



GP NanoTechnology Group Limited

廣平納米科技集團有限公司*

(Incorporated in Bermuda with limited liability)

QUARTERLY RESULTS ANNOUNCEMENT

For the nine months ended 30 September 2001

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 announcement, 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 announcement.

This announcement, for which the directors (the “Directors”) of GP NanoTechnology Group Limited (the “Company”) collectively and individually accept full 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 (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

** For identification purpose only*

knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

QUARTERLY 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 nine months ended 30 September 2001, together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	22,058	15,648	58,214	54,811
Cost of sales		<u>(12,859)</u>	<u>(9,229)</u>	<u>(31,876)</u>	<u>(29,547)</u>
Gross profit		9,199	6,419	26,338	25,264
Other revenues		143	85	195	89
Distribution costs		(1,203)	(1,406)	(3,169)	(4,210)
Administrative expenses		<u>(3,905)</u>	<u>(912)</u>	<u>(9,104)</u>	<u>(5,858)</u>
Profit from operation		4,234	4,186	14,260	15,285
Finance costs		<u>(452)</u>	<u>(670)</u>	<u>(2,030)</u>	<u>(2,105)</u>
Profit before taxation		3,782	3,516	12,230	13,180
Taxation	3	<u>(707)</u>	<u>(479)</u>	<u>(2,068)</u>	<u>(1,797)</u>
Profit attributable to shareholders		<u>3,075</u>	<u>3,037</u>	<u>10,162</u>	<u>11,383</u>
Dividends		<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Earnings per share — Basic (cents)	4	<u>0.62</u>	<u>0.61</u>	<u>2.03</u>	<u>2.28</u>

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated as a limited company in Bermuda under the Companies Act 1981 of Bermuda on 17 July 2000 with its shares listed on the GEM of the Stock Exchange on 17 July 2001. Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on GEM, the Company became the ultimate holding company of the Group on 17 April 2001. Details of the Reorganisation are set out in the prospectus of the Company dated 9 July 2001. The results of the Group comprise the results of all companies now comprising the Group using

the merger basis of accounting as if the current group structure had been in existence since 1 January 2000, and where applicable, from their respective dates of incorporation or acquisition by the Group, whichever is later.

All significant intra-group transactions and balances have been eliminated on consolidation.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong.

2. Turnover

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances by the Group to outside customers during the nine months ended 30 September 2001.

3. Taxation

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's subsidiary in PRC is entitled to exemption from PRC enterprise income tax for two years commencing from year ended 31 December 1998, followed by a 50% reduction for the next three years. The charge for the nine months ended 30 September 2001 and the nine months ended 30 September 2000 represents provision for PRC enterprise income tax at the reduced rate of 12% on the estimated assessable profit of the Company's subsidiary in PRC.

Companies in the Group are not subject to tax in other jurisdictions.

There was no significant unprovided deferred taxation during the nine months ended 30 September 2001.

4. Earnings per Share

The calculation of the basic earnings per share for each of the three months ended 30 September 2001 and nine months ended 30 September 2001 is based on the respective unaudited consolidated profit attributable to shareholders of approximately HK\$3,075,000 and approximately HK\$10,162,000 (2000: approximately HK\$3,037,000 and approximately HK\$11,383,000) and a total of 500,000,000 shares issued on the establishment of the Company and on the Reorganisation of the Group is deemed to have been in issue since 1 January 2000.

Diluted earnings per share is not presented because there was no dilutive potential ordinary shares in existence during the nine months ended 30 September 2001.

5. Movement in reserves

In July 2001, 68,000,000 shares of HK\$0.10 each were issued to the public at a premium of HK\$0.70 per share (the "New Issue") and 45,000,000 shares of HK\$0.10 each were issued to a strategic investor at a premium of HK\$0.46 each. The excess of the issue price over the par value of the shares issued, net of share issuance expenditure, amounting to approximately HK\$54 million has been credited to the share premium account of the Company.

Immediately after the New Issue, an amount of HK\$31,475,000 be capitalized and applied to pay up in full at par a total of 314,750,000 shares of HK\$0.10 each for allotment and issue to holders of the Company's shares whose names appear on the register of members of the Company as at the close of business on 29 June 2001 in proportion to their then existing shareholdings in the Company.

There was no movement in reserves for the nine months ended 30 September 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2001 (three months and nine months ended 30 September 2000: Nil).

BUSINESS REVIEW AND PROSPECT

Financial performance

For the nine months ended 30 September 2001, the Group's turnover amounted to approximately HK\$58,214,000, representing an increase of 6.2% compared to the same period in 2000. The increase in turnover for the period was due to the launch of new 30nm PCC nanomaterials and increase in market demand. For the three months ended 30 September 2001, the Group's turnover amounted to approximately HK\$22,058,000, representing an increase of 41.0% compared to the same period in 2000. The increase is mainly due to the increase in sales brought by the Group's PCC nanomaterials.

For the three months ended 30 September 2001, the Group's gross profit amounted to approximately HK\$9,199,000, representing an increase of 43.3% compared to the same period in 2000. Gross profit margin also slightly improved from 41.0% for the three months ended 30 September 2000 to 41.7% for the three months ended 30 September 2001. Profit attributable to shareholders for the three months ended 30 September 2001 also increased by 1.3% compared to the same period in 2000.

Business review

During the nine months ended 30 September 2001, the Group continued its main line of business, the manufacture and sale of PCC nanomaterials. New equipment installed for the quality enhancement program for the production of ceramic fine powder in Guang Ping Chemical Industrial Enterprise Co., Ltd. is still undergoing the final internal testing stage. Therefore, the Directors expected that commercial production of quality enhanced ceramic fine powder will be postponed from August to the end of this year. Production samples of the Group's new SnO₂ nanomaterials and gas sensing devices have been submitted to licensing department of Guangdong Province in the PRC for quality testing. The Directors expected that the Group will obtain the relevant production licences by the end of this year. In September 2001, the Group appointed Hong Kong Productivity Council as consultant for the application of ISO 9002 for the Group's production facilities.

Production

During the nine months ended 30 September 2001, an energy saving equipment was installed in the PCC nanomaterials production line. By using the new energy saving equipment, the Group may use coal, a cost saving fuel, to replace a large quantity of the Group's major fuel diesel and therefore, reducing the Group's overall production cost. The Group's new production line for producing SnO₂ nanomaterials and gas sensing devices has been established and production samples have been submitted to licensing department of Guangdong Province in the PRC for quality testing. Mass production is expected to commence when the relevant production licences are granted. The Group is also setting up a new production line for producing polypropylene/calcium carbonate nanocomposite. The initial annual production capacity of the production facility would be approximately 10,000 tonnes and production is expected to commence early next year.

Research and development

During the nine months ended 30 September 2001, the Group entered into an agreement with the Hong Kong University of Science and Technology for the research and development of calcium carbonate filled nanocomposite. With the assistance of the Hong Kong University of Science and Technology, the Group successfully obtained a US patent from the United States Patent and Trademark Office for polypropylene/calcium carbonate nanocomposites. Currently, the Group is setting up a factory located in Dongguan, the PRC for the production.

Prospect

Although the terrorist attacks in the United States of America may have some temporary adverse effect on the world economy, the Directors believe that the continuous economic growth in the PRC will increase the demand for products such as plastic, paper, rubber, paints and engineering components. The Directors also believe that PCC nanomaterials will gradually substitute and will continue to substitute conventional PCC materials and other materials.

Given the broad commercial applications of nanomaterials, the Directors are of a view that there is vast potential for the Group's nanomaterials in the PRC market and are optimistic of the Company's future prospects in achieving its business objective as set out in the Company's prospectus dated 9 July 2001.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2001, according to the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the interests of the directors and chief executive of the Company and their associates in shares of the Company were as follows:

Name	Personal Interest	Family Interest	Corporate Interest (No. of shares)	Other Interest	Total Interest
Fung Chiu	—	—	277,600,000 (Note)	—	277,600,000
Kwong Chun Kau	200,000	—	277,600,000 (Note)	—	277,800,000

Note: These shares are owned by Modern World Resources Limited and Solidbase Holdings Limited.

Modern World Resources Limited is a company incorporated in the British Virgin Islands ("BVI") and 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 a company incorporated in the BVI and owned as to 99.99% by Modern World Resources Limited and 0.01% by Suez Asia Holdings Pte. Limited ("Suez Asia") through Full Joy Management Limited.

Save as disclosed above, as at 30 September 2001, none of the directors and chief executive of the Company or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 29 June 2001, a share option scheme ("Share Option Scheme") was approved by a written resolution of the shareholders of the Company under which the Board may, at its discretion, grant options to full-time employees, including executive directors of the Group, entitling them to subscribe for shares in the Company representing up to a maximum of 30% of the shares in issue from time to time (excluding shares which have been duly allotted and issued pursuant to the Share Option Scheme).

As at 30 September 2001, no options had been granted under the Company's Share Option Scheme.

Save as disclosed above, as at 30 September 2001, neither the Company nor any of its subsidiaries was 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 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

As at 30 September 2001, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following persons were interested in 10% or more of the issued share capital of the Company:

Name	Number of Shares	Approximate percentage of holding (%)
Modern World Resources Limited (<i>Note 1</i>)	180,850,000	36.17
Solidbase Holdings Limited (<i>Note 2</i>)	96,750,000	19.35
Victory Move Technology Limited (<i>Note 3</i>)	77,400,000	15.48
Suez Asia Holdings Pte. Limited (<i>Notes 2 and 4</i>)	141,750,000	28.35

Notes:

1. Modern World Resources Limited is beneficially owned by Ms. Wong Yau Ming (68.75%), Mr. Fung Chiu (18.75%) and Mr. Kwong Chun Kau (12.5%). As a result, Ms. Wong Yau Ming, Mr. Fung Chiu and Mr. Kwong Chun Kau are substantial shareholder as defined in the GEM Listing Rules.
2. Solidbase Holdings Limited is beneficially owned by Full Joy Management Limited. As a result, Full Joy Management Limited is a substantial shareholder as defined in the GEM Listing Rules. Full Joy Management Limited is a company incorporated in the BVI and 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. Victory Move Technology Limited is a company incorporated in the BVI and is beneficially owned by Mr. Ng Kwok Kuen (“Mr. Ng”) and Mr. Chan Tak Shun, Frederick (“Mr. Chan”) in equal shares. Both of whom are independent third parties and are not connected with any 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. Mr. Ng and Mr. Chan are not otherwise related. As a result of Mr. Ng’s board control in Victory Move Technology Limited, he is a substantial shareholder of the Company as defined in the GEM Listing Rules.
4. These represent Shares directly held by Suez Asia (9%) together with (as a result of Suez Asia’s right to nominate the sole director of Full Joy Management Limited) Suez Asia’s deemed interest in the Shares held by Solidbase Holdings Limited.

MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, the following shareholder is, 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 (as defined in the GEM Listing Rules) of the Company:

Name	Number of Shares	Approximate percentage of holding (%)
Modern World Resources Limited (<i>Note 1</i>)	180,850,000	36.17
Solidbase Holdings Limited (<i>Note 2</i>)	96,750,000	19.35

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. Modern World Resources Limited is deemed to be management shareholder pursuant to the GEM Listing Rules.
2. Solidbase Holdings Limited is 100% owned by Full Joy Management Limited who is 99.99% owned by Modern World Resources Limited, is deemed to be management shareholder pursuant to the GEM Listing Rules.

OUTSTANDING SHARE OPTION

During the nine months ended 30 September 2001, no option was granted by the Company under the Share Option Scheme.

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

Since the Company was commenced trading on GEM on 17 July 2001, neither the Company nor any or any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2001.

INTEREST OF SPONSOR

As updated and notified by the Company's Sponsor, Shenyin Wanguo Capital (H.K.) Limited (the "Sponsor"), as at 30 September 2001, neither of 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 interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Shenyin Wanguo Capital (H.K.) Limited has entered into a sponsorship agreement with the Company whereby, for a fee, Shenyin Wanguo Capital (H.K.) Limited will act as the Company's continuing sponsor for the period of two years commencing from 17 July 2001.

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) had an interest in a business that competed with or might compete with the business of the Group.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company established an audit committee on 29 June 2001 with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee has three members comprising two independent non-executive directors, namely, Mr. Fong Shi Sheung, Anthony and Mr. Tsun Kok Chung, Richard and the Company's executive director, Mr. Chow Chun Kwong.

By Order of the Board
Ong Hong Hoon
Chief Executive

Hong Kong, 13 November 2001

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.