



Interim Report 2002

A large, semi-transparent version of the GP NANO logo and a world map are overlaid on the right side of the page. The logo is positioned above the map, and both are rendered in a light blue color that blends with the background.

GP NanoTechnology Group Limited

(Incorporated in Bermuda with limited liability)

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

This report, for which the directors (the “Directors”) of GP NanoTechnology Group Limited (the “Company”) 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 (the “Gem Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HALF-YEARLY RESULTS

The Board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three and six months ended 30 June 2002, together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

Consolidated Income Statement

	Notes	Three months ended 30 June		Six months ended 30 June	
		2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Turnover	3	21,983	18,601	41,498	36,156
Cost of sales		(11,418)	(9,485)	(21,793)	(19,017)
Gross profit		10,565	9,116	19,705	17,139
Other revenues		47	52	80	52
Distribution costs		(1,393)	(1,001)	(2,462)	(1,966)
Administrative expenses		(4,502)	(2,957)	(8,777)	(5,199)
Profit from operation	5	4,717	5,210	8,546	10,026
Finance costs		(139)	(767)	(453)	(1,578)
Profit before taxation		4,578	4,443	8,093	8,448
Taxation	6	(599)	(772)	(1,074)	(1,361)
Profit before minority interest		3,979	3,671	7,019	7,087
Minority interest		94	–	134	–
Profit attributable to shareholders		4,073	3,671	7,153	7,087
Dividends		–	–	–	–
Earnings per share – Basic (cents)	7	0.81	0.73	1.43	1.42

Consolidated Balance Sheet

	<i>Notes</i>	As at 30 June 2002 (unaudited) HK\$'000	As at 31 December 2001 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	83,434	80,772
Deposits made for acquisition of investments		<u>14,019</u>	<u>14,019</u>
		97,453	94,791
CURRENT ASSETS			
Inventories	9	3,701	3,818
Trade receivables	10	33,999	16,345
Other receivables, deposits and prepayments		25,106	25,928
Bank balances and cash		<u>7,883</u>	<u>15,203</u>
		70,689	61,294
CURRENT LIABILITIES			
Trade payables	11	4,192	4,292
Other payables and accrued charges		14,109	7,517
Amount due to substantial shareholder	12	–	3,225
Taxation		1,311	746
Bank and other borrowings – due within one year	13	<u>9,775</u>	<u>9,336</u>
		29,387	25,116
NET CURRENT ASSETS			
		<u>41,302</u>	36,178
		138,755	130,969
CAPITAL AND RESERVES			
Share capital	14	50,000	50,000
Reserves	15	<u>83,183</u>	<u>76,030</u>
		133,183	126,030
MINORITY INTERESTS			
		1,285	1,419
NON-CURRENT LIABILITY			
Bank and other borrowings – due after one year	13	<u>4,287</u>	<u>3,520</u>
		138,755	130,969

Condensed Consolidated Cash Flow Statement

	For the Six months ended 30 June 2002 (unaudited) HK\$'000	For the Six months ended 30 June 2001 (unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(139)	(6,589)
TAXATION	(509)	(2,593)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(4,653)</u>	<u>(3,462)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(5,301)	(12,644)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	<u>(2,019)</u>	<u>33,847</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,320)	21,203
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>15,203</u>	<u>306</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>7,883</u></u>	<u><u>21,509</u></u>

Notes To The Consolidated Financial Statements

1. Group reorganisation

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 17 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 GEM of the Stock Exchange, the Company became the holding company of the Group on 17 April 2001.

The shares of the company were listed on the GEM of the Stock Exchange on 17 July 2001.

2. Basis of preparation and significant accounting policies

The unaudited consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim Reporting" issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for year ended 31 December 2001.

The consolidated financial statements for the period from 1 January 2002 to 30 June 2002 have been reviewed by the audit committee of the Company.

3. Turnover

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

4. Segment information

For the six months ended 30 June 2002, 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 PRC.

5. Profit from operations

	30 June 2002 (unaudited) HK\$'000	30 June 2001 (unaudited) HK\$'000
Profit from operations has been arrived at after charging: Depreciation and amortisation	<u>1,991</u>	<u>1,420</u>
and after crediting: Interest income	<u>15</u>	<u>54</u>

6. Taxation

	30 June 2002 (unaudited) HK\$'000	30 June 2001 (unaudited) HK\$'000
The charge comprises: PRC enterprise income tax	<u>1,074</u>	<u>1,361</u>

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 20 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 31 December 1998 was the first profit marking year, and accordingly, the year ended 31 December 1999 was the last year that GPCI was entitled to tax exemption, and the year ended 31 December 2000 was the first year that the subsidiary is entitled to a 50% reduction from PRC enterprise income tax. The charge for the six months ended 30 June 2002 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 operation 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 period or at the balance sheet date.

7. Earnings per share

The calculation of the basic earnings per share for the three months and six months ended 30 June 2002 is based on the unaudited consolidated profit attributable to the shareholders of approximately HK\$4,073,000 and HK\$7,153,000 respectively (three months and six months ended 30 June 2001: approximately HK\$3,671,000 and HK\$7,087,000) and a total of 500,000,000 shares issued on the establishment of the Group is deemed to have been in issue since January 2001.

Diluted earnings per share is not presented because there is no dilutive potential ordinary shares in existence during the periods.

8. Property, plant and equipment

During the period, the Group spent approximately HK\$4,653,000 (31 December 2001: HK\$39,189,000) on the acquisition of property, plant and equipment.

9. Inventories

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Raw materials	2,539	1,484
Work in progress	–	165
Finished goods	1,162	2,169
	<u>3,701</u>	<u>3,818</u>

10. Trade receivables

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

The following is an aging analysis of trade receivables:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Within 30 days	7,923	4,932
31-90 days	13,923	6,008
Over 90 days	12,153	5,405
	<u>33,999</u>	<u>16,345</u>

11. Trade payables

The following is the aging analysis of trade payables:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Within 30 days	1,159	1,392
31-90 days	1,328	1,644
Over 90 days	1,705	1,256
	<u>4,192</u>	<u>4,292</u>

12. Amount due to a substantial shareholder

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

13. Bank and other borrowings

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Bank loans		
Secured	9,112	9,112
Other loans		
Unsecured	4,950	3,744
	<u>14,062</u>	<u>12,856</u>
The above amounts are repayable as follows:		
Within one year	9,775	9,336
Between two and five years	4,287	3,520
	14,062	12,856
Less: Amount due within one year and shown under current liabilities	<u>9,775</u>	<u>9,336</u>
Amount due after one year	<u>4,287</u>	<u>3,520</u>

14. Share Capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
Authorised:		
At 31 December 2001 and 30 June 2002	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 31 December 2001 and 30 June 2002	<u>500,000,000</u>	<u>50,000</u>

15. Reserve

	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2002	22,435	17,346	(7,225)	43,474	76,030
Net profit for the period	—	—	—	7,153	7,153
At 30 June 2002	<u>22,435</u>	<u>17,346</u>	<u>(7,225)</u>	<u>50,627</u>	<u>83,183</u>

There have been no movements in the reserves of the Group except for the profit recognised during the period under review.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2002 (three months and six months ended 30 June 2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance

For the six months ended 30 June 2002, the Group's turnover amounted to approximately HK\$41 million, representing an increase of 15% compared to the same period in 2001. The increase in turnover for the period was due to the increase in sales of PCC products and the penetration of new markets within China. For the six months ended 30 June 2002, the Group's gross profit amounted to approximately HK\$20 million, representing an increase of 15% compared to the same period in 2001.

For the six months ended 30 June 2002, the profit attributable to shareholders amounted to approximately HK\$7 million representing an increase of 1% compared to the same period in 2001. Gross profit margin had kept constant at 47% for the six months ended 30 June 2002. The stability of profit margin and improvement of gross profit during the period was mainly due to the success of cost management and the decrease in cost of raw materials respectively.

Business review

The overall sluggish economic condition around the globe plus the fierce market competition within China had accelerated the speed of decline on this field of business. However, the Group still maintained its main line of business in the manufacture and sale of PCC nanomaterials. The new product line of PCC nanomaterials for the ink, paints and other industries were still encouraging. The slight increase of turnover was primary due to the sales of PCC nanomaterials and the launching of its new line of nanocomposite materials. The Group anticipates the nanocomposite materials with enormous market potential since the nature of these products are suitable to various plastic, rubber, and other polymer based industries. The wide application scope provides more potential markets to the Group.

The Group supplies a wide spectrum of nanocomposite materials ranging from high quality household products (PP) to expertise technology based specialty products (SBS). The new products embed with “task-orientated” characteristics, which can specially designed for particular industries such as plastics, rubber, textile, furniture, and shoe industry.

Production

The production line of nanofilled PP composite materials is expanding satisfactorily. In addition, the new production line of nanofilled SBS composite materials is also under excellent progress. The products are expected to be ready to launch to the market within the very near future. The first production phase of the capacity of about 10,000 tons is ready to go for full capacity. In addition, the second phase of production facilities are programmed to expand according to market demand.

In the pursuit of high quality ceramic fine powder, the Group is pleased to announce that it has achieved a breakthrough in perfecting the quality control procedures and as a result of which the Group secured several orders. As for the development of the production technique on SnO₂ nanomaterials and gas sensing devices for detecting carbon monoxide, alcohol and smoke is progressing satisfactorily. Sales secured are mainly concentrated in the Northern Provinces of China where natural gas and coal gas are commonly installed in all the commercial as well as residential premises.

Research and development

The co-operation agreement between the Group and The Hong Kong University of Science and Technology (“HKUST”) for the research program of nanofilled PP composite materials is continued for further enhancement. The Group is pleased to announce that the Hong Kong Government has granted the Group a sum of HK\$3.6 million from the Innovation and Technology Fund of the Commission of Innovation and Technology for the purpose of developing the nanocomposite materials. During the period under review, the Group has also established its own research and development office in Dongguan for the application research of the nanocomposite materials.

Meanwhile, the Group and Shanghai Jiao Tong University Nanotechnology Research Institute still continued in the joint project of enhancing the development of new generation of nanomaterials gas detecting device.

Liquidity, financial resources and capital structure

The Group continues to be in a strong financial position. At 30 June 2002, the Group had total assets of approximately HK\$168 million (31 December 2001: approximately HK\$156 million) which were financed by current liabilities of approximately HK\$29 million (31 December 2001: approximately HK\$25 million) shareholders' equity of approximately HK\$133 million (31 December 2001: approximately HK\$126 million), minority interest and non-current liabilities of approximately HK\$6 million (31 December 2001: approximately HK\$5 million). The net assets value per share amounted to approximately HK\$0.28 (31 December 2001: HK\$0.26).

As at the balance sheet dated 30 June 2002, the Group's gearing ratio, representing total borrowings divided by shareholders' funds, was approximately 11% (31 December 2001: 10%). The Group has no material contingent liabilities as at 30 June 2002 and 31 December 2001.

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 30 June 2002, the Group had no outstanding foreign exchange contracts, interests on currency swaps or other financial derivatives.

During the period ended 30 June 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies, and material investment.

Prospect

The Directors believe that although at present, there is slight downturn on global economies; the economic growth in the PRC is still strong and prosperous. As the Groups' business is predominately concentrated in China; the Group foresee a continuous market potential and business opportunity in China. The Group's products competitive advantages are:

1. Nanocomposite Materials
 - i. Replace conventional environmentally unfriendly plastic (PVC) products.
 - ii. Formulated as "task-orientated" products to fulfill certain objectives
 - iii. Improve production cycle and product quality
 - iv. Wide application scope and value in terms of production cost
2. Ceramic Fine Powder
 - i. Impressive hardness and high purity
 - ii. Specially designed for high-tech engineering components
 - iii. Develop unique technical "know-how" which is competitive to oversea competitors
3. SnO₂ Nanomaterials and Gas Sensing Devices
 - i. The only one local manufacturer to produce nano-grade SnO₂ nanomaterials and gas sensing devices
 - ii. In line with the time frame of the project regarding the "transfer of gas" from Western to Eastern part of China from China government
 - iii. High sensitivity and selectivity

REVIEW ON BUSINESS OBJECTIVES

Business Objectives for the period ended 30 June 2002 as stated in the Company's Prospectus dated 9 July 2001

Actual business progress

Product development

- | | |
|--|--|
| <ol style="list-style-type: none">1. Launch new PCC nanomaterials for use in PP resin to produce high quality plastic household products in the PRC2. Continue the development of ceramic fine powder for further application (such as automobile engine parts)3. Launch new SnO₂ nanomaterials and gas sensing device for detecting carbon monoxide in the PRC | <ol style="list-style-type: none">1. The new products of PCC nanomaterials filled PP is ready to be launched to the market2. The Group has achieved a breakthrough in quality control for certain range of ceramic fine powder products, however as for the other range of products, the Group is still undergoing the enhancement process stage for perfecting the ceramic fine powder products3. The Group is still under further enhancement of the production technique for SnO₂ nanomaterials and gas sensing device for detecting carbon monoxide |
|--|--|

Expansion of production facilities

- | | |
|--|---|
| <ol style="list-style-type: none">1. Establish a production line for producing PCC nanomaterials to mix with PP resin. The initial annual production capacity of the PP resin mixing facility would be approximately 10,000 tons2. Establish a production line for using plasma method to produce new ceramic fine powder for making metal composite material. The initial annual production capacity would be approximately 300 tons3. Improve the existing production facilities by purchasing assembly machinery for producing SnO₂ gas sensor. The annual production capacity can be increased by 2 million pieces. | <ol style="list-style-type: none">1. The new production line for producing PCC nanomaterials to mix with PP resin was successfully established before June 2002 and ready for production2. The establishment of production line using plasma method to produce metal composite materials with ceramic fine powder is pending for the stabilization of the production of ceramic fine powder3. The purchasing of production facilities for producing SnO₂ gas sensor is progressing satisfactorily. |
|--|---|

Geographical expansion

- | | |
|---|--|
| <p>1. Establish a sales office in Shanghai for the Group's expansion in East China market</p> | <p>1. The continue pursuit of sales office in Shanghai is still conducting</p> |
| <p>2. Continue to participate in international conferences and trade exhibitions</p> | <p>2. The Group participated in several conferences and exhibitions:</p> <ul style="list-style-type: none"> i. 25-29 June – Chinaplas 2002 in China ii. 27-30 May – South China International Plastics & Packaging Exhibition in China iii. 18-22 April Guangdong (Dongguan) International Toys, Gifts and Household Products Exhibition iv. 20 March – Interoff Asia in Hong Kong |
| <p>3. Continue to organize seminars and workshops for potential customers</p> | <p>3. The Group has prepared for different seminars and workshops which will be held in the second half of 2002</p> |
| <p>4. Recruit about 5 marketing staff in Shanghai for marketing the Group's products</p> | <p>4. The Group is continued to search for right candidate to fulfill the post</p> |

Enhancement of research & development capabilities

- | | |
|---|---|
| <p>1. Continue to research and develop new materials using PCC nanomaterials to mix with PP resin</p> | <p>1. The continuing research and development program with the HKUST further enhance the Group's production technique on PCC nanomaterials to mix with PP resin</p> |
| <p>2. Continue to develop plasma production technique</p> | <p>2. The development of plasma production technique is still under progress</p> |
| <p>3. Continue to develop production technique to produce SnO₂ nanomaterials and gas sensing devices for detecting alcohol & smoke</p> | <p>3. The Group is still further enhancing the development on production technique of SnO₂ nanomaterials and gas sensing devices for detecting alcohol and smoke</p> |

4. Continue to research on latest development of nanotechnology, nanomaterials application and production methods
4. The Group set up its own research & development facilities in Dongguan to develop new production technique of nanomaterials and nanocomposite materials to widen its product scope

USE OF PROCEEDS

Description	Planned Up to 30 June 2002 (HK\$ million)	Actual (HK\$ million)
1. Set up new production facilities	7	4.7
2. Expansion of existing facilities	2	2.9
3. Research and Development of new product	0.5	0.6
	<u>9.5</u>	<u>8.2</u>

Use of proceeds is almost the same as the estimation made in the Company's prospectus dated 9 July, 2001. The differences in the actual and planned expenditures are due to several aspects. The further enhancement of the existing production line of PCC nanomaterials situated in Guang Ping Chemical Industrial Enterprise Co. Ltd. In addition, the setting up of new laboratory and installation of laboratory machines in Dongguan office for the Group's research and development activities on the production technique of nanocomposite materials.

The remaining net proceeds of approximately HK\$5.4 million have been placed with licensed banks in Hong Kong for future use accordance with business plans as stated in the Company's prospectus. The Directors do not envisage any circumstances that may lead to any material alteration in the proposed use of the net proceeds.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2002, the interests of the Directors and chief executive of the Company in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Personal Interests	Number of shares held		Other Interests
		Family Interests	Corporate 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% to Mr. Fung Chiu and as to 12.5% to 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.) Limited through Full Joy Management Limited.

Other than as disclosed above as at 30 June 2002, none of the Directors and chief executive of the Company or their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance on which required, pursuant to Rule 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Other than as disclosed above, as at 30 June 2002, neither the Company nor any of its subsidiaries was party to any arrangements to enable the Directors 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 and chief executive of the Company 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

Other than the interest disclosed herein in respect of the Directors and chief executive of the Company or their respective associates, the register of substantial shareholders maintained under the section 16(1) of the SDI Ordinance shows that as at 31 March 2002, the Company had the following substantial shareholder's interests, being 10% or more of the Company's issued share capital:

Name of shareholder	Number of Shares	
	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	–
Suez Asia (<i>Note 2 and 3</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. The sole director of Full Joy Management Limited is nominated by Suez Asia.
3. Suez Asia has 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 30 June 2002.

MANAGEMENT SHAREHOLDERS

So far as the directors are aware, the following persons, 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 practicable manner, 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.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

The Company has terminated its share option scheme adopted on 29 June 2001 (the “Old Share Option Scheme”) and adopted a new share option scheme on its 2001 annual general meeting on 10 May 2002 (the “New Share Option Scheme”). No option has been granted by the Company consider under the Old Share Option Scheme. Pursuant to the New Share Option Scheme, details of which have been set out in a circular of the Company to its shareholders dated 28 March 2002, any individual being employee, officer or consultant of the Group, including any executive or non-executive director of the Company and its subsidiaries may be granted options to subscribe for the shares of the Company.

Up to the six months ended 30 June 2002, no option was granted by the Company under the New Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

As the Company only became a listed Company on 17 July 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2002.

INTEREST OF SPONSOR

As updated and notified by the Company's sponsor, Shenyn Wanguo Cpaital (H.K.) Limited (the "Sponsor" or "Shenyn Wanguo"), as at 30 June 2002, neither the Sponsor, nor any of its respective 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, or any rights to subscribe for, or nominate persons to subscribe for the securities of the company or any member of the Group.

Pursuant Shenyn Wangno to the sponsor agreement dated 6 July 2001 entered into between the Company and Shenyn Wanguo will set as the Company's continuing sponsor for the period of two years commence from 17 July 2001.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules on GEM since its shares having been listed on GEM.

COMPETING INTERESTS

The Directors believe that none of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) has an interest in a business that competes or may compete with the business of the Group.

AUDIT COMMITTEE

An audit committee was established on 29 June 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of 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 executive Director, Mr. Chow Chun Kwong. The Group's unaudited quarterly results for the six months ended 30 June 2002 have been reviewed by the audit committee, who was of the opinion that such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

By Order of the Board
Ong Hong Hoon
Chief Executive

Hong Kong, 13 August 2002