

David M Webb

From: David M. Webb
Sent: Sunday, October 27, 2002 11:00
To: Karen Kit-ying Lee (SEHK)
Cc: Annie Chan; Ashley Alder; Jennifer Lee
Subject: GP Nanotechnology (8152)

Dear Karen,

The Company balance sheet discloses at 31-Dec-01 "deposits made for acquisition of investments" of \$14.019m (11.1% of net assets). The same amount is recorded in the interim balance sheet at 30-Jun-02, implying that the acquisition had not been completed at that date. The company has provided no explanation of what this is.

The 31-Dec-01 balance sheet also records "short term loans receivable" of \$19.283m (15.3% of net assets) and found it necessary to borrow \$3.225m from its controlling shareholder. The interim balance sheet (which is condensed) records "other receivables, deposits and prepayments" of \$25.016m, "other" meaning non-trade. It is not possible to tell whether this includes the loan outstanding 6 months earlier. That is the problem with your "condensed" format.

So far as I know, investors in the Company have not been told that it is diversifying into the money-lending business. No explanation of the loan has been given.

Together, the deposit and loan amount to \$33.3m, or 26.4% of net assets at 31-Dec-01, or 76% of its IPO proceeds of \$44m. I think some explanation is required.

Regards

David

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