

# MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Grand Investment International Ltd. (the "Company") is pleased to present to the shareholders the annual report for the period from its date of incorporation on 15 April 2003 to 31 March 2004.

## **BUSINESS REVIEW**

The Company is an investment company with the principal investment objective of achieving earnings in the form of short to medium term (i.e. less than one year to five years) capital appreciation through investing in a diversified portfolio of investments in listed or unlisted enterprises incorporated or established and/or conducting business in Hong Kong and the People's Republic of China (the "PRC").

In March 2004, by way of subscription, 4,000,000 ordinary shares were issued raising a sum of HK\$4,000,000 and by a subsequent private placement ("Placing") by the Company, the Company issued 55,000,000 ordinary shares raising a further sum of HK\$55 million.

From its incorporation to 31 March 2004, the Company did not carry on any investing activities. No revenue generating transactions occurred during the period under review.

As at 31 March 2004, total market value of the Company's trading and investment securities amounted to HK\$NIL.

For the financial period under review, the Company recorded a net loss of HK\$74,000. This was entirely attributed to the set up cost of the Company.

As it is intended that the funds raised by way of the Placing be used for investment opportunities, the Board has resolved not to recommend a dividend for the period ended 31 March 2004.

Subsequent to the period under review, at 2 April 2004, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2004, the Company was in a healthy liquidity position, with cash and bank balances of HK\$58 million. As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, exposure to exchange fluctuation is considered minimal. The Board believes that the Company has sufficient financial resources to satisfy its immediate investments and working capital requirements.

The Company had net assets of HK\$55 million and no borrowings or long-term liabilities as at 31 March 2004, which put the Company in an advantageous position to pursue its investment strategies and investment opportunities.

## **CHARGE ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES**

As at 31 March 2004, there were no charges on the Company's assets or any significant contingent liabilities.

The calculation of debt to equity ratio (expressed as a percentage of bank and other borrowings over total net assets of the Company) is not applicable.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

During the period under review, the Company made no capital expenditures nor any other commitments.

## **CAPITAL STRUCTURE**

On 13 February 2004, the authorised share capital of the Company was increased from HK\$100,000 to HK\$20 million by the creation of a further 199 million shares of HK\$0.10 each. Details of the movements in share capital of the Company during the period under review are set out in note 10 to the financial statements.

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## **PURCHASE, SALE OR REDEMPTION**

During the period under review, the Company has not purchased, sold or redeemed any of its shares.

## **USE OF PROCEEDS**

The net proceeds of the Placing (together with the net tangible assets of the Company) will be applied in investments in accordance with the investment objective and policies of the Company, subject to the investment restrictions, the requirements of the Memorandum of Association and the bye-laws of the Company, the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the investment management agreement. Any proceeds not deployed will be placed on deposits in Hong Kong dollars or any currency with financial institutions in Hong Kong or may be invested in debt securities, money market instruments, bonds, treasury securities or other instruments in any currency.

## **EMPLOYEES**

As at 31 March 2004, the Company had 7 employees, including the executive and non-executive directors of the Company. Total staff cost for the period under review amounted to HK\$NIL. The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of the individual employees. The size of the Company is expected to remain more or less the same in the coming year.

During the period under review, no option has been granted or agreed to be granted under the share option scheme and no rights to subscribe for securities of the Company were granted or agreed to be granted.

## **PROSPECTS**

In May 2004, the Company began investing in several Hong Kong and PRC opportunities. The Company will continue identifying and pursuing investment opportunities in Hong Kong and the PRC in accordance with the Company's investment objectives and policies.

The remarkable economic growth in the PRC is expected to continue in the coming years. Direct foreign investments in the PRC will also be strong and positive. The Board believes that Hong Kong can take advantage of the booming economy of the PRC to sustain a strong rebound of domestic economy in the coming years. The Company will closely monitor its underlying investment portfolio and make further investments and/or divestments to capture the opportunities that arise in Hong Kong and/or the PRC.

The Company has an optimistic view on Hong Kong's economic prospect, and will work closely with its investment manager to identify suitable investment targets and to continue to make investments with substantial growth potential in short to medium term in order to maximise return to the shareholders. We are of the opinion that any short-term turbulence in the capital market may actually represent opportunities to acquire profitable investment.

## **APPRECIATION**

On behalf of the Board, I would like to express my appreciation to the shareholders for their continued support and to the investment manager for their dedicated efforts in helping to launch the Company and facilitate the Company's listing on the Stock Exchange.

On behalf of the Board

**Lee Woo Sing**

*Chairman*

Hong Kong, 21 July 2004