

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 2003.

## 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 mainly engaged in:

- (1) manufacture and distribution of bearing products;
- (2) production and distribution of dairy products;
- (3) development of funeral services;
- (4) development of golf club and resort; and
- (5) development of internet education services.

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

## BUSINESS REVIEW AND PROSPECTS

During the year, information in relation to those matters set out in paragraph 32 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the performance of the investment projects of the Group have not been changed materially since the most recent published annual report.

The Group has continued to focus its efforts in rationalizing the investment portfolio in both the PRC and Hong Kong. In April 2003, the Group entered into share transfer agreements with Sine Pharmaceutical Factory and Shanghai Medicine (Group) Company Limited respectively for the disposal of its entire equity interest of 30% of the paid-up registered capital of Shanghai Sine Pharmaceutical Corporation Limited ("Sine Pharm") for a total consideration of RMB40.2 million (approximately HK\$37.4 million). Again in December 2003, the entire equity interest of 25% of Victory Faith Investment Limited ("Victory Faith") of the Group was disposed of for a consideration of approximately HK\$5.7 million. The said considerations have been fully received and leading our Group to have a strong position of cash flow.

The Board believes that the realization of its investments at reasonable prices is in the best interest of the Group and its shareholders. Investment projects with high value will be realized so as to provide resources to the Group for capturing better investment opportunities.

Pursuant to the ordinary resolutions passed at the special general meeting held on 17 June 2003, every ten ordinary shares of HK\$0.01 each in the entire share capital of the Company were consolidated into one ordinary share of HK\$0.10 each ("Consolidated Share") with effect from 18 June 2003 and that 323,964,000 Consolidated Shares of HK\$0.10 each in the share capital of the Company were issued on 16 July 2003 by way of an Open Offer to qualifying shareholders on the basis of three offer shares for every one Consolidated Share held.

The Board believes that the share consolidation will increase the nominal value of the shares and the trading price of the shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), and should attract more institutional investors, thereby broadening the shareholder's base. The Board further considers the Open Offer is an appropriate method to raise capital and it will not only enlarge the capital base of the Company but also allow the shareholders to participate in the growth of the Company. Both share consolidation and Open Offer are therefore in the interests of the Company and the shareholders as a whole.

With our strong cash flow and solid financial position, the Group will continue to evaluate potential investments in both the PRC and Hong Kong with a view of gaining high investment returns and yields for our shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

Operations of the Group are generally financed through internal cash resources. As at 31 December 2003, cash and bank balances of the Group were approximately HK\$98 million. With cash and other current assets of approximately HK\$126 million as at 31 December 2003, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

## USE OF PROCEEDS

The net proceeds received from the issue of new ordinary shares of the Company on 16 July 2003 by way of an Open Offer to qualifying shareholders on the basis of three offer shares for every one Consolidated Share held were approximately HK\$32 million. The usage of the proceeds up to 31 December 2003 was as follows:

- as to approximately HK\$7 million for the investment in Listed Securities in Hong Kong; and
- as to approximately HK\$2 million as general working capital of the Group.

The balance of the proceeds of approximately HK\$23 million was placed in fixed deposit accounts with licensed banks in Hong Kong as at 31 December 2003 for generating interest income.

The actual and intended applications of the net proceeds are consistent with the reasons for the Open Offer as set out in the prospectus of the Company dated 25 June 2003.

## CAPITAL STRUCTURE

During the year, the share capital structure of the Company has been changed with details shown in note 24 to the financial statements.

## EMPLOYEES AND REMUNERATION POLICY

Total number of employees for the Group is about 8. Remuneration policies are reviewed by the Group from time to time. In addition to salary payments, other fringe benefits for the staff include retirement benefits scheme. Retirement benefits scheme for the staff of the Company's subsidiary operating in the PRC are charged to the income statement as they become payable. The only obligation of the Group with respect to the scheme is to make the specified contributions.

## 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 Wo**

*Chairman*

Hong Kong, 25 March 2004