nanomaterials gas sensing device, with annual production capacity at approximately 2 million pieces*

As the development of the SnO<sub>2</sub> nanomaterials gas sensing device was conducted in the northern part of the PRC, there was an unforeseen hitch when the stability of materials was affected by the different climatic conditions in Guangdong Province (southern PRC). As such, a clean room facility had to be set up to ensure the stability of materials. The Group expects to obtain the relevant production licences in March 2002.

- **Others**

- *Computerise the information system so as to enhance production efficiency*

This has been successfully achieved.

- *Appoint a consultant for the application for ISO 9001 certification for the Group's production facilities in order to promote its corporate image in the market*

This has been successfully carried out. The Group appointed Hong Kong Productivity Council as consultant for ISO 9001 application and expects to receive ISO 9001 certification in mid 2002.

**C. Geographical expansion**

- *Recruit marketing staff in Hong Kong to monitor the Group's sales and marketing efforts*

This has been achieved.

- *Appoint a sales agent in the U.S. for the Group's expansion in the North American market*

We had identified a suitable party, but since this party wanted exclusive distribution rights, which the Group considered not favourable to its interests, the Group will continue to search for another sales agent.

- *Appoint sales agents in South East Asia for the Group's expansion in the South East Asian market*

Due to the economic slowdown in South East Asia in 2001, the Group is still negotiating with potential parties.

- *Participate in international conferences and trade exhibitions*

Representatives from the Group attended the following events:

1. 4th–5th June, 2001  
Nanocomposites 2001 — The Path to Commercialization Conference & Exhibition in Baltimore, U.S.
2. 3rd July, 2001  
The International Symposium on Application of Nanotechnology and Nanomaterials in Beijing
3. 6th–7th September, 2001  
Asian Plastics Technology Conference in Taiwan.
4. 12th–17th October, 2001  
The Third China Hi-Tech Fair in Shenzhen
5. 14th November, 2001  
The 6th China International Exhibition for Coating and Printing Inks in Shenzhen (China Coat 2001)

- *Organise seminars and workshops for potential customers*
  1. 7th November, 2001  
Federation of Hong Kong Industries — Seminar on Nanotechnology in Hong Kong
- *Maintain the Group's own website [www.gpnano.com](http://www.gpnano.com) to promote the Group's products.*

The website is being fully utilised.

**D. Enhancement of research and development capabilities**

- **PCC nanomaterials**
  - *Co-operation with Wuxi University, and the development of new PCC nanomaterials produced by ADDP surface treatment method*

Although the co-operation with Wuxi University was terminated, the project is still ongoing as the Group's internal R&D section continues working on its own portion of the joint-development project, while the Group is seeking another party to replace Wuxi University, (Refer to comment in Section A.)
  - *To establish co-operation with the Hong Kong University of Science and Technology to develop production techniques to produce PCC nanomaterials to mix with PP resin*

With the assistance of HKUST, the Group has successfully obtained a U.S. patent from the United States Patent and Trademark Office for PCC nanomaterials-filled PP nanocomposites. The HKUST will continue with further development into the mixing of PCC nanomaterials with other polymers to produce new polymer nanocomposites. The Group is currently setting up a factory located in Dongguan, the PRC, for the production of those products developed by HKUST and the Group's own R&D centre.
- **Ceramic fine powder**
  - *Cooperate with ICMCAS to develop plasma production technique*

This project has been deferred to ensure the quality of the finished product. (Refer to comment in Section A.)
- **SnO<sub>2</sub> nanomaterials**
  - *Co-operation with Shanghai Jiao Tong University Nanotechnology Research Institute and Xian Kai Yang to develop new production techniques to produce SnO<sub>2</sub> nanomaterials and new gas sensing devices to detect carbon monoxide, alcoholic gas and smoke.*

Please refer to comment in Section A.

- **Others**

- *Establish a R&D centre in Hong Kong or Shenzhen to develop new PCC nanomaterials for various industries*

A R&D centre has been successfully set up and commissioned in Dongguan, the PRC, as the Group considers Dongguan to be a better and more strategic location than Hong Kong.

- *Recruit about 8 engineers in the PRC for the R&D centre*

In 2001, as a start, eight engineers were recruited specifically for the R&D centre, based on existing needs and amount of work.

DIRECTORS AND  
SENIOR  
MANAGEMENT  
PROFILES

## DIRECTORS

## Executive Directors

**FUNG Chiu (馮照)**, aged 66, is the Chairman of the Company and is responsible for the strategic planning, corporate policy and overall management of the Group. He has over 25 years of experience in import and export management in the PRC. He also has 16 years of working experience in corporate management within the building materials industry and textile industry. Mr. Fung first joined GPCI as a director in 1986. He resigned in 1989 to pursue other business interests. However, with ESN's indirect acquisition of GPCI in 1996, he was re-appointed as the director of GPCI in October 1996. He was appointed as a Director on 13th October, 2000.

**ONG Hong Hoon (翁宏文)**, aged 52, is the chief executive of the Group and is responsible for the overall daily management of the Group. He has over 25 years of experience in banking industry and is specialised in retail banking, credit analysis, risk management and strategic planning. He was elected as an associate of The Institute of Bankers in London in 1980. He is presently the vice chairman of The Licensed Money Lenders Association Limited of Hong Kong. He was appointed as the chief executive of the Hong Kong office of the Public Bank Berhad of Malaysia in 1990 and was seconded to Winton Holdings (Bermuda) Limited as an executive director in 1995 and later as its chief executive officer. He has been approved by the People's Bank of China to be a chief representative of the Public Bank Berhad of Malaysia in Beijing between 1993 and 1995. He was also a director of JCG Finance Company Limited from 1995 to 1997. Mr. Ong holds a diploma in management from the Malaysian Institute of Management and a master degree in business administration from Golden Gate University in USA. Mr. Ong joined the Group in January 2001. He was appointed as a Director on 12th January, 2001.

**LIAN En Sheng (練恩生)**, aged 57, is an executive director of the Company and is responsible for the daily operations of GPCI. Mr. Lian started his career as a mechanical engineer in 1964 and specialised in the mechanical aspects of chemical engineering. He has been working in the chemical industry for over 17 years. He joined GPCI as a director in June 1986. He was appointed as a Director on 13th October, 2000.

**KWONG Chun Kau (鄺振球)**, aged 51, is an executive director of the Company and is responsible for sales and marketing. He has over 16 years of experience in industrial and trading expertise management in the PRC. He joined GPCI as a director in October 1996. He was appointed as a Director on 13th October, 2000.

**CHOW Chun Kwong (周振光)**, aged 43, is the finance director and compliance officer of the Company and is responsible for the overall financial management of the Group. He has worked for reputable accounting firms in Hong Kong for more than 13 years and had been a financial controller of a manufacturing company for 2 years. He holds a Diploma in Accounting from the Hong Kong Shue Yan College and a Bachelor of Commerce (Banking and Finance) from the Curtin University of Technology, Western Australia. Mr. Chow joined the Group in April 2000. He was appointed as a Director on 13th October, 2000.

## Independent non-executive directors

**FONG Shi Sheung, Anthony (方士驥)**, aged 54, is currently an Associate Professor and Director of Electronic Design Automation Centre in the Electronic Engineering Department of City University of Hong Kong. He is also a visiting Professor at the Institute of Electronics, Chinese Academy of Sciences in Beijing and a member of the Microelectronics Advisory panel at the Hong Kong Industrial Technology Centre. He possesses over 19 years of experience in computer, architecture, design and engineering management gained from leading computer manufacturers in the United States. He currently holds 5 patents in computer engineering in the United States and was appointed as an independent non-executive Director of the Company on 13th October, 2000.



**TSUN Kok Chung, Richard (秦覺忠)**, aged 38, is a partner of Fong & Ng. He received his LLB with Honours from the University of Essex in England in 1988 and LLM with Honours from the University of Cambridge in 1991. In 1993, he was admitted as a solicitor in Hong Kong. He specialises in securities law and corporate finance. He was appointed as an independent non-executive Director of the Company on 13th October, 2000.

#### SENIOR MANAGEMENT

**CHAN Guo Rong**, aged 41, is the general manager of the Group and a director of GPCI. He is responsible for GPCI's factory management. He has over 15 years of experience in chemical factory management and joined the Group in 1987. He was appointed a director of GPCI since 1996.

**JIANG Zhi Rong**, aged 45, is the assistant general manager of the Group and a director of GPCI. He is responsible for GPCI's sales and marketing. He has over 21 years of experience in sales and marketing and joined the Group in 1990. He was appointed a director of GPCI since 1996.

**KEUNG Sau Tim**, aged 49, is the marketing director of the Group and is responsible for sales and marketing and business development of the Group. He has over 26 years of experience in production planning, inventory control and quality control and joined the Group in January 2001. He holds a higher diploma in production engineering and a diploma in management studies from the Hong Kong Polytechnic. He is currently a non-executive director of a Hong Kong listed company engaged in the manufacturing of plastic product.

**CHEUNG Ho Wah, Cliff**, aged 43, is the finance manager of the Group and company secretary of the Company. He is responsible for the overall accounting function of the Group. He has over 19 years of experience in commercial, accounting and auditing fields. He is an associate member of the Association of Chartered Certified Accountants. He joined the Group in 2000.

**LOK Ying Kwong, Stephen**, aged 51, is the market development manager of the Group and is in charge of the Group's project development. He received his Master degree of Science (Hons) in Manufacturing Systems Engineering (with Distinction) from the University of Warwick, UK; an Associateship and a Higher Diploma in Production Engineering from The Hong Kong Polytechnic University. He has over 15 years of experience in engineering and marketing; and over 8 years of experience as a lecturer in The Hong Kong Polytechnic University. He joined the Group in 2001.

**CHAN Sau Han, Edith**, aged 25, is the project coordinator of the Group and is in charge of the group's research and development in Dongguan. She received her Master degree of Philosophy (Hons) in Chemistry and a Bachelor degree of Science (Hons) in Chemistry from Chinese University of Hong Kong. She has 2 years of experience as a teaching assistant of Chinese University of Hong Kong. She joined the Group in 2001.

**YEUNG Tin Yau, Benedict**, aged 28, is the project manager of the Group. He is responsible for the general administration and management of new projects of the group. He received his Master degree of Science (Hons) in Financial Management and a Bachelor degree of Science (Hons) in Business Studies from UK. He has over 3 years of experience in administration and management before he joined the Group in 2000.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EMPLOYEES

As at 31st December, 2001, the Group employed a total of 320 staff (2000: 313), of which 15 (2000: 12) and 305 (2000: 301) located in Hong Kong and the PRC respectively. They were remunerated in line with market conditions and the employee benefits available for eligible employees included year-end payment, mandatory provident fund and medical insurance scheme.

In order to strengthen the Group's culture and the courtesy level of employees, the Group provided employees with different on-the-job training and seminars. These training and seminars concentrated on employees' management and technical skills.

The directors of the Company present their first report and the audited financial statements of the Company for the period from 17th July, 2000 (date of incorporation) to 31st December, 2001 and of the Group for the year ended 31st December, 2001.

Pursuant to written resolutions passed by the shareholders and the directors of the Company on 15th June, 2001, the shareholders and the directors agreed that no financial statements for the period ended 31st December, 2000 had to be prepared.

### **REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 17th July, 2000.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of the Group on 17th April, 2001. Details of the group reorganisation are set out in note 1 to the financial statements.

The shares of the Company have been listed on the GEM since 17th July, 2001.

### **CHANGE OF NAME**

Pursuant to a resolution passed at a board of directors meeting of the Company held on 13th March, 2001, the name of the Company was changed from Guang Ping NanoTechnology Group Limited to GP NanoTechnology Group Limited.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 28 to the financial statements.

### **RESULTS AND APPROPRIATION**

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 24 of the annual report.

During the year, a subsidiary distributed HK\$13 million to its former shareholder prior to becoming a member of the Group.

The directors of the Company do not recommend the payment of a dividend.

### **SHARE CAPITAL**

Details of movements in the authorised and issued share capital of the Company since its incorporation are set out in note 19 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

The leasehold land and buildings of the Group were revalued on 31st December, 2001. The resulting surplus arising on revaluation of these properties amounted to approximately HK\$17,346,000 have been credited to the asset revaluation reserve.

During the year, the Group spent, in aggregate, approximately HK\$39 million on the acquisition of property, plant and equipment for the purpose of expanding the Group's business.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

## DIRECTORS

The directors of the Company since incorporation and up to the date of this report were:

### Executive directors:

|                     |                                   |
|---------------------|-----------------------------------|
| Mr. Fung Chiu       | (appointed on 13th October, 2000) |
| Mr. Ong Hong Hoon   | (appointed on 12th January, 2001) |
| Mr. Lian En Sheng   | (appointed on 13th October, 2000) |
| Mr. Kwong Chun Kau  | (appointed on 13th October, 2000) |
| Mr. Chow Chun Kwong | (appointed on 13th October, 2000) |

### Independent non-executive directors:

|                              |                                   |
|------------------------------|-----------------------------------|
| Mr. Fong Shi Sheung, Anthony | (appointed on 13th October, 2000) |
| Mr. Tsun Kok Chung, Richard  | (appointed on 13th October, 2000) |

In accordance with clauses 86 and 87 of the Company's Bye-law. Messrs. Lian En Sheng and Kwong Chun Kau will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

Each of the executive and independent non-executive directors has entered into a service agreement with the Company for an initial term of two years commencing from 1st January, 2001, and continuing until terminated by not less than three months' notice which notice period shall not expire until the end of the two-year period.

Save as disclosed above, none of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN SECURITIES

As at 31st December, 2001, the interests of the directors and chief executive and their respective associates in the share capital of the Company and its associated corporations as recorded in the register required to be maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

| Name of director   | Number of shares held |                  |                     |                 |
|--------------------|-----------------------|------------------|---------------------|-----------------|
|                    | Personal interests    | Family interests | Corporate interests | Other interests |
| Mr. Fung Chiu      | —                     | —                | —                   | (Note)          |
| Mr. Kwong Chun Kau | 200,000               | —                | —                   | (Note)          |

Note: 277,600,000 shares are owned by Modern World Resources Limited and Solidbase Holdings Limited.

Modern World Resources Limited is beneficially owned as to 68.75% by Ms. Wong Yau Ming, as to 18.75% by Mr. Fung Chiu and as to 12.5% by Mr. Kwong Chun Kau.

Solidbase Holdings Limited is owned as to 99.99% by Modern World Resources Limited and 0.01% by Suez Asia Holdings Pte. Ltd ("Suez Asia") through Full Joy Management Limited.

Save as disclosed above, none of the directors and chief executive or their associates had any interests in any securities of the Company or any of its associated corporations.

## SHARE OPTIONS

The Company's share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed on 29th June, 2001 for the primary purpose of providing incentives to directors and eligible employees, will expire on 16th July, 2011. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or any of its associates in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of offer, upon payment of HK\$1 per option. Options may be exercised at any time from 3 years from the date of grant of the share option to the 10 year anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the share for the five business days immediately preceding the date of grant.

No options had been granted or agreed to be granted under the Scheme since its adoption.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance show that, the following shareholders had an interest of 10% or more in the issued share capital of the Company:

| Name of shareholder                               | Number of shares held |                 |
|---|-----------------------|-----------------|
|   | Direct interest       | Deemed interest |
| Modern World Resources Limited ( <i>Note 1</i> )  | 180,850,000           | —               |
| Solidbase Holdings Limited ( <i>Note 2</i> )      | 96,750,000            | —               |
| Victory Move Technology Limited ( <i>Note 3</i> ) | 77,400,000            | —               |
| Suez Asia ( <i>Notes 2 and 4</i> )                | 45,000,000            | 96,750,000      |

*Notes:*

1. Modern World Resources Limited is beneficially owned as to 68.75% by Ms. Wong Yau Ming, as to 18.75% by Mr. Fung Chiu and as to 12.5% by Mr. Kwong Chun Kau.
2. Solidbase Holdings Limited is beneficially owned by Full Joy Management Limited. Full Joy Management Limited is owned as to 99.99% by Modern World Resources Limited and 0.01% by Suez Asia.
3. Victory Move Technology Limited is beneficially owned by Mr. Ng Kwok Kuen and Mr. Chan Tak Shun, Frederick in equal shares. Both of whom are independent third parties and are not connected with an chief executive, director, initial management shareholders, or substantial shareholders of the Company or any of their respective associates. Neither of them is involved in the management or the operation of the business of the Group.
4. Suez Asia has the right to nominate the sole director of Full Joy Management Limited and accordingly, Suez Asia is deemed to be interested in 96,750,000 shares of the Company held by Solidbase Holdings Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2001.

## MANAGEMENT SHAREHOLDERS

So far as the directors are aware, the following persons are individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and who are able, as a practical matter, to direct or influence the management of the Company or considered to be the management shareholder of the Company:

| Name of shareholder                              | Number of shares held |
|--|-----------------------|
| Modern World Resources Limited ( <i>Note 1</i> ) | 180,850,000           |
| Solidbase Holdings Limited ( <i>Note 2</i> )     | 96,750,000            |

### Notes:

1. Mr. Fung Chiu and Mr. Kwong Chun Kau, executive directors of the Company, is the beneficial owner of 18.75% and 12.5% respectively of the issued share capital of Modern World Resources Limited.
2. Solidbase Holdings Limited is 100% owned by Full Joy Management Limited who is 99.99% owned by Modern World Resources Limited.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for approximately 65% of the purchase of the Group and the largest supplier accounted for approximately 23% of the Group's total purchase.

Save as disclosed above, none of the directors, their respective associates and shareholders of the Company (which to the knowledge of the directors own more than 5% of the issued capital of the Company) had any interest in any of the five largest suppliers of the Group for the financial year ended 31st December, 2001.

The aggregate sales attributable to the five largest customers contributed less than 30% of the Group's total sales.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As the Company only became a listed Company on 17th July, 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## AUDIT COMMITTEE

An audit committee was established on 29th June, 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"). The audit committee has three members comprising two independent non-executive directors, namely, Mr. Fong Shi Sheung, Anthony and Mr. Tsun Kok Chun, Richard and the executive director, Mr. Chow Chun Kwong.

Two audit committee meetings were held since its establishment to 31st December, 2001. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The Group's quarterly results for the three months ended 30th June, 2001, the three months ended 30th September, 2001 and for the year ended 31st December, 2001 have been reviewed by the Committee.

#### **SPONSOR'S INTERESTS**

Neither Shenyin Wanguo Capital (H.K.) Limited ("Shenyin Wanguo") nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31st December, 2001.

Pursuant to the agreement dated 6th July, 2001 entered into between the Company and Shenyin Wanguo, Shenyin Wanguo will act as the Company's continuing sponsor for the period of two years commencing from 17th July, 2001.

#### **JOINT AUDITORS**

The financial statements were audited by Messrs. Deloitte Touche Tohmatsu and K.L. Lee & Partners C.P.A. Limited. A resolution will be submitted to the annual general meeting of the Company to re-appoint them as joint auditors.

On behalf of the Board

**Ong Hong Hoon**

*Chief Executive*

Hong Kong, 25th March, 2002



# Deloitte Touche Tohmatsu

Certified Public Accountants  
26th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

K. L. Lee & Partners  
C. P. A. Ltd



李家樑合伙會計師  
事務所有限公司

Room 1303  
Shanghai Industrial Investment Building  
60 Hennessy Road, Wanchai  
Hong Kong

JOINT  
AUDITORS'  
REPORT

Joint Auditors' Report

TO THE SHAREHOLDERS OF  
**GP NANOTECHNOLOGY GROUP LIMITED**  
*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 24 to 44 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2001 and of the profit and cash flows of the Group for the then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**DELOITTE TOUCHE TOHMATSU**  
*Certified Public Accountants*

**K. L. LEE & PARTNERS C. P. A. LIMITED**  
**Lee Ka Leung, Daniel**  
Practising Certificate Number P01220

Hong Kong, 25th March, 2002

CONSOLIDATED  
INCOME  
STATEMENT

|                                     | NOTES | 2001<br>HK\$'000<br>(Note 1) | 2000<br>HK\$'000<br>(Note 1) |
|-------------------------------------|-------|------------------------------|------------------------------|
| Turnover                            |       | 79,323                       | 67,290                       |
| Cost of sales                       |       | (42,944)                     | (36,382)                     |
| Gross profit                        |       | 36,379                       | 30,908                       |
| Other revenue                       |       | 413                          | 167                          |
| Distribution costs                  |       | (4,377)                      | (5,499)                      |
| Administrative expenses             |       | (17,438)                     | (6,811)                      |
| Profit from operations              | 4     | 14,977                       | 18,765                       |
| Finance costs                       | 5     | (2,041)                      | (2,778)                      |
| Profit before taxation              |       | 12,936                       | 15,987                       |
| Taxation                            | 7     | (1,769)                      | (2,150)                      |
| Profit before minority interests    |       | 11,167                       | 13,837                       |
| Minority interests                  |       | 81                           | —                            |
| Profit attributable to shareholders | 8     | 11,248                       | 13,837                       |
| Dividends                           | 9     | —                            | 13,000                       |
| Earnings per share                  | 10    | 2.6 cents                    | 3.6 cents                    |

There were no recognised gains or losses other than the profit attributable to shareholders.

For the year ended 31st December, 2001

CONSOLIDATED  
BALANCE SHEET

|   | NOTES | 2001<br>HK\$'000 | 2000<br>HK\$'000<br>(Note 1) |
|---|-------|------------------|------------------------------|
| <b>Non-Current Assets</b>                       |       |                  |                              |
| Property, plant and equipment                   | 11    | 80,772           | 26,470                       |
| Deposits made for acquisition of investments    |       | 14,019           | —                            |
|   |       | <b>94,791</b>    | 26,470                       |
| <b>Current Assets</b>                           |       |                  |                              |
| Inventories                                     | 13    | 3,818            | 9,635                        |
| Trade receivables                               | 14    | 16,345           | 19,055                       |
| Other receivables, deposits and prepayments     |       | 6,645            | 8,013                        |
| Short term loans receivable                     |       | 19,283           | —                            |
| Amount due from a related company               | 15    | —                | 15,982                       |
| Bank balances and cash                          |       | 15,203           | 306                          |
|   |       | <b>61,294</b>    | 52,991                       |
| <b>Current Liabilities</b>                      |       |                  |                              |
| Trade payables                                  | 16    | 4,292            | 5,668                        |
| Other payables and accrued charges              |       | 7,517            | 10,141                       |
| Amount due to substantial shareholder           | 17    | 3,225            | —                            |
| Taxation  |       | 746              | 2,009                        |
| Bank and other borrowings — due within one year | 18    | 9,336            | 17,187                       |
|   |       | <b>25,116</b>    | 35,005                       |
| <b>Net Current Assets</b>                       |       | <b>36,178</b>    | 17,986                       |
|   |       | <b>130,969</b>   | 44,456                       |
| <b>Capital and Reserves</b>                     |       |                  |                              |
| Share capital                                   | 19    | 50,000           | —                            |
| Reserves  | 20    | 76,030           | 32,226                       |
|   |       | <b>126,030</b>   | 32,226                       |
| Minority interests                              |       | 1,419            | —                            |
| <b>Non-Current Liability</b>                    |       |                  |                              |
| Bank and other borrowings — due after one year  | 18    | 3,520            | 12,230                       |
|   |       | <b>130,969</b>   | 44,456                       |

The financial statements on pages 24 to 44 were approved and authorised for issue by the Board of Directors on 25th March, 2002 and are signed on its behalf by:

**Fung Chiu**  
DIRECTOR

**Ong Hong Hoon**  
DIRECTOR

At 31st December, 2001

## BALANCE SHEET

|   | NOTES | HK\$'000 |
|---|-------|----------|
| Non-Current Asset                           |       |          |
| Interests in subsidiaries                   | 12    | 92,536   |
| Current Assets                              |       |          |
| Other receivables, deposits and prepayments |       | 3,067    |
| Bank balances                               |       | 6,370    |
|   |       | 9,437    |
| Current Liabilities                         |       |          |
| Other payables and accrued charges          |       | 308      |
| Amount due to a substantial shareholder     | 17    | 10,880   |
|   |       | 11,188   |
| Net Current Liabilities                     |       | (1,751)  |
|   |       | 90,785   |
| Capital and Reserves                        |       |          |
| Share capital                               | 19    | 50,000   |
| Reserves                                    | 20    | 40,785   |
|   |       | 90,785   |

**Fung Chiu**  
DIRECTOR

**Ong Hong Hoon**  
DIRECTOR

At 31st December, 2001

CONSOLIDATED  
CASH FLOW  
STATEMENT

|  | NOTES | 2001<br>HK\$'000<br>(Note 1) | 2000<br>HK\$'000<br>(Note 1) |
|--|-------|------------------------------|------------------------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES  | 21    | 22,786                       | 10,339                       |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE                                    |       |                              |                              |
| Interest paid  |       | (2,041)                      | (2,778)                      |
| Interest received  |       | 319                          | 78                           |
| Dividend paid  |       | —                            | (13,000)                     |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS<br>AND SERVICING OF FINANCE           |       | (1,722)                      | (15,700)                     |
| TAXATION   |       |                              |                              |
| PRC enterprise income tax paid   |       | (3,032)                      | (141)                        |
| INVESTING ACTIVITIES   |       |                              |                              |
| Purchase of plant, property and equipment  |       | (39,189)                     | (7,066)                      |
| Increase in short term loans receivable  |       | (19,283)                     | —                            |
| Investment deposits paid   |       | (14,019)                     | —                            |
| Amount repaid from a related company   |       | 15,982                       | 8,465                        |
| NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES                                |       | (56,509)                     | 1,399                        |
| NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES                                       |       | (38,477)                     | (4,103)                      |
| FINANCING ACTIVITIES   | 22    |                              |                              |
| Proceeds from issue of shares  |       | 54,400                       | —                            |
| Proceeds from issue of convertible note  |       | 25,200                       | —                            |
| New borrowings raised  |       | 6,308                        | 4,673                        |
| Advance from a substantial shareholder   |       | 3,225                        | —                            |
| Capital contributed from minority shareholders                                     |       | 1,500                        | —                            |
| Repayment of borrowings  |       | (22,869)                     | (1,082)                      |
| Expenses paid in connection with the issue of shares                               |       | (14,390)                     | —                            |
| NET CASH INFLOW FROM FINANCING ACTIVITIES  |       | 53,374                       | 3,591                        |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                                   |       | 14,897                       | (512)                        |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                                     |       | 306                          | 818                          |
| CASH AND CASH EQUIVALENTS AT END OF YEAR,<br>represented by bank balances and cash |       | 15,203                       | 306                          |

For the year ended 31st December, 2001

## 1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 17th July, 2000.

The Company is an investment holding company. The principal activities of the Group are manufacture and sale of nanomaterial products.

Pursuant to a series of group reorganisation steps (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 17th April, 2001.

The shares of the Company were listed on the GEM of the Stock Exchange on 17th July, 2001.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants.

Details of the Group Reorganisation are set out in the prospectus dated 9th July, 2001 issued by the Company. The Group Reorganisation principally involved the exchange of fully-paid shares of the Company with the entire share of Self Made Holdings Limited ("SMH").

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transaction and balances between group are eliminated on consolidation.

### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### **Turnover**

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances, to outside customers during the year.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

**Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less depreciation and amortisation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method, at the following rates per annum:

|                        |  |
|------------------------|--|
| Leasehold land         | Over the term of the land use rights                                   |
| Buildings              | Over the term of the land use rights or 50 years, whichever is shorter |
| Plant and machinery    | 10%  |
| Leasehold improvements | 10%  |
| Motor vehicles         | 25%  |

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**Construction in progress**

Construction in progress is stated at cost, which includes land cost and the related construction and borrowings costs, as appropriate. When the construction is completed and the asset is ready for its intended use, the related cost is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the above policy.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

**Research and development expenditure**

Expenditure on research and development is charged to the income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

**Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

**Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant leases.



**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)**Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

**Retirement benefits schemes**

The retirement benefit costs charged in the income statement represent the contribution payable in respect of the current year to the retirement schemes.

**Cash equivalents**

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of advances.

**3. SEGMENT INFORMATION**

For the year ended 31st December, 2001 and 2000, the Group was engaged in the manufacture and sale of nanomaterial products in the People's Republic of China (the "PRC"). All of the Group's turnover, contribution to operating profit and assets was attributed to this business segment which is located in the PRC.

4. PROFIT FROM OPERATIONS

|  | 2001<br>HK\$'000<br>(Note 1) | 2000<br>HK\$'000<br>(Note 1) |
|--|------------------------------|------------------------------|
| Profit from operations has been arrived at after charging: |                              |                              |
| Staff costs  |                              |                              |
| Directors' remuneration (note 6)                           | 2,790                        | 60                           |
| Basic salaries and allowances                              | 7,103                        | 5,348                        |
| Retirement benefits scheme contributions                   | 385                          | 253                          |
|  | <hr/> 10,278                 | <hr/> 5,661                  |
| Auditors' remuneration                                     |                              |                              |
| Current year   | 550                          | 423                          |
| Underprovision in previous years                           | 333                          | —                            |
| Depreciation and amortisation                              | 2,233                        | 1,115                        |
| Loss on disposal of property, plant and equipment          | —                            | 306                          |
| Research and development costs                             | 597                          | 220                          |
| and after crediting:                                       |                              |                              |
| Interest income  | 319                          | 78                           |
|  | <hr/> 319                    | <hr/> 78                     |

5. FINANCE COSTS

The amount represents interest on bank and other borrowings wholly repayable within five years.

6. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

|  | 2001<br>HK\$'000<br>(Note 1) | 2000<br>HK\$'000<br>(Note 1) |
|--|------------------------------|------------------------------|
| <b>Directors</b>                         |                              |                              |
| Independent non-executive directors      |                              |                              |
| Fees                                     | 300                          | —                            |
| Executive directors                      |                              |                              |
| Fees                                     | —                            | —                            |
| Salaries and other benefits              | 2,458                        | 60                           |
| Retirement benefits scheme contributions | 32                           | —                            |
|  | <hr/> 2,490                  | <hr/> 60                     |
| Total directors' emoluments              | <hr/> 2,790                  | <hr/> 60                     |

6. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the directors were within the following bands:

|                      | Number of directors |      |
|----------------------|---------------------|------|
|                      | 2001                | 2000 |
| Nil to HK\$1,000,000 | 7                   | 1    |

For the year ended 31st December, 2001, the executive directors received emoluments of approximately HK\$948,000, HK\$684,000, HK\$490,000, HK\$200,000 and HK\$168,000 respectively and the independent non-executive directors received emoluments of approximately HK\$150,000 and HK\$150,000 respectively.

For the year ended 31st December, 2000, the director received emoluments of approximately HK\$60,000. The other directors did not receive any emoluments.

**Employees**

During the year, the five highest paid individuals included three (2000: Nil) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2000: five) highest paid employees individuals were as follows:

|  | 2001<br>HK\$'000<br>(Note 1) | 2000<br>HK\$'000<br>(Note 1) |
|--|------------------------------|------------------------------|
| Salaries and other benefits              | 659                          | 371                          |
| Retirement benefits scheme contributions | 23                           | 1                            |
|  | 682                          | 372                          |

|  | Number of individuals |      |
|--|-----------------------|------|
|  | 2001                  | 2000 |

Emoluments of the employees were within the following band:

|                      |   |   |
|----------------------|---|---|
| Nil to HK\$1,000,000 | 2 | 5 |
|----------------------|---|---|

No emoluments were paid by the Group to the five highest paid individuals, including directors of the Company, as an inducement to join or upon joining the Group or as compensation for loss of office and no director had waived any emoluments during the year.

7. TAXATION

|                           | 2001<br>HK\$'000<br>(Note 1) | 2000<br>HK\$'000<br>(Note 1) |
|---------------------------|------------------------------|------------------------------|
| The charge comprises:     |                              |                              |
| PRC enterprise income tax | 1,769                        | 2,150                        |

Pursuant to the relevant laws and regulations in the PRC, Guang Ping Chemical Industrial Enterprise Co. Ltd. ("GPCI"), the Company's PRC subsidiary, is entitled to exemption from PRC enterprise income tax for two years commencing from its first profit-making year of operations, followed by a 50% reduction from PRC enterprise income tax for the next three years. In addition, pursuant to an approval received from local tax authorities on 20th November, 2001, GPCI was classified as one of the approved "High Technology Entities". Accordingly, GPCI is entitled to a preferential PRC income tax rate of 15%.

The Enping tax bureau has confirmed that the year ended 31st December, 1998 was the first profit marking year, and accordingly, the year ended 31st December, 1999 was the last year that GPCI was entitled to tax exemption, and the year ended 31st December, 2000 was the first year that the subsidiary is entitled to a 50% reduction from PRC enterprise income tax. The charge for the year ended 31st December, 2001 represents provision for PRC enterprise income tax at the reduced rate of 7.5% on GPCI's estimated assessable profit.

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies operating in Hong Kong did not have any estimated assessable profit.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of leasehold land and buildings as profits arising on the disposal of those assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

The Group and the Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders, a loss of HK\$3,577,000 has been dealt with in the financial statements of the Company.

9. DIVIDENDS

|   | 2001<br>HK\$'000<br>(Note 1) | 2000<br>HK\$'000<br>(Note 1) |
|---|------------------------------|------------------------------|
| Dividends paid by a subsidiary of the Company to its then shareholder prior to the Group Reorganisation | —                            | 13,000                       |

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st December, 2001 is based on the profit attributable to shareholders of HK\$11,248,000 and on the weighted average number of 440,808,904 shares that would have been in issue throughout the year as if the Company had been the holding company of the Group since the beginning of the year.

The calculation of the basic earnings per share for the year ended 31st December, 2000 is based on the profit attributable to shareholders of HK\$13,837,000 and on the 387,000,000 shares in issue immediately preceding the new issue of 113,000,000 shares as set out in note 19.

11. PROPERTY, PLANT AND EQUIPMENT

|                                    | Leasehold<br>land and<br>buildings | Plant and<br>machinery | Leasehold<br>improvements | Motor<br>vehicles | Construction<br>in progress | Total          |
|------------------------------------|------------------------------------|------------------------|---------------------------|-------------------|-----------------------------|----------------|
|                                    | HK\$'000                           | HK\$'000               | HK\$'000                  | HK\$'000          | HK\$'000                    | HK\$'000       |
| <b>THE GROUP</b>                   |                                    |                        |                           |                   |                             |                |
| COST OR VALUATION                  |                                    |                        |                           |                   |                             |                |
| At 1st January, 2001 (Note 1)      | 21,181                             | 24,072                 | 1,408                     | 1,484             | 2,308                       | 50,453         |
| Additions                          | 10,114                             | 2,968                  | 142                       | 24                | 25,941                      | 39,189         |
| Surplus on revaluation             | 13,705                             | —                      | —                         | —                 | —                           | 13,705         |
| Disposals                          | —                                  | —                      | —                         | (197)             | —                           | (197)          |
| <b>At 31st December, 2001</b>      | <b>45,000</b>                      | <b>27,040</b>          | <b>1,550</b>              | <b>1,311</b>      | <b>28,249</b>               | <b>103,150</b> |
| Comprising:                        |                                    |                        |                           |                   |                             |                |
| At cost                            | —                                  | 27,040                 | 1,550                     | 1,311             | 28,249                      | 58,150         |
| At valuation — 2001                | 45,000                             | —                      | —                         | —                 | —                           | 45,000         |
|                                    | 45,000                             | 27,040                 | 1,550                     | 1,311             | 28,249                      | 103,150        |
| DEPRECIATION AND AMORTISATION      |                                    |                        |                           |                   |                             |                |
| At 1st January, 2001 (Note 1)      | 2,948                              | 18,385                 | 1,265                     | 1,385             | —                           | 23,983         |
| Provided for the year              | 693                                | 1,450                  | 33                        | 57                | —                           | 2,233          |
| Eliminated on revaluation          | (3,641)                            | —                      | —                         | —                 | —                           | (3,641)        |
| Eliminated on disposals            | —                                  | —                      | —                         | (197)             | —                           | (197)          |
| <b>At 31st December, 2001</b>      | <b>—</b>                           | <b>19,835</b>          | <b>1,298</b>              | <b>1,245</b>      | <b>—</b>                    | <b>22,378</b>  |
| NET BOOK VALUES                    |                                    |                        |                           |                   |                             |                |
| <b>At 31st December, 2001</b>      | <b>45,000</b>                      | <b>7,205</b>           | <b>252</b>                | <b>66</b>         | <b>28,249</b>               | <b>80,772</b>  |
| At 31st December, 2000<br>(Note 1) | 18,233                             | 5,687                  | 143                       | 99                | 2,308                       | 26,470         |

11. **PROPERTY, PLANT AND EQUIPMENT** (continued)

The leasehold land and buildings of the Company are situated in the PRC and held under long term land use rights.

The leasehold land and buildings of the Group were revalued as at 31st December, 2001 on the open market value basis by BMI Appraisals Limited, an independent firm of professional valuers. The surplus arising on revaluation has been credited to the asset revaluation reserve.

Had leasehold land and buildings been carried at historical cost less accumulated depreciation and amortisation, the carrying value of leasehold land and buildings would have been HK\$27,654,000 (2000: HK\$18,233,000).

12. **INTERESTS IN SUBSIDIARIES**

|                               | <b>THE COMPANY</b> |
|-------------------------------|--------------------|
|                               | HK\$'000           |
| Unlisted shares, at cost      | 29,152             |
| Amounts due from subsidiaries | 63,384             |
|                               | <hr/>              |
|                               | 92,536             |
|                               | <hr/>              |

The cost of investment in subsidiaries reflects the underlying net asset values of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holdings company of the Group under the Group Reorganisation.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors of the Company, repayment by the subsidiaries will not be made within the twelve months from the balance sheet date and are accordingly classified as non-current.

Particulars of the principal subsidiaries of the Company at 31st December, 2001 are set out in note 28.

13. **INVENTORIES**

|                  | <b>THE GROUP</b> |          |
|------------------|------------------|----------|
|                  | 2001             | 2000     |
|                  | HK\$'000         | HK\$'000 |
|                  |                  | (Note 1) |
| Raw materials    | 1,484            | 1,602    |
| Work in progress | 165              | 167      |
| Finished goods   | 2,169            | 7,866    |
|                  | <hr/>            |          |
|                  | 3,818            | 9,635    |
|                  | <hr/>            |          |

**14. TRADE RECEIVABLES**

The Group allows credit period ranging from 30 days to 90 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

|              | THE GROUP        |                              |
|--------------|------------------|------------------------------|
|              | 2001<br>HK\$'000 | 2000<br>HK\$'000<br>(Note 1) |
| 0 – 30 days  | 4,932            | 3,998                        |
| 31 – 60 days | 3,532            | 3,855                        |
| 61 – 90 days | 2,476            | 2,870                        |
| Over 90 days | 5,405            | 8,332                        |
|              | 16,345           | 19,055                       |

**15. AMOUNT DUE FROM A RELATED COMPANY**

Particulars of the amount due from a related company are as follows:

|                                   | THE GROUP                                     |  |  |
|-----------------------------------|---|--|--|
|                                   | Balance at<br>31st March,<br>2001<br>HK\$'000 | Balance at<br>1st April,<br>2000<br>HK\$'000<br>(Note 1) | Maximum<br>outstanding<br>balance during<br>the year<br>HK\$'000 |
| ESN International Limited ("ESN") | —   | 15,982   | 15,982   |

ESN was the then shareholder of the Group prior to the Group Reorganisation. Messrs. Fung Chiu and Kwong Chun Kau, the directors of the Company, have beneficial interests in ESN. The amount due from ESN was unsecured, non-interest bearing and repayable on demand.

On 27th April, 2001, a deed of novation was entered into between ESN, Modern World Resources Limited and SMH whereby Modern World Resources Limited novated a debt due from ESN to SMH to Modern World Resources Limited in accordance with the terms of deed. Modern World Resources Limited repaid the amount in full during the year.

16. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

|              | THE GROUP        |                              |
|--------------|------------------|------------------------------|
|              | 2001<br>HK\$'000 | 2000<br>HK\$'000<br>(Note 1) |
| 0 — 30 days  | 1,392            | 1,670                        |
| 31 — 60 days | 675              | 1,172                        |
| 61 — 90 days | 969              | 562                          |
| Over 90 days | 1,256            | 2,264                        |
|              | <b>4,292</b>     | <b>5,668</b>                 |

17. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The balance represents the amount due to Modern World Resources Limited which is unsecured, non-interest bearing and repayable on demand.

18. BANK AND OTHER BORROWINGS

|             | THE GROUP        |                              |
|-------------|------------------|------------------------------|
|             | 2001<br>HK\$'000 | 2000<br>HK\$'000<br>(Note 1) |
| Bank loans  |                  |                              |
| Secured     | 9,112            | 13,317                       |
| Unsecured   | —                | 12,355                       |
|             | <b>9,112</b>     | <b>25,672</b>                |
| Other loans |                  |                              |
| Unsecured   | 3,744            | 3,745                        |
|             | <b>12,856</b>    | <b>29,417</b>                |

The above amounts are repayable as follows:

|  |               |               |
|--|---------------|---------------|
| Within one year  | 9,336         | 17,187        |
| Between one and two years  | 3,520         | 8,710         |
| Between two and five years   | —             | 3,520         |
|  | <b>12,856</b> | <b>29,417</b> |
| Less: Amount due within one year and shown under current liabilities | 9,336         | 17,187        |
| Amount due after one year  | 3,520         | 12,230        |



## 19. SHARE CAPITAL

|   | Number of<br>shares | Amount<br>HK\$'000 |
|---|---------------------|--------------------|
| Shares of HK\$0.10 each   |                     |                    |
| Authorised:   |                     |                    |
| At date of incorporation  | 1,000,000           | 100                |
| Increase in authorised share capital  | 4,999,000,000       | 499,900            |
| <hr/>   |                     |                    |
| At 31st December, 2001  | 5,000,000,000       | 500,000            |
| <hr/>   |                     |                    |
| Issued and fully paid:  |                     |                    |
| Issue of shares to initial subscribers  | 1,000,000           | —                  |
| Issue of share and credit nil paid shares issued previously in accordance with the Group Reorganisation | 71,250,000          | 7,225              |
| Issue of shares by capitalisation of the share premium account  | 314,750,000         | 31,475             |
| Placing of shares to professional and institutional investors   | 68,000,000          | 6,800              |
| Exercise of conversion rights of convertible note   | 45,000,000          | 4,500              |
| <hr/>   |                     |                    |
| At 31st December, 2001  | 500,000,000         | 50,000             |
| <hr/>   |                     |                    |

The Company was incorporated on 17th July, 2000 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each which were allotted and issued for nil paid to the subscribers on 13th October, 2000.

Pursuant to written resolutions of the then shareholders of the Company passed on 9th April, 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$500,000,000 by the creation of an additional 4,999,000,000 shares of HK\$0.10 each.

On 17th April, 2001, pursuant to the Group Reorganisation, the then shareholders of SMH, the previous holding company of the Group, transferred the entire share capital in SMH to the Company, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, 71,250,000 new shares to the then shareholders and (ii) credited as fully paid at par the 1,000,000 allotted and issued nil paid on 13th October, 2000.

Pursuant to written resolutions passed by the then shareholders of the Company on 29th June, 2001:

- (i) the Company issued 68,000,000 new shares of HK\$0.10 each at a price of HK\$0.80 per share on 17th July, 2001 by way of placing of new shares to professional and institutional investors; and
- (ii) an amount of HK\$31,475,000 was capitalized from the share premium account arising from the issue of the 68,000,000 shares as mentioned in (i) above in paying up in full at par 314,750,000 shares of HK\$0.10 each in the Company for allotment and issue to shareholders on the register of members at the close of business on 29th June, 2001 in proportion to their then existing shareholdings.

19. **SHARE CAPITAL** (continued)

On 4th May, 2001, the Company issued a convertible note to Suez Asia Holdings Pte. Limited ("Suez Asia") pursuant to a subscription agreement dated 9th April, 2001 and a supplemental deed dated 3rd July, 2001 entered into between among other parties, Suez Asia and the Company. Pursuant to the terms of the convertible note, the principal amount of HK\$25.2 million is automatically converted into the Company's shares on the day preceding the date of the listing of the Company on the GEM of the Stock Exchange. On 12th July, 2001, the Company allotted and issued 45,000,000 new shares of HK\$0.10 each, credited as fully paid up, to Suez Asia.

All existing shares issued by the Company during the period rank pari passu in all respects.

For the purpose of the preparation of the financial statements, the balance of the share capital shown in the consolidated balance sheet at 31st December, 2000 represented the issued capital of SMH which acquired by the Company on 17th April, 2001 pursuant to the Group Reorganisation.

20. **RESERVES**

|   | Share<br>premium<br>HK\$'000 | Asset<br>revaluation<br>reserve<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Special<br>reserve<br>HK\$'000 | Retained<br>profits<br>(deficit)<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|---|------------------------------------|--------------------------------|--|-------------------|
| THE GROUP   |                              |   |                                    |                                |  |                   |
| At 1st January, 2000  | —                            | —   | —                                  | —                              | 31,389                                       | 31,389            |
| Profit attributable to shareholders                         | —                            | —   | —                                  | —                              | 13,837                                       | 13,837            |
| Dividends   | —                            | —   | —                                  | —                              | (13,000)                                     | (13,000)          |
| At 31st December, 2000                                      | —                            | —   | —                                  | —                              | 32,226                                       | 32,226            |
| Special reserve arising on the Group                        |                              |   |                                    |                                |  |                   |
| Reorganisation  | —                            | —   | —                                  | (7,225)                        | —  | (7,225)           |
| Surplus arising on revaluation                              | —                            | 17,346                                      | —                                  | —                              | —  | 17,346            |
| Premium arising on issue of shares                          | 68,300                       | —   | —                                  | —                              | —  | 68,300            |
| Capitalisation for share premium account                    | (31,475)                     | —   | —                                  | —                              | —  | (31,475)          |
| Expenses incurred in connection with the<br>issue of shares | (14,390)                     | —   | —                                  | —                              | —  | (14,390)          |
| Profit attributable to shareholders                         | —                            | —   | —                                  | —                              | 11,248                                       | 11,248            |
| At 31st December, 2001                                      | 22,435                       | 17,346                                      | —                                  | (7,225)                        | 43,474                                       | 76,030            |
| THE COMPANY   |                              |   |                                    |                                |  |                   |
| Contributed surplus arising on the Group                    |                              |   |                                    |                                |  |                   |
| Reorganisation  | —                            | —   | 21,927                             | —                              | —  | 21,927            |
| Premium arising on issue of shares                          | 68,300                       | —   | —                                  | —                              | —  | 68,300            |
| Capitalisation of share premium account                     | (31,475)                     | —   | —                                  | —                              | —  | (31,475)          |
| Expenses incurred in connection with the<br>issue of shares | (14,390)                     | —   | —                                  | —                              | —  | (14,390)          |
| Loss for the year   | —                            | —   | —                                  | —                              | (3,577)                                      | (3,577)           |
| At 31st December, 2001                                      | 22,435                       | —   | 21,927                             | —                              | (3,577)                                      | 40,785            |

20. RESERVES (continued)

The special reserve represents the difference between the nominal value of share of SMH acquired and the nominal value of the Company's shares issued for the acquisition at the time of the Group Reorganisation.

The contributed surplus represents the difference between the consolidated shareholder's funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition at the time of the Group Reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at 31st December, 2001 consisted of contributed surplus less deficit totalling HK\$18,350,000.

21. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

|  | 2001     | 2000     |
|--|----------|----------|
|  | HK\$'000 | HK\$'000 |
|  | (Note 1) | (Note 1) |
| Profit before taxation   | 12,936   | 15,987   |
| Interest income  | (319)    | (78)     |
| Interest expense   | 2,041    | 2,778    |
| Depreciation and amortisation                                      | 2,233    | 1,115    |
| Loss on disposal of property, plant and equipment                  | —        | 306      |
| Decrease (increase) in inventories                                 | 5,817    | (5,537)  |
| Decrease (increase) in trade receivables                           | 2,710    | (2,857)  |
| Decrease (Increase) in other receivables, deposits and prepayments | 1,368    | (5,318)  |
| (Decrease) increase in trade payables                              | (1,376)  | 3,181    |
| (Decrease) increase in other payables and accrued charges          | (2,624)  | 762      |
|  | <hr/>    | <hr/>    |
| Net cash inflow from operating activities                          | 22,786   | 10,339   |
|  | <hr/>    | <hr/>    |

22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

|  | Share capital<br>and share<br>premium<br>HK\$'000 | Convertible<br>note<br>HK\$'000 | Bank and<br>other<br>borrowings<br>HK\$'000 | Minority<br>interests<br>HK\$'000 | Amount due<br>to a<br>substantial<br>shareholder<br>HK\$'000 |
|--|---|---------------------------------|---|-----------------------------------|--|
| Balance at 31st January, 2000 (Note 1)   | —   | —                               | 25,826                                      | —                                 | —  |
| New borrowings raised  | —   | —                               | 4,673                                       | —                                 | —  |
| Repayment during the year  | —   | —                               | (1,082)                                     | —                                 | —  |
| <hr/>  |   |                                 |   |                                   |  |
| Balance at 31st December, 2000<br>(Note 1)   | —   | —                               | 29,417                                      | —                                 | —  |
| Proceeds from issue of shares  | 54,400  | —                               | —   | —                                 | —  |
| Proceeds from issue of convertible note  | —   | 25,200                          | —   | —                                 | —  |
| Exercise of conversion rights of<br>convertible note   | 25,200  | (25,200)                        | —   | —                                 | —  |
| Issue of shares and application of<br>contributed surplus to pay up nil paid<br>shares pursuant to Group<br>Reorganisation | 7,225   | —                               | —   | —                                 | —  |
| Expenses in connection with the issue of<br>shares   | (14,390)  | —                               | —   | —                                 | —  |
| New borrowings raised  | —   | —                               | 6,308                                       | —                                 | 3,225  |
| Capital contributed from minority<br>shareholders  | —   | —                               | —   | 1,500                             | —  |
| Loss for the year attributable to minority<br>shareholders   | —   | —                               | —   | (81)                              | —  |
| Repayments during the year   | —   | —                               | (22,869)                                    | —                                 | —  |
| <hr/>  |   |                                 |   |                                   |  |
| Balance at 31st December, 2001   | 72,435  | —                               | 12,856                                      | 1,419                             | 3,225  |

23. MAJOR NON-CASH TRANSACTION

During the year, convertible bonds with nominal value in aggregate of HK\$25.2 million was converted into shares of the Company at a conversion price of HK\$0.56 per share, resulting in the issue of 45,000,000 shares of HK\$0.10 each in the Company.

24. COMMITMENTS

|  | THE GROUP    |          |
|--|--------------|----------|
|  | 2001         | 2000     |
|  | HK\$'000     | HK\$'000 |
|  |              | (Note 1) |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements | <b>1,439</b> | 1,750    |

In addition, at 31st December, 2001, the Group had commitments to pay approximately HK\$1,904,000 (2000: HK\$1,563,000) respectively, to various universities and research centres in the PRC for the development of new products.

The Company had no capital and other commitments at the balance sheet date.

25. OPERATING LEASE COMMITMENTS

|   | THE GROUP    |          |
|---|--------------|----------|
|   | 2001         | 2000     |
|   | HK\$'000     | HK\$'000 |
|   |              | (Note 1) |
| Minimum lease payments paid under operating leases in respect of properties during the year | <b>2,399</b> | 1,808    |

At the balance sheet dates, the Group had commitments for future minimum leases payments under non-cancellable operating leases which fall due as follows:

|                                       | 2001         | 2000     |
|---------------------------------------|--------------|----------|
|                                       | HK\$'000     | HK\$'000 |
|                                       |              | (Note 1) |
| Within one year                       | <b>1,627</b> | 2,077    |
| In the second to fifth year inclusive | <b>4,206</b> | 5,833    |
|                                       | <b>5,833</b> | 7,910    |

Operating lease payments rentals payable by the Group for certain of its office properties and factory. Leases are negotiated and rentals are fixed for an average of five years.

The Company had no operating lease commitments at the balance sheet date.

## 26. PLEDGE OF ASSETS

At 31st December, 2001, certain of the Group's leasehold land and buildings amounting to HK\$19.6 million were pledged to a bank to secure banking facilities granted to the Group.

At 31st December, 2000, the Group's leasehold land and buildings were pledged to banks to secure banking facilities granted to 恩平市化工工業公司.

## 27. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

GPCI has, in compliance with the applicable regulations of the PRC, participated in an retirement benefits scheme operated by the relevant local government authorities. The Group is required to make contribution on behalf of employees who are registered permanent residents in the PRC.

## 28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

| Name of company   | Place of incorporation/<br>registration | Issued and fully paid share capital/registered capital | Proportion of nominal value of issued capital/registered capital held by the Company |            | Principal activities   |
|---|---|--|--|------------|--|
|   |   |  | Directly   | Indirectly |  |
| Ever Innovation Limited   | British Virgin Islands                  | US\$642,000  | —  | 70%        | Investment holding   |
| GP Nano Composite Materials Limited   | Hong Kong                               | HK\$5,000,000  | —  | 70%        | Not yet commenced business   |
| GP NanoTechnology Holdings Limited (formerly Guang Ping NanoTechnology Group Limited) | Hong Kong                               | HK\$100  | —  | 100%       | Provision of sales, research and development of nanomaterials          |
| GP Nano (H.K.) Limited (formerly NBA Group Limited)                                   | Hong Kong                               | HK\$100  | —  | 100%       | Provision of administration and management services to group companies |
| GP Nano Investments Limited   | British Virgin Islands                  | US\$1  | 100%   | —          | Investment holding   |
| SMH   | British Virgin Islands                  | US\$1  | 100%   | —          | Investment holding   |
| 廣平化工實業有限公司<br>Guang Ping Chemical Industrial Enterprise Co. Ltd.                      | PRC                                     | US\$5,100,000  | —  | 100%       | Manufacture and sale of nanomaterials                                  |

None of the subsidiaries had any debt capital subsisting at the end of the year or at any time during the year.

## RESULTS

|                                     | Year ended 31st December, |                  |                  |                  |
|-------------------------------------|---------------------------|------------------|------------------|------------------|
|                                     | 1998<br>HK\$'000          | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 |
| Turnover                            | 48,676                    | 62,793           | 67,290           | <b>79,323</b>    |
| Cost of sales                       | (26,236)                  | (35,004)         | (36,382)         | <b>(42,944)</b>  |
| Gross profit                        | 22,440                    | 27,789           | 30,908           | <b>36,379</b>    |
| Other revenue                       | 3,158                     | 99               | 167              | <b>413</b>       |
| Distribution costs                  | (3,955)                   | (6,100)          | (5,499)          | <b>(4,377)</b>   |
| Administrative expenses             | (7,353)                   | (4,802)          | (6,811)          | <b>(17,438)</b>  |
| Profit from operations              | 14,290                    | 16,986           | 18,765           | <b>14,977</b>    |
| Finance costs                       | (4,845)                   | (3,505)          | (2,778)          | <b>(2,041)</b>   |
| Profit before taxation              | 9,445                     | 13,481           | 15,987           | <b>12,936</b>    |
| Taxation                            | —                         | —                | (2,150)          | <b>(1,769)</b>   |
| Profit before minority interests    | 9,445                     | 13,481           | 13,837           | <b>11,167</b>    |
| Minority interests                  | —                         | —                | —                | <b>81</b>        |
| Profit attributable to shareholders | 9,445                     | 13,481           | 13,837           | <b>11,248</b>    |

## Notes:

1. The Company was incorporated in Bermuda on 17th July, 2000 and became the holding company of the Group with effect from 17th April, 2001 as a result of a group reorganisation. Accordingly, the only balance sheet for the Group that have been prepared are set out on page 25 of the financial statements.
2. The results of the Group for each of the three years ended 31st December, 2000 presented above have been extracted from the Company's prospectus dated 9th July, 2001 when listing of the Company's shares was sought on the GEM of the Stock Exchange.
3. The results of the year ended 31st December, 2001 have been extracted from the consolidated income statement as set out on page 24 of the financial statements.

NOTICE OF  
ANNUAL  
GENERAL  
MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the "Meeting") of GP NanoTechnology Group Limited (the "Company") will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on 10 May 2002 (Friday) at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2001;
2. To re-elect retiring directors and authorise the board of directors (the "Board") to fix their remuneration;
3. To re-appoint auditors and authorise the Board to fix their remuneration; and

as special business, to consider and, if thought fit, to pass with or without modification the following as ordinary resolutions of the Company:

4. **"THAT:**
  - (i) subject to paragraph (iii) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (ii) the approval in paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which might require the exercise of such powers after the end of the Relevant Period;
  - (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below), (b) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any ordinary share option scheme adopted by the Company, or (c) any scrip dividend scheme or similar arrangements providing for allotment and issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company in force from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and this approval shall be limited accordingly; and
  - (iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Company Act 1981 of Bermuda (as amended) or any applicable laws to be held; and



- (c) the date on which the authority set out for in this resolution is revoked or varied by an ordinary resolution passed by the members of the Company in general meeting.

"Rights Issue" means an offer of shares of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares of the Company open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

5. "THAT

- (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to repurchase issued securities on GEM or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in accordance with all applicable laws and/or the requirements of the Securities and Futures Commission of Hong Kong, the Rules Governing the Listing of Securities on GEM or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;

- (ii) the aggregate nominal amount of securities of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (i) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue and the number of the relevant class of other securities of the Company as at the date of the passing of this resolution, and this approval shall be limited accordingly; and

- (iii) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Company Act 1981 of Bermuda (as amended) or any applicable laws to be held; and
- (c) the date on which the authority set out for in this resolution is revoked or varied by an ordinary resolution passed by the members of the Company in general meeting."

6. "THAT conditional upon ordinary resolutions nos. 4 and 5 above being passed, the aggregate nominal amount of securities of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in ordinary resolution no. 5 above shall be added to the aggregate nominal amount of share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to ordinary resolution no. 4 above provided that such amount of securities repurchased by the Company shall not exceed 10% of the aggregate nominal amount of issued share capital as at the date of the passing of this resolution."

7. "THAT the existing share option scheme of the Company adopted on 29 June 2001 be and is hereby terminated and conditional upon the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the shares of the Company falling to be issued pursuant to the new share option scheme ("New Share Option

NOTICE OF  
ANNUAL  
GENERAL  
MEETING

Scheme”), the terms of which are set out in the document marked “A” produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to grant options and to allot, issue and deal with shares of the Company pursuant to the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme.”

*Head Office and Principal Place of Business:*

509–510 Lippo Centre, Tower 2  
89 Queensway  
Hong Kong

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

**Notes:**

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (ii) In order to be valid, the proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not less than 48 hours before the time appointed for the meeting or any adjourned meeting.
- (iii) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (iv) An Explanatory Statement containing further details regarding ordinary resolution no. 5 as required by the Rules Governing the Listing of Securities on GEM will be dispatched to the members of the Company together with the annual report of the Company for the year ended 31 December 2001.

By Order of the Board  
**Ong Hong Hoon**  
*Chief Executive*

Hong Kong, 25th March, 2002