



**GR INVESTMENT
HOLDINGS LIMITED**
金源創展有限公司

INTERIM REPORT 2001

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of GR Investment Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2001 (the “Period”), together with the comparative figures for the corresponding period in 2000, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2001	2000
		Unaudited	Unaudited
	Notes	HK\$	HK\$
Turnover	2	2,307,040	1,189,830
Other revenues		772,963	1,102,801
		3,080,003	2,292,631
Investment management fee		(1,822,787)	(1,564,083)
Staff costs		(550,673)	(772,354)
Depreciation		—	(89,924)
Bad debts written off		(910,629)	(2,230,039)
Other operating expenses		(1,826,765)	(5,202,768)
Total operating expenses		(5,110,854)	(9,859,168)
Operating loss	3	(2,030,851)	(7,566,537)
Finance costs		—	(2,813)
Share of net profits/(losses) of jointly controlled entities		1,415,253	1,832,548
Gain on disposal of interest in a jointly controlled entity (net of taxation of HK\$13,390,053 for the year 2000)		—	24,486,531
Profit /(Loss) before taxation		(615,598)	18,749,729
Taxation	4	(275,067)	(213,630)
Profit/(Loss) attributable to shareholders		(890,665)	18,536,099
Earnings/(Loss) per share	5	(0.10) cent	2.80 cents

Other than the net profit/(loss) for the Period, the Group had no recognized gains or losses. Accordingly, a Statement of Recognized Gains and Losses is not presented in the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2001 Unaudited HK\$	At 31 December 2000 Audited HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		279,376	284,911
Interest in jointly controlled entities		75,634,152	74,057,384
Interest in associated companies		10,777,500	8,850,000
Investment securities		81,360,868	67,817,992
		<u>168,051,896</u>	<u>151,010,287</u>
Current assets			
Trade and other receivables	6	44,960,657	85,949,184
Amount due from Sinox Fund Management Limited		—	391,642
Held-to-maturity debt securities		—	4,929,897
Cash with brokers		352,891	204,120
Cash and bank balances		60,476,256	31,536,948
		<u>105,789,804</u>	<u>123,011,791</u>
Current liabilities			
Trade and other payables	7	13,626,135	14,280,942
Amount due to Sinox Fund Management Limited		1,340,495	—
Amounts due to investee companies		469,418	444,820
Provision for tax		13,515,835	13,515,835
		<u>28,951,883</u>	<u>28,241,597</u>
Net current assets		<u>76,837,921</u>	<u>94,770,194</u>
Net assets		<u>244,889,817</u>	<u>245,780,481</u>
CAPITAL AND RESERVES			
Share Capital	8	89,990,000	89,990,000
Reserves	9	154,899,817	155,790,481
Shareholders' funds		<u>244,889,817</u>	<u>245,780,481</u>
Net asset value per share	10	<u>0.27</u>	<u>0.27</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the Six months ended 30 June 2001 Unaudited HK\$
NET CASH INFLOW FROM OPERATING ACTIVITIES	36,806,829
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	1,852,264
TAXATION	—
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(9,571,014)</u>
NET CASH INFLOW BEFORE FINANCING	29,088,079
NET CASH INFLOW FROM FINANCING	<u>—</u>
INCREASE IN CASH AND CASH EQUIVALENTS	29,088,079
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>31,741,068</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>60,829,147</u></u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS	
Cash with brokers	352,891
Cash and bank balances	<u>60,476,256</u>
	<u><u>60,829,147</u></u>

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2001

1. Basis of presentation and accounting policies

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and Hong Kong Statements of Standard Accounting Practice (“SSAP”) No.25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants, except that comparative figures for the cash flow statement have not been prepared as the Group has taken advantage of the transitional provisions set out in paragraph 37 of Appendix 16 to the Listing Rules.

Certain comparative figures have been reclassified to conform to the current Period’s presentation as required under SSAP No.1 (revised) “Presentation of Financial Statements”.

The accounting policies adopted in these unaudited condensed consolidated interim financial statements are consistent with those followed in the audited annual financial statements of the Group for the year ended 31 December 2000, except in relation to SSAP No.21 “Accounting for Interests in Joint Ventures” and SSAP No.30 “Business Combinations”.

In accordance with SSAP No.21, joint venture companies that previously classified under interest in associated companies are now reclassified and shown under interest in jointly controlled entities. The results of the jointly controlled entities are accounted for by the Group using the equity method of accounting. The Group’s investments in jointly controlled entities are stated at its share of net assets of the jointly controlled entities.

According to the principal accounting policies of the Group, goodwill on acquisition of subsidiaries or associated companies is amortized by equal annual installments over the respective joint venture periods. In accordance with SSAP No.30, the amortization period is changed with the rebuttable presumption that the useful life of goodwill will not exceed twenty years from initial recognition in order to reflect the best estimate of the period during which future economic benefits are expected to flow to the Group.

2. Segmental information

An analysis of the Group's unaudited turnover and operating loss by principal activity and geographical segment for the period ended 30 June 2001 is as follows:

	Turnover for the six months ended 30 June		Operating loss for the six months ended 30 June	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
By principal activity:				
Management fees from jointed controlled entities	1,138,515	1,189,830	(3,199,376)	(7,566,537)
Dividend income from investment securities	1,168,525	—	1,168,525	—
	<u>2,307,040</u>	<u>1,189,830</u>	<u>(2,030,851)</u>	<u>(7,566,537)</u>
By geographical segment:				
The People's Republic of China:				
Hong Kong	1,455,319	310,334	(1,824,590)	(6,955,650)
Other regions	851,721	879,496	(206,261)	(610,887)
	<u>2,307,040</u>	<u>1,189,830</u>	<u>(2,030,851)</u>	<u>(7,566,537)</u>

3. Operating loss

	For the six months ended 30 June	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Unaudited operating loss is arrived at after charging/(crediting):		
Amortization of goodwill	182,988	101,033
Write-off of property, plant and equipment	5,535	311,101
Interest income	<u>(620,736)</u>	<u>(806,281)</u>

4. Taxation

Taxation in the unaudited consolidated income statement represents:

	For the six months ended 30 June	
	2001	2000
	HK\$	HK\$
Company and subsidiaries Hong Kong profits tax	—	—
Share of taxation attributable to jointly controlled entities	<u>275,067</u>	<u>213,630</u>
	<u>275,067</u>	<u>213,630</u>

Hong Kong profits tax has not been provided as the Group does not have estimated assessable profit arising in Hong Kong during the Period.

Share of taxation of the jointly controlled entities represent corporation tax payable on income earned in the People's Republic of China ("PRC").

No deferred tax has been provided in the financial statements as there are no material timing differences.

5. Earnings/(Loss) per share

The calculation of earnings/(loss) per share for the six months ended 30 June 2001 is based on the following:

	For the six months ended 30 June	
	2001	2000
	HK\$	HK\$
Profit/(Loss) attributable to shareholders	(890,665)	18,536,099
Weighted average number of ordinary shares	<u>899,900,000</u>	<u>665,704,066</u>

Weighted average of 665,704,066 shares for the six months ended 30 June 2000 were adjusted for the effects of rights issue and subdivision of shares for that period.

6. Trade and other receivables

The ageing analysis of the trade and other receivables is as follows:

	30 June 2001 Unaudited HK\$	31 December 2000 Audited HK\$
Within 3 months	2,759,865	35,549,816
3 to 6 months	30,680,100	—
6 to 12 months	929,700	2,679,700
Over 1 year	140,326	140,326
	34,509,991	38,369,842
Others	10,450,666	47,579,342
	44,960,657	85,949,184

7. Trade and other payables

The ageing analysis of the trade and other payables is as follows:

	30 June 2001 Unaudited HK\$	31 December 2000 Audited HK\$
Within 3 months	—	—
3 to 6 months	—	4,747,660
6 to 12 months	4,747,660	—
	4,747,660	4,747,660
Others	8,878,475	9,533,282
	13,626,135	14,280,942

8. Share capital

	30 June 2001	31 December 2000
	Unaudited	Audited
	HK\$	HK\$
<i>Authorized:</i>		
3,000,000,000 ordinary shares of HK\$0.10 each	<u>300,000,000</u>	<u>300,000,000</u>
<i>Issued and fully paid:</i>		
899,900,000 ordinary shares of HK\$0.10 each	<u>89,990,000</u>	<u>89,990,000</u>

There is no movement in the share capital of the Company during the current Period.

For the six months ended 30 June 2000, the Company increased its authorized capital from HK\$50 million to HK\$300 million by the creation of an addition of 250 million shares of HK\$1.00 each. Issued and fully paid up capital was increased from HK\$25 million to HK\$89.99 million through the following placing and rights issue:

- (1) 5 million shares of HK\$1.00 each were placed at HK\$1.00 each;
- (2) 45 million rights issue shares of HK\$1.00 each were issued at HK\$1.00 each in the proportion of three rights issue shares for every two existing shares; and
- (3) 14.99 million shares of HK\$1.00 each were placed at HK\$1.00 each.

Pursuant to the ordinary resolution passed on 29 June 2000, each of the issued and unissued ordinary shares of the Company of HK\$1.00 each was subdivided into ten ordinary shares of HK\$0.10 each.

9. Reserves

	30 June 2001	31 December 2000
	Unaudited	Audited
	HK\$	HK\$
Share premium	166,327,220	166,327,220
Capital reserve on consolidation	468,163	468,163
Exchange fluctuation reserve	(4,194,214)	(4,194,214)
Accumulated losses	<u>(7,701,352)</u>	<u>(6,810,688)</u>
	<u>154,899,817</u>	<u>155,790,481</u>

10. Net asset value per share

Net asset value per share is computed based on the net assets of HK\$244,889,817 (31 December 2000: HK\$245,780,481) and the number of issued and fully paid up shares of 899,900,000 (31 December 2000: 899,900,000) as at 30 June 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000 : Nil).

REVIEW AND OUTLOOK

During the Period under review, our Group has continued to focus its efforts in rationalizing the investment portfolio in the PRC. Investment projects with high capital appreciation would be realized so as to provide resources to the Group to capture better investment opportunities. Our Group has substantial cash on hand in the wake of the disposal of Shanghai White Cat project last year.

With healthy balance sheet, strong cash position and no bank borrowings, our Group is seeking investment projects, which can provide high investment yields and capital appreciation potentials. 3.23% interest in EVI Education Asia Limited was acquired as a result of this investment strategy.

The Group will continue to evaluate investment opportunities, which can achieve our investment strategy, and we believe that a high growth investment portfolio can be structured to generate higher investment returns and yields for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

Operations of the Group are generally financed through internal cash resources. During the Period, the Group generated net cash inflows from operating activities of approximately HK\$37 million. As at 30 June 2001, cash and bank balances of the Group were approximately HK\$61 million. The Group had no borrowings and its operations were financed entirely by shareholders' equity.

CAPITAL STRUCTURE

During the Period, the share capital structure of the Company remained the same as that as at 31 December 2000.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2001, none of the directors nor any of their associates had any interests in the issued share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

The Company has adopted an Employee Share Option Scheme on 13 March 2000 under which the executive directors, the officers and the employees of the Company or its subsidiaries may be granted options to subscribe for shares in the Company. No option was granted or exercised during the Period or remained outstanding as at 30 June 2001.

Save as aforesaid, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. Details of these interests are summarized as follows:

Name of shareholder	Number of ordinary shares of HK\$0.10 each	
	Direct interest	Deemed interest
Ringo Resources Limited	256,005,000	—
Better Choice Investments Limited	—	256,005,000
Reo Developments Limited	—	256,005,000
Golden Resources Development International Limited	—	256,005,000

Ringo Resources Limited is a wholly-owned subsidiary of Better Choice Investments Limited which in turn is a wholly-owned subsidiary of Reo Developments Limited. Reo Developments Limited is a wholly-owned subsidiary of Golden Resources Development International Limited. Accordingly, Better Choice Investments Limited, Reo Developments Limited and Golden Resources Development International Limited are all deemed to be interested in 256,005,000 shares held by Ringo Resources Limited.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the Period.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements and the interim report for the six months ended 30 June 2001.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, during the Period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The 2001 Interim Report of the Company containing all the information required by paragraph 37 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board
GR Investment Holdings Limited
Anthony LAM Sai Ho
Chairman

Hong Kong, 17 September 2001