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**COSMOPOLITAN  
INTERNATIONAL  
HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*



**GR INVESTMENT  
INTERNATIONAL LIMITED**

*(incorporated in Bermuda with limited liability)*

**Financial adviser to Cosmopolitan International Holdings Limited**

 **Baron Capital Limited**

**DISCLOSEABLE TRANSACTION FOR  
COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED  
SUBSCRIPTION FOR 179,980,000 SHARES IN THE CAPITAL OF  
GR INVESTMENT INTERNATIONAL LIMITED  
AND RESUMPTION OF TRADING**

On 26 March 2003, the Subscription Agreement was entered into between Cosmopolitan, Baron and GR Investment pursuant to which GR Investment agreed to issue and Cosmopolitan and Baron agreed to subscribe for a total of 179,980,000 Shares at HK\$0.06 per Share (representing a premium of 50% to the closing price of the Shares of HK\$0.04 on 26 March 2003).

The aggregate consideration for the Subscription Shares is HK\$10,798,800, of which approximately HK\$3,884,987 will be borne by Baron and approximately HK\$6,913,813 will be borne by Cosmopolitan and is to be satisfied by (a) the issue of Consideration Shares, credited as fully paid at HK\$0.29 each (representing a discount of approximately 3.33% to the closing price of the Cosmopolitan's Shares of HK\$0.30 on 26 March 2003) and (b) the payment of approximately HK\$3,884,987 in cash by Baron.

The Subscription Shares represent (a) 20% of the existing issued share capital of GR Investment as at the date hereof, of which approximately 7.2% and approximately 12.8% will be subscribed by Baron and Cosmopolitan respectively; and (b) approximately 16.67% of the existing issued share capital of GR Investment as enlarged by the Subscription Shares, of which approximately 6% and approximately 10.67% will be held by Baron and Cosmopolitan respectively. As such, Cosmopolitan will become a substantial shareholder of GR Investment upon completion of the Subscription Agreement.

The Consideration Shares represent approximately 8.1% of the existing issued share capital of Cosmopolitan as at the date hereof and approximately 7.5% of the existing issued share capital of Cosmopolitan as enlarged by the Consideration Shares.

Neither Baron nor Cosmopolitan has intention to seek representation in the board of GR Investment upon completion of the Subscription Agreement.

The Subscription constitutes a discloseable transaction for Cosmopolitan under Chapter 14 of the Listing Rules and Cosmopolitan will dispatch a circular containing the details of the Subscription to Cosmopolitan's shareholders as soon as practicable to provide them with further information relating to the Subscription. The Subscription is a price sensitive matter for GR Investment and therefore the board of directors of GR Investment authorised the issue of this announcement disclosing to the public details of the Subscription pursuant to Paragraph 2 of the Listing Agreement made between GR Investment and the Stock Exchange.

Trading in the Shares and trading in the Cosmopolitan's Shares were suspended at the request of GR Investment and Cosmopolitan, respectively, with effect from 9:30 a.m. on 27 March 2003. GR Investment and Cosmopolitan have applied for resumption of trading in the Shares and Cosmopolitan's Shares respectively, with effect from 9:30 a.m. on 31 March 2003.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

26 March 2003

### **Parties**

- (1) GR Investment, which is independent of, and not connected with any directors, chief executives, substantial shareholders of Baron and Cosmopolitan or any of their respective associates as defined under the Listing Rules;
- (2) Baron, which is independent of, and not connected with any directors, chief executives, substantial shareholders of GR Investment and Cosmopolitan or any of their respective associates as defined under the Listing Rules; and
- (3) Cosmopolitan, which is independent of, and not connected with any directors, chief executives, substantial shareholders of Baron and GR Investment or any of their respective associates as defined under the Listing Rules.

Baron is a fellow subsidiary of Baron Capital Limited, both companies are ultimately under a same holding company. Baron Capital Limited was one of the financial advisers to Cosmopolitan on proposed subscription of new shares by Gold Capital Investments Limited and application for the granting of the whitewash waiver and the special deal consent, which was announced by Cosmopolitan on 16 December 2002 and completed in March 2003. As the financial adviser to Cosmopolitan in this transaction, Baron Capital Limited assists the directors of Cosmopolitan in the preparation of announcement and circular to ensure compliance with the Listing Rules and other relevant regulatory requirements. Although Baron and Cosmopolitan are parties involved in the Subscription Agreement, Baron Capital Limited does not involve in assisting Cosmopolitan in the negotiation of price and terms of the Subscription Agreement.

Neither Baron (including its respective connected persons and associates as defined under the Listing Rules) nor Cosmopolitan (including its respective connected persons and associates as defined under the Listing Rules) has had any shareholding in GR Investment prior to the Subscription.

## **Terms**

GR Investment agreed to issue a total of 179,980,000 Shares at HK\$0.06 per Share, of which Baron and Cosmopolitan agreed to subscribe for 64,749,790 and 115,230,210 Shares respectively.

The Subscription Shares represent (a) 20% of the existing issued share capital of GR Investment as at the date hereof, of which approximately 7.2% and approximately 12.8% will be subscribed by Baron and Cosmopolitan respectively; and (b) approximately 16.67% of the existing issued share capital of GR Investment as enlarged by the Subscription Shares, of which approximately 6% and approximately 10.67% will be held by Baron and Cosmopolitan respectively. As such, Cosmopolitan will become a substantial shareholder of GR Investment upon completion of the Subscription Agreement.

## **Consideration**

The aggregate consideration for the Subscription Shares is HK\$10,798,800, of which approximately HK\$3,884,987 will be borne by Baron and approximately HK\$6,913,813 will be borne by Cosmopolitan and is to be satisfied by (a) the issue of the Consideration Shares, credited as fully paid at HK\$0.29 each, to GR Investment or as it may direct; and (b) the payment of approximately HK\$3,884,987 by Baron to GR Investment (with no initial deposit has been made by Baron), on completion of the Subscription Agreement.

The Consideration Shares represent approximately 8.1% of the existing issued share capital of Cosmopolitan as at the date hereof and approximately 7.5% of the existing issued share capital of Cosmopolitan as enlarged by the Consideration Shares.

The Subscription Price of HK\$0.06 per Subscription Share and the issue price of HK\$0.29 per Consideration Share have been arrived at after arm's length negotiations between the relevant parties considering, inter alia, the financial position of Baron, Cosmopolitan and GR Investment and the prevailing market prices of the Shares and the Cosmopolitan's Shares, respectively.

The Subscription Price of HK\$0.06 per Subscription Share represents:

- (a) a premium of 50% to the closing price of HK\$0.04 per Share on 26 March 2003, being the date of the Subscription Agreement; and
- (b) a premium of 50% to the average closing price of approximately HK\$0.04 per Share from 13 March 2003 to 26 March 2003, both days inclusive, being the last 10 trading days leading up to and including date of the Subscription Agreement.

The issue price of HK\$0.29 per Consideration Share represents:

- (a) a discount of approximately 3.33% to the closing price of HK\$0.30 per Cosmopolitan's Share on 26 March 2003, being the date of the Subscription Agreement; and
- (b) a discount of approximately 12.78% to the average closing price of approximately HK\$0.3325 per Cosmopolitan's Share from 13 March 2003 to 26 March 2003, both days inclusive, being the last 10 trading days last 10 trading days leading up to and including the date of the Subscription Agreement.

## **Conditions**

The completion of the Subscription is conditional upon the following conditions, inter alia, being satisfied:

- (a) the Listing Committee of the Stock Exchange having granted, listing of and permission to deal in the Subscription Shares;
- (b) the Listing Committee of the Stock Exchange having granted, listing of and permission to deal in the Consideration Shares; and
- (c) the obtaining by all parties concerned of all necessary consents, approvals or waivers to effect the signing and completion of the Subscription Agreement.

If the conditions are not fulfilled or waived by 30 April 2003 or such later date as may be agreed in writing between Baron, Cosmopolitan and GR Investment, the Subscription Agreement will lapse and the parties will be released from all their respective obligations thereunder, except for antecedent breaches thereof/and neither party will have any claim against the other, save for prior breaches of the Subscription Agreement.

In addition to the above, the Subscription by Baron and Cosmopolitan has to be completed simultaneously. Other than that, the Subscription by Baron and Cosmopolitan are independent from each other and not inter-conditional.

## **Completion**

The third business day after the satisfaction of the above conditions (or such later date as the parties may agree).

## **BENEFITS ARISING FROM THE SUBSCRIPTION**

### **For Cosmopolitan**

Cosmopolitan is an investment holding company which is principally engaged in property and securities investment. The directors of Cosmopolitan consider that the Subscription will enable Cosmopolitan to broaden its shareholders' base and its investment portfolio. The directors of Cosmopolitan are optimistic about the prospects of the investment portfolio of GR Investment.

The investment objective of GR Investment is to seek to achieve long-term capital appreciation of its assets primarily through equity and equity-related investments on a global basis.

The investment policy of GR Investment is to invest, at its discretion, in any equity, equity related and money market securities and investments, listed or unlisted, which would enable GR Investment to generate income or to gain capital appreciation and to diversify the risk of its investment portfolio into various kinds of business.

The Subscription Price of HK\$0.06 per Subscription Share represents a premium of 50% to the closing price of HK\$0.04 per Share while the issue price of HK\$0.29 per Consideration Share represents a discount of approximately 3.33% to the closing price of HK\$0.30 per Cosmopolitan's Share on 26 March 2003. However, the Subscription Price of HK\$0.06 per Subscription Share represents a discount of

approximately 77% to the unaudited net asset value per Share of GR Investment of approximately HK\$0.26 per Share as at 30 June 2002. As such, the directors of Cosmopolitan, including independent non-executive directors, consider that the terms of the Subscription Agreement to be fair and reasonable and for the interests of Cosmopolitan and its shareholders.

The table below sets out the changes of Cosmopolitan's shareholding structure before and after the completion of the Subscription Agreement:

|  | Existing<br>shareholding<br>(shares) | Approximate<br>%   | Shareholding<br>immediately<br>upon completion<br>of the Subscription<br>Agreement<br>(shares) | Approximate<br>%   |
|--|--------------------------------------|--------------------|--|--------------------|
| Gold Capital Investments Limited         | 159,300,000                          | 54.15%             | 159,300,000  | 50.09%             |
| Eric Edward Hotung, C.B.E. (Note)        | 29,952,608                           | 10.18%             | 29,952,608   | 9.42%              |
| Hotung Investment (China) Limited (Note) | 16,171,000                           | 5.50%              | 16,171,000   | 5.09%              |
| Genesee Company Limited (Note)           | 15,161,000                           | 5.16%              | 15,161,000   | 4.76%              |
| Other public (a)                         | 73,574,659                           | 25.01%             | 73,574,659   | 23.14%             |
| GR Investment (b)                        | <u>0</u>                             | <u>0.00%</u>       | <u>23,840,733</u>  | <u>7.50%</u>       |
| Total public (a) + (b)                   | <u>73,574,659</u>                    | <u>25.01%</u>      | <u>97,415,392</u>  | <u>30.64%</u>      |
|  | <u><u>294,159,267</u></u>            | <u><u>100%</u></u> | <u><u>318,000,000</u></u>  | <u><u>100%</u></u> |

*Note:* Hotung Investment (China) Limited and Genesee Company Limited are considered as concert parties of Eric Edward Hotung, C.B.E. and are not considered as public shareholders since the acquisition of the shares by each of these companies were financed by Eric Edward Hotung, C.B.E.

### **For GR Investment**

GR Investment is an investment company whose shares are listed on the Stock Exchange under Chapter 21 of the Listing Rules. The directors of GR Investment consider that the Subscription will enable GR Investment to broaden its shareholders' base and its investment portfolio. In line with the investment policy of GR Investment, the Subscription is considered by the directors of GR Investment as a good way to diversify the investment portfolio of GR Investment. The directors of GR Investment consider that the terms of the Subscription Agreement to be fair and reasonable and for the interests of GR Investment and its shareholders.

Net proceeds deriving from the Subscription will be applied by GR Investment in making further investment in other securities. However, no specific investment has been identified at present.

## **RANKING AND ISSUE OF THE SUBSCRIPTION SHARES AND THE CONSIDERATION SHARES**

The Subscription Shares will be issued and allotted under the general mandate granted to the directors of GR Investment at the annual general meeting held on 23 May 2002.

The Consideration Shares will be issued and allotted under the general mandate granted to the directors of Cosmopolitan at the extraordinary general meeting held on 3 March 2003.

The Subscription Shares, when fully paid, allotted and issued, will rank pari passu in all respects among themselves and with all other Shares in issue on the date of their allotment and issue.

The Consideration Shares, when fully paid, allotted and issued, will rank pari passu in all respects among themselves and with all other Cosmopolitan's Shares in issue on the date of their allotment and issue.

## **GENERAL INFORMATION**

### **Information of Baron**

Baron did not take any role in the initial public offering of the GR Investment. As at the date hereof, Baron has not been and is not the investment manager of GR Investment.

### **Financial information of GR Investment**

For the six months ended 30 June 2002, GR Investment recorded an unaudited consolidated loss before and after taxation of GR Investment of approximately HK\$205,733 and approximately HK\$904,932, respectively.

For the year ended 31 December 2001, GR Investment recorded an audited consolidated loss before and after taxation of approximately HK\$11,237,710 and approximately HK\$12,882,682, respectively.

For the year ended 31 December 2000, GR Investment recorded an audited consolidated profit before and after taxation of approximately HK\$16,179,734 and approximately HK\$15,617,054, respectively.

Neither Baron nor Cosmopolitan has intention to seek representation in the board of GR Investment upon completion of the Subscription Agreement.

The table below sets out the changes of GR Investment's shareholding structure before and after the completion of the Subscription Agreement:

|   | Existing<br>shareholding<br>( <i>shares</i> ) | Approximate<br>% | Shareholding<br>immediately<br>upon completion<br>of the Subscription<br>Agreement<br>( <i>shares</i> ) | Approximate<br>% |
|---|---|------------------|---|------------------|
| Golden Resources<br>Development International Limited ( <i>Note</i> ) | 256,005,000                                   | 28.45%           | 256,005,000   | 23.70%           |
| Cosmopolitan  | 0   | 0.00%            | 115,230,210   | 10.67%           |
| Baron   | 0   | 0.00%            | 64,749,790  | 6.00%            |
| Public  | 643,895,000                                   | 71.55%           | 643,895,000   | 59.63%           |
|   | <u>899,900,000</u>                            | <u>100%</u>      | <u>1,079,880,000</u>  | <u>100%</u>      |

*Note:* Golden Resources Development International Limited is a company listed on the Stock Exchange.

### **Application for listing**

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission deal in the Subscription Shares and the Consideration Shares.

### **LISTING RULES REQUIREMENTS**

The Subscription constitutes a discloseable transaction for Cosmopolitan under Chapter 14 of the Listing Rules and Cosmopolitan will dispatch a circular containing the details of the Subscription to Cosmopolitan's shareholders as soon as practicable to provide them with further information relating to the Subscription. The Subscription is a price sensitive matter for GR Investment and therefore the board of directors of GR Investment authorised the issue of this announcement disclosing to the public details of the Subscription pursuant to Paragraph 2 of the Listing Agreement made between GR Investment and the Stock Exchange.

### **Suspension and resumption of trading of Shares and Cosmopolitan's Shares**

Trading in the Shares and trading in the Cosmopolitan's Shares were suspended at the request of GR Investment and Cosmopolitan, respectively, with effect from 9:30 a.m. on 27 March 2003. GR Investment and Cosmopolitan have applied for resumption of trading in the Shares and Cosmopolitan's Shares respectively, with effect from 9:30 a.m. on 31 March 2003.

## DEFINITIONS

In this announcement, the following expressions shall have the following meaning unless the context requires otherwise. :

|                          |  |
|--------------------------|--|
| “Baron”                  | Baron Asset Management Limited, a company incorporated in Hong Kong with limited liability, which is independent of, and not connected with any directors, chief executives, substantial shareholders of GR Investment and Cosmopolitan or any of their respective associates as defined under the Listing Rules;  |
| “Consideration Shares”   | 23,840,733 new Cosmopolitan’s Shares to be allotted and issued pursuant to the Subscription Agreement;   |
| “Cosmopolitan”           | Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on the Stock Exchange, which is independent of, and not connected with any directors, chief executives, substantial shareholders of Baron and GR Investment or any of their respective associates as defined under the Listing Rules; |
| “Cosmopolitan’s Shares”  | ordinary shares of HK\$0.10 each in the capital of Cosmopolitan;   |
| “GR Investment”          | GR Investment International Limited, a company incorporated in Bermuda whose shares are listed and traded on the Stock Exchange, which is independent of, and not connected with any directors, chief executives, substantial shareholders of Baron and Cosmopolitan or any of their respective associates as defined under the Listing Rules;                     |
| “Hong Kong”              | the Hong Kong Special Administrative Region of the PRC;  |
| “Listing Rules”          | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “Shares”                 | ordinary shares of HK\$0.01 each in the capital of GR Investment;  |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited;   |
| “Subscription”           | the subscription of the Subscription Shares pursuant to the Subscription Agreement;  |
| “Subscription Agreement” | the conditional subscription agreement dated 26 March 2003 entered into between Baron, Cosmopolitan and GR Investment regarding the Subscription;  |
| “Subscription Price”     | HK\$0.06 per Subscription Share;   |
| “Subscription Shares”    | 179,980,000 new Shares, of which 64,749,790 new Shares and 115,230,210 new Shares are to be allotted and issued to Baron and Cosmopolitan, respectively, pursuant to the Subscription Agreement; and   |



“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong.

By Order of the Board

**COSMOPOLITAN INTERNATIONALX HOLDINGS LIMITED**

**Low Kim Teik**

*Director*

By Order of the Board

**GR INVESTMENT INTERNATIONAL LIMITED**

**Anthony Lam Sai Ho**

*Chairman*

Hong Kong, 28 March 2003

Please also refer to the published version of this announcement in The Standard.