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GP NanoTechnology Group Limited
廣平納米科技集團有限公司*
(Incorporated in Bermuda with limited liability)

BUSINESS UPDATES

Summary

This announcement is made to update certain information contained in the Company's announcement dated 10 October 2003. As disclosed in the announcement dated 10 October 2003, the Board had passed a resolution on 9 October 2003 to appoint an inquiry committee to make inquiries on matters disclosed in the announcement dated 5 March 2003.

Based on the unaudited management accounts of the Company, the amount of cash and bank balances of the Group was approximately HK\$5.4 million as at 31 October 2003. The Board decided to cancel the agency agreement and the supplemental agency agreement entered into between the Company and 廣東省恩平市經委科技服務中心 dated 28 November 2001 and 30 September 2002 and demand for the repayment of Deposit in the sum of RMB\$8 million. The Company and 廣東省恩平市經委科技服務中心 signed the cancellation agreement on 30 September 2003 and 廣東省恩平市經委科技服務中心 agreed to repay the Deposit by two installments. On 28 October 2003, the Company had received the first installment of repayment from 廣東省恩平市經委科技服務中心 in the sum of RMB\$4 million which the Company has applied in part to settle the loan in the sum of HK\$2.66 million that was due for repayment on 15 September 2003. As at the date of this announcement, the Company is still negotiating with its creditors to extend the repayment of its loan of HK\$5.98 million and HK\$4 million that is due for repayment on 22 October 2003 and 1 December 2003 respectively.

In addition, the Directors are seeking other fund raising opportunities including equity and debt financing. The Group will endeavour to improve its business in order to generate sufficient cash flow to supports its operations. Shareholders should be aware of that, up to date of this announcement, it is still uncertain whether the Company will be successful in procuring extensions for any of the aforesaid loans. The Group has an immediate liquidity problem.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30am on 7 August 2003. Trading of shares of the Company remains suspended. In view of the current situation, the Stock Exchange informed the Company that it is uncertain on the resumption of trading of the shares of the Company given that the Company has yet to provide sufficient information to resolve issues relating thereto. Further announcement will be made to update the progress.

This announcement is made to update certain information contained in the Company's announcement dated 10 October 2003 (the "**Announcement**"), in particular in relation to the status of the Inquiry and the current financial position of the Company.

1. INQUIRY

Reference is made to the Announcement, whereby it was announced that the Directors have passed a resolution on 9 October 2003 to appoint an inquiry committee (the "**Committee**") to make inquiries on matters disclosed in the announcement dated 5 March 2003, in particular in relation to the Heilongjiang Project and to make recommendations to the board of the directors of the Company (the "**Board**") on appropriate actions to be taken.

As at the date of this announcement, the Committee is in the process of gathering all the relevant information documents in relation to the Heilongjiang Project and the Committee is identifying an appropriate independent auditor to carry out the Inquiry. The Committee will hand over the Inquiry to the independent auditor once the groundwork is being finalized. Due to the unsolicited voluntary unconditional cash offer initiated by Yu Ming Investment Management Limited on behalf of Right Field Holdings Limited to acquire the entire issued share capital of the Company, the Company had consumed much of its resources that in turn has hindered the progress of the work of the Committee. Further announcement will be made by the Company on the progress of the Inquiry.

2. GENERAL AND CURRENT FINANCIAL POSITION OF THE COMPANY

The Group is principally engaged in the manufacturing and sales of nanomaterials for use as fillers in different industrial applications such as the manufacturing of plastic and rubber products. Based on the unaudited management accounts, the amount of cash and bank balances of the Group was approximately HK\$5.4 million as at 31 October 2003. Due to the current liquidity problem faced by the Company, the Board decided to cancel the agency agreement and the supplemental agency agreement entered between the Company and 廣東省恩平市經委科技服務中心 dated 28 November 2001 and 30 September 2002 (as disclosed in the Company's announcement dated 5 March 2003) in particular relating to the acquisition of 恩平市橫坡鎮碳酸鈣廠, and demanded for the repayment of the deposit (the "**Deposit**") in the sum of RMB\$8 million.

The Company and 廣東省恩平市經委科技服務中心 signed the cancellation agreement on 30 September 2003 and 廣東省恩平市經委科技服務中心 agreed to repay the Deposit by two installments within a period of two months after the date of the cancellation agreement with the first installment of RMB\$4 million due on or before 31 October 2003, second installment of the remaining RMB\$4 million due by no later than November 2003. On 28 October 2003, the Company had received the first installment of repayment from 廣東省恩平市經委科技服務中心 in the sum of RMB\$4 million which the Company has applied in part to settle the bank loan

in the sum of HK\$2.66 million that was due for repayment on 15 September 2003 to ease off part of its current financial burden.

As of the date of this announcement, the Group also had secured borrowings of HK\$5.98 million which are interest bearing and was due for repayment on 22 October 2003. The Group is still negotiating with the creditor to extend the loan. The Group also has other loan in the total sum of HK\$4 million which will fall due on 1 December 2003 obtained from a finance company (the “**Creditor**”), the finance company is an independent third party, of which has no relationship with any directors, management shareholders, substantial shareholders and the chief executive of the Company and any of their respective associates. The loan is for a fixed term of 3 months repayable on 1 December 2003 with an interest rate of 2.5% per month and has been secured by a floating charge over the Group’s entire undertakings.

Pursuant to the Company’s announcements dated 29 October 2003 and 30 October 2003, the Company received a formal demand from the Creditor demanding full payment before 5:00pm on 30 October 2003. By 5:00pm on 30 October 2003, the Company cannot meet the demand of its Creditor. The Company is still negotiating with the Creditor to extend the tenor of the loan in the sum of HK\$4 million or defer the repayment schedule.

In addition, the Directors are seeking other fund raising opportunities including equity and debt financing. The Group will endeavour to improve its business in order to generate sufficient cash flow to supports its operations. Shareholders should be aware of that, up to date of this announcement, it is still uncertain whether the Company will be successful in procuring extensions for any of the aforesaid loans. The Group has an immediate liquidity problem.

The Directors confirm that there are no other material information to be brought to the attention of the shareholders.

3. RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 August 2003. Trading of the shares of the Company remains suspended. In view of the current situation, the Stock Exchange informed the Company that it is uncertain on the resumption of trading of the shares of the Company given that the Company has yet to provide sufficient information to resolve issues relating thereto. Further announcement will be made to update the progress.

By Order of the Board

Fung Chiu

Chairman

Hong Kong, 21 November 2003

This announcement, for which the directors of 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 for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their 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.

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 and on the website of the Company at www.gpnano.com.

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