

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 2004.

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;
- (5) development of internet education services; and
- (6) investment of land development.

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 to 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 Global and Hong Kong economies seem to be growing steadily in 2004. Result from the macro economic measures implemented for adjusting the Mainland economy begins to show and the likelihood of increasing in interest rates in the United States has also become obvious. These are the factors that have been putting much concern to investors over 2004. Looking ahead, the Board believes that the business environment is going to remain challenging and highly competitive and both the Global and Hong Kong economies will be blooming steadily.

The Group has continued to focus its efforts in rationalizing its investment portfolio. Pursuant to an agreement dated 11 September 2003, the Group committed to dispose its 35% equity interest in Shanghai Foodstuffs Factory Company Limited to a third party for a consideration of RMB4.8 million (approximately HK\$4.5 million). Approval for the sale from relevant government authorities have been issued and the said consideration has been fully received in early September 2004.

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On 9 September 2004, GR Investment Holdings Limited ("GRIHL"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Citydragon Resources Limited, an indirect wholly-owned subsidiary of Golden Resources Development International Limited which is a substantial shareholder of the Company incorporated in Bermuda and listed in Hong Kong, for the sale of the entire equity interest of the paid-up registered capital of Sun Kai Yip (Shanghai) Industrial Investments Limited ("SKY"), a wholly-owned subsidiary of GRIHL incorporated in the PRC for a total consideration of approximately HK\$65 million. The said consideration will be received in two instalments, the first instalment of the consideration in a sum of HK\$40 million will be received upon completion of the sale and the second instalment of the consideration in a sum of approximately HK\$25 million should be received within six months after the completion of the sale. The Board believes that the realization of its investment in SKY at a reasonable price is in the best interest of the Group and its shareholders.

During the year, the Group participated in the investment of land development in Hong Kong for residential or non-residential purposes and it is expected that this will provide significant investment returns to the Group in the foreseeable future under positive recovery of property market in Hong Kong.

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

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LIQUIDITY AND FINANCIAL RESOURCES

Operations of the Group are generally financed through internal cash resources. As at 31 December 2004, cash and bank balances of the Group were approximately HK\$68 million. With cash and other current assets of approximately HK\$116 million as at 31 December 2004, 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 2004 was as follows:

- as to approximately HK\$28 million for the investment in listed securities and other investments in Hong Kong; and
- as to approximately HK\$4 million as general working capital of the Group.

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 remained the same as that as at 31 December 2003.

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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, 3 February 2005