

## MANAGEMENT'S STATEMENT

On behalf of the board of directors (the "Board"), I have pleasure in presenting the annual report and the audited consolidated results of GR Investment International Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2002.

### INVESTMENT PORTFOLIOS

For the year under review, the Group has investment projects in both the People's Republic of China ("PRC") and Hong Kong and they are respectively engaged in:

- (1) manufacture and distribution of pharmaceutical products;
- (2) manufacture and distribution of textile products;
- (3) manufacture and distribution of bearing products;
- (4) production and distribution of dairy products;
- (5) production and distribution of foodstuffs;
- (6) development of funeral services;
- (7) development of golf club and resort;
- (8) development of hot spring resort; and
- (9) development of internet education services.

These investments are expected to bring to the Group steady returns and possible capital appreciations.

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### BUSINESS REVIEW AND PROSPECTS

2002 was a difficult year for Hong Kong. Within an environment of continued deflation, a large fiscal deficit, a stubbornly high unemployment rate and general uncertainty as to the timing of the economic recovery, the business environment in Hong Kong was very pessimistic.

During the year, investment projects of the Group in both the PRC and Hong Kong have performed moderately under the difficult business environment and intense market competition. For the year ahead, the Board believes that the business environment will remain both challenging and highly competitive but despite this, we remain confident that a good performance can still be delivered in difficult conditions ahead.

The accession of the PRC to the World Trade Organization and the successful bid by Beijing to host the 2008 Olympics Games will speed up the pace of economic growth in the PRC. The PRC market is set to open further and consequently, more opportunities will result leading to additional benefit of the Group. The management of the Group will certainly seize the golden opportunities associated with the substantial growth in the PRC market to explore more potential investment projects either in the PRC or in Hong Kong so as to deliver stable income and add more value for our shareholders.

### LIQUIDITY AND FINANCIAL RESOURCES

Operations of the Group are generally financed through internal cash resources. As at 31 December 2002, cash and bank balances of the Group were approximately HK\$42 million. The Group had no borrowings and its operations were financed entirely by shareholders' equity.

### APPRECIATION

I would like to express my sincere thanks to all our shareholders for their continuing support, and all the directors and staff of the Group for their loyalty, commitment and diligence in the past year.

On behalf of the Board

**LAM Sai Ho, Anthony**

*Chairman*

Hong Kong, 10 April 2003