



GR INVESTMENT INTERNATIONAL LIMITED
金 源 投 資 國 際 有 限 公 司

(Incorporated in Bermuda with limited liability)



I n t e r i m R e p o r t

2003

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of GR Investment International Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 (the "Period"), together with the comparative figures for the corresponding period in 2002, as follows:

Condensed Consolidated Income Statement

		For the six months ended 30 June	
	Notes	2003 Unaudited HK\$	2002 Unaudited HK\$
Turnover	2	1,442,854	1,799,144
Other revenues		368,713	304,899
		1,811,567	2,104,043
Investment management fee		(1,644,211)	(1,742,140)
Staff costs		(383,156)	(431,658)
Depreciation		(44,175)	(43,822)
Other operating expenses		(1,414,906)	(999,268)
Total operating expenses		(3,486,448)	(3,216,888)
Operating loss	3	(1,674,881)	(1,112,845)
Share of net (losses)/profits of jointly controlled entities		(1,808,104)	2,365,225
Share of net losses of associated companies		(3,305,104)	(1,458,113)
Gain on disposal of interest in a jointly controlled entity	4	5,583,473	—
Loss before taxation		(1,204,616)	(205,733)
Taxation	5	(541,128)	(699,199)
Loss attributable to shareholders		(1,745,744)	(904,932)
Loss per share	6		
— as originally reported		N/A	(0.10) cent
— including effects of open offer and consolidation of shares (restated for 2002)		(1.50) cents	(1.00) cent

Condensed Consolidated Balance Sheet

	<i>Notes</i>	30 June 2003 Unaudited HK\$	31 December 2002 Audited HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		168,939	198,797
Interest in jointly controlled entities		27,702,620	58,421,732
Interest in associated companies		16,933,466	19,962,530
Investment securities		91,892,524	84,978,712
Held-to-maturity debt securities		5,040,000	5,040,000
Other asset		150,000	150,000
		141,887,549	168,751,771
Current assets			
Other receivables	7	69,594,384	35,325,358
Amount due from Sinox Fund Management Limited		81,589	—
Cash with brokers		907	4,556
Cash and bank balances		62,571,806	42,494,118
		132,248,686	77,824,032
Current liabilities			
Other payables	8	28,689,371	13,175,784
Amount due to Sinox Fund Management Limited		—	2,463,061
Provision for tax		17,874,107	13,390,053
		46,563,478	29,028,898
Net current assets		85,685,208	48,795,134
Net assets		227,572,757	217,546,905
CAPITAL AND RESERVES			
Share Capital	9	10,798,800	8,999,000
Reserves	10	216,773,957	208,547,905
Shareholders' funds		227,572,757	217,546,905
Net asset value per share	11	2.11	0.24

Condensed Consolidated Statement of Changes in Equity

	Share capital	Capital reserve on consolidation	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
1 January 2003	8,999,000	468,163	247,318,220	(4,194,214)	(35,044,264)	217,546,905
Shares issued during the Period	1,799,800	—	8,999,000	—	—	10,798,800
Released on disposal of a jointly controlled entity	—	—	—	972,796	—	972,796
Loss for the Period	—	—	—	—	(1,745,744)	(1,745,744)
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30 June 2003	<u>10,798,800</u>	<u>468,163</u>	<u>256,317,220</u>	<u>(3,221,418)</u>	<u>(36,790,008)</u>	<u>227,572,757</u>

Condensed Consolidated Cash Flow Statement

For the six months
ended 30 June

	2003 Unaudited HK\$	2002 Unaudited HK\$
NET CASH (OUTFLOW)/INFLOW FROM:		
OPERATING ACTIVITIES	(21,170,571)	(12,146,588)
INVESTING ACTIVITIES	30,445,810	(9,135,000)
FINANCING ACTIVITIES	10,798,800	—
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,074,039	(21,281,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	42,498,674	56,355,480
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	62,572,713	35,073,892
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash with brokers	907	3,723
Cash and bank balances	62,571,806	35,070,169
	62,572,713	35,073,892

Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed financial statements of the Group are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies adopted in these condensed financial statements are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31 December 2002.

2. TURNOVER AND SEGMENTAL INFORMATION

An analysis of the Group's unaudited turnover and operating loss by principal activity and geographical segment is as follows:

	Turnover for the six months ended 30 June		Operating loss for the six months ended 30 June	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
By principal activity:				
Management fees from jointly controlled entities	376,529	745,619	(2,741,206)	(2,166,370)
Dividend income from investment securities	1,066,325	1,053,525	1,066,325	1,053,525
	1,442,854	1,799,144	(1,674,881)	(1,112,845)

2. TURNOVER AND SEGMENTAL INFORMATION (Cont'd)

	Turnover for the six months ended 30 June	
	2003 HK\$	2002 HK\$
By geographical segment:		
The People's Republic of China:		
Hong Kong	1,066,325	1,053,525
Other regions	376,529	745,619
	1,442,854	1,799,144

Given the nature of the Group's operations as investment holding and the way in which costs are allocated, it is not considered meaningful to provide geographical analysis of operating loss.

3. OPERATING LOSS

	For the six months ended 30 June	
	2003 HK\$	2002 HK\$
Unaudited operating loss is arrived at after charging/(crediting):		
Amortization of goodwill	91,494	182,988
Interest income	(328,559)	(184,899)

4. GAIN ON DISPOSAL OF INTEREST IN A JOINTLY CONTROLLED ENTITY

During the Period, the Group disposed of its equity interest of 30% in a jointly controlled entity, Shanghai Sine Pharmaceutical Corporation Limited for a consideration of RMB40.2 million (approximately HK\$37.4 million). This gave rise to a gain on disposal of HK\$5,583,473 (net of taxation of HK\$4,484,054 arising in the People's Republic of China ("PRC")).

5. TAXATION

Taxation in the unaudited consolidated income statement represents:

	For the six months ended 30 June	
	2003 HK\$	2002 HK\$
Company and subsidiaries		
Hong Kong profits tax	—	—
Overseas taxation	203,577	87,709
Jointly controlled entities and associated companies		
Share of taxation attributable to jointly controlled entities	337,551	611,490
Share of taxation attributable to associated companies	—	—
	541,128	699,199

Hong Kong profits tax has not been provided as the individual companies comprising the Group do not have assessable profit arising in Hong Kong during the Period.

Taxation of other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax has been provided in the condensed financial statements as there is no material timing difference.

6. LOSS PER SHARE

The calculation of the loss per share is based on the following data:

	For the six months ended 30 June	
	2003 HK\$	2002 HK\$
Loss attributable to shareholders	(1,745,744)	(904,932)
Weighted average number of ordinary shares		
— originally stated	N/A	899,900,000
— including effects of open offer and consolidation of shares	116,042,354	89,990,000

7. OTHER RECEIVABLES

The ageing analysis of the other receivables is as follows:

	30 June 2003 Unaudited HK\$	31 December 2002 Audited HK\$
Within 3 months	18,686,970	4,230,135
3 to 6 months	—	—
6 to 12 months	4,230,135	—
Over 1 year	30,680,100	30,680,100
Others	53,597,205	34,910,235
	15,997,179	415,123
	69,594,384	35,325,358

8. OTHER PAYABLES

The ageing analysis of the other payables is as follows:

	30 June 2003 Unaudited HK\$	31 December 2002 Audited HK\$
Within 3 months	—	—
3 to 6 months	—	—
6 to 12 months	—	—
Over 1 year	3,817,960	3,817,960
	3,817,960	3,817,960
Others	24,871,411	9,357,824
	28,689,371	13,175,784

9. SHARE CAPITAL

	<i>Note</i>	Number of ordinary shares of HK\$0.10 each	<i>HK\$</i>
Authorized:			
At 1 January 2003		30,000,000,000	300,000,000
Consolidation of shares	(b)	(27,000,000,000)	—
At 30 June 2003		3,000,000,000	300,000,000
Issued and fully paid:			
At 1 January 2003		899,900,000	8,999,000
Issue of shares	(a)	179,980,000	1,799,800
Consolidation of shares	(b)	(971,892,000)	—
At 30 June 2003		107,988,000	10,798,800

9. SHARE CAPITAL (Cont'd)

- (a) On 26 March 2003, a subscription agreement was entered into between Cosmopolitan International Holdings Limited ("Cosmopolitan"), Baron Asset Management Limited ("Baron") and the Company pursuant to which the Company agreed to issue a total of 179,980,000 shares and Cosmopolitan and Baron agreed to subscribe for 115,230,210 and 64,749,790 shares respectively at HK\$0.06 per share, amounting to HK\$6,913,813 and HK\$3,884,987 respectively. The transaction was completed on 29 April 2003.
- (b) Pursuant to an 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 with effect from 18 June 2003.

10. RESERVES

	30 June 2003 Unaudited HK\$	31 December 2002 Audited HK\$
Capital reserve on consolidation	468,163	468,163
Contributed surplus	256,317,220	247,318,220
Exchange fluctuation reserve	(3,221,418)	(4,194,214)
Accumulated losses	(36,790,008)	(35,044,264)
	216,773,957	208,547,905

11. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the net assets of HK\$227,572,757 (31 December 2002: HK\$217,546,905) and the number of issued and fully paid up shares of 107,988,000 (31 December 2002: 899,900,000) as at 30 June 2003.

INTERIM DIVIDEND

The Board resolved not to pay an interim dividend for the six months ended 30 June 2003 (2002: Nil).

REVIEW AND OUTLOOK

During the Period under review, information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules and the performance of the investment projects of the Group in both the PRC and Hong Kong 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 the PRC. 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). The amount has been fully received by July 2003. The Board believes that the realization of its investment in Sine Pharm at a reasonable price 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, 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 30 June 2003, cash and bank balances of the Group were approximately HK\$62 million. With cash and other current assets of approximately HK\$132 million as at 30 June 2003, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

CAPITAL STRUCTURE

During the Period, the share capital structure of the Company has been changed with details shown in note 9 to the condensed 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. The contributions to the 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, none of the directors nor any of their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

The Company adopted a share option scheme on 10 December 2001 under which the Board may grant to eligible employees, including the executive directors, the officers and the full or part-time employees of the Company or its subsidiaries, options to subscribe for shares of the Company. No option was granted, exercised, lapsed or cancelled during the Period or remained outstanding as at 30 June 2003.

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 2003, the following persons had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company

Name	Personal* Interests	Family+ Interests	Corporate# Interests	Total Interests	Percentage of issued share capital of the Company	Notes
Golden Resources Development International Limited	—	—	25,600,500	25,600,500	23.71%	1
Aimstar Investments Limited	—	—	8,500,000	8,500,000	7.87%	2
Sze Sun Sun, Tony	—	—	8,500,000	8,500,000	7.87%	2
Baron Asset Management Limited	—	—	6,474,979	6,474,979	6.00%	3
Mak Wai Chun	—	—	6,474,979	6,474,979	6.00%	3
Wan Chuen Chung, Joseph	—	—	6,474,979	6,474,979	6.00%	3
Cosmopolitan International Holdings Limited	—	—	11,523,021	11,523,021	10.67%	4
Gold Capital Investments Limited	—	—	11,523,021	11,523,021	10.67%	4
Kao Chu Chee, Emmanuel	—	—	11,523,021	11,523,021	10.67%	4
Besuccess Investments Limited	—	—	6,048,000	6,048,000	5.60%	5
Fortuna Investments Limited	—	—	6,048,000	6,048,000	5.60%	5
Ip Po Ki	—	—	6,048,000	6,048,000	5.60%	5
Chan Kin Sun	5,400,000	1,025,000	—	6,425,000	5.95%	6
Cheng Kwan Ying, Jennifer	1,025,000	5,400,000	—	6,425,000	5.95%	6

* Beneficial owner

+ Interests of spouse

Interests beneficially held by the company itself or through companies controlled by it

Notes

1. The corporate interests of Golden Resources Development International Limited were attributable on account through a number of its wholly-owned subsidiaries. Ringo Resources Limited held 25,600,500 shares and was a wholly-owned subsidiary of Better Choice Investments Limited which in turn was a wholly-owned subsidiary of Reo Developments Limited. Reo Developments Limited was a wholly-owned subsidiary of Golden Resources Development International Limited. Accordingly, Better Choice Investments Limited, Reo Developments Limited and Golden Resources Development International Limited were all deemed to be interested in the 25,600,500 shares held by Ringo Resources Limited.
2. Aimstar Investments Limited was wholly-owned by Mr. Sze Sun Sun, Tony. Mr. Sze Sun Sun, Tony was therefore deemed to be interested in 8,500,000 shares held by Aimstar Investments Limited.
3. Baron Asset Management Limited was a wholly-owned subsidiary of Baron Strategic Holdings Limited, which was beneficially owned as to 50% by Mr. Wan Chuen Chung, Joseph and 50% by Ms. Mak Wai Chun. Mr. Wan Chuen Chung, Joseph and Ms. Mak Wai Chun were a married couple. Accordingly, Baron Strategic Holdings Limited, Mr. Wan Chuen Chung, Joseph and Ms. Mak Wai Chun were all deemed to be interested in 6,474,979 shares held by Baron Asset Management Limited.
4. Cosmopolitan International Holdings Limited was beneficially owned as to approximately 50.30% by Gold Capital Investments Limited, which was in turns beneficially owned as to approximately 56.67% by Mr. Kao Chu Chee, Emmanuel. Accordingly, Gold Capital Investments Limited and Mr. Kao Chu Chee, Emmanuel were all deemed to be interested in 11,523,021 shares held by Cosmopolitan International Holdings Limited.
5. Besuccess Investments Limited was a wholly-owned subsidiary of Fortuna Investments Limited, which was wholly-owned by Mr. Ip Po Ki. Accordingly, Fortuna Investments Limited and Mr. Ip Po Ki were all deemed to be interested in 6,048,000 shares held by Besuccess Investments Limited.
6. Mr. Chan Kin Sun and Ms. Cheng Kwan Ying, Jennifer were a married couple and accordingly, they were interested and deemed to be interested in a total of 6,425,000 shares.

Save as disclosed above, as at 30 June 2003, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register that required to be maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed 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 2003.

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 to 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 provisions of the Company's Bye-Laws.

On behalf of the Board

Anthony LAM Sai Ho

Chairman

Hong Kong, 16 September 2003