

## 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 of the Company for the year ended 31 March, 2006.

### **OPERATING REVIEW**

The principal activity of the Company is investing in both listed and unlisted securities in Hong Kong and China. In the past year, the Company’s investment portfolio comprised of listed securities in Hong Kong and shares of unlisted companies in China. The Company has invested in various industries in China with the view of capitalizing on the economic expansion in China, and has adopted the strategy of looking for investment opportunities that will enable the Company’s investments to exit by way of listing of the shares of the companies in stock exchanges.

For the year under review, the Hang Sang Index has reached near 16,000 point by the end of 31 March 2006. We had maintained a value-based strategy buying undervalued stocks with solid fundamentals and investing in unlisted companies with growth potentials. The gain of estimated HK\$6,400,000 was mainly attributed to realized gain on listed securities investment. Our realized gain of HK\$5,778,000 was a result of the direct investments and investments on unlisted equities in the greater China areas. We targeted a portfolio of diverse listed and unlisted securities that had sound business models. While revenue of the Company may be affected by raising interest rate and valuation of the Renminbi, the Company will continue to adopt the strategy on investment companies that are fundamentally strong, but significantly undervalued as investments.

### **OPERATING RESULTS**

During the year under review, the Company recorded a net profit of approximately HK\$3,675,000 (2005: approximately HK\$2,890,000). The improvement in the current financial year over the previous one is attributed to the realized profit on the disposal and appreciation in value of its listed securities and investments. For the year ended 31 March 2006, the Company recorded approximately HK\$6,086,000 in revenue, comprising realized gain of approximately HK\$5,778,000 (2005: approximately HK\$2,313,000) and net unrealized gain/(loss) of the listed securities and investments portfolio of approximately HK\$(1,207,000) (2005: approximately HK\$1,917,000).

As at 31 March 2006, approximately 15.56% of the Company’s portfolio of investment assets were in listed securities in Hong Kong and approximately 46.21% in unlisted investments in the PRC. The remaining portion of the Company’s investment is cash and bank balances placed in Hong Kong Dollar short term deposits.

### **DIVIDENDS**

At the forthcoming Annual General Meeting to be held on 3 July, 2006, the Board will recommend the payment of a final dividend of HKD20 cents per share, amounting to HK\$12,000,000 for the year ended 31 March 2006. (2005: HK\$2,520,000). The final dividend is proposed to be satisfied by way of bonus issue

## Management Discussion and Analysis

on the basis of one new ordinary share, credited as fully paid, for every five existing ordinary shares held by the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 29 June 2006.

A circular containing, among other things, further details of the bonus issue will be dispatched to the shareholders of the Company in accordance with the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2006, the Company had a net cash and bank balances of approximately HK\$22.5 million (2005: HK\$25.5 million) with all of them placed in Hong Kong Dollar short term deposits with authorized financial institutions in Hong Kong; the Company's exposure to exchange fluctuation is minimal. The Company has no long term borrowing. As such, the Company has sufficient financial resources to support its operations and capture any investment opportunities as the Board considers desirable. The calculation of gearing ratio was not applicable.

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

As at 31 March 2006, there were no charges on the Company's assets or any significant contingent liabilities. (2005: Nil).

### **CAPITAL EXPENDITURES AND COMMITMENTS**

During the year under review, the Company did not make any capital expenditures or commitments.

### **CAPITAL STRUCTURE**

As at 31 March 2006, the authorised share capital of the Company was HK\$20 million, of which HK\$6 million was issued and fully paid. There has been no change in the Company's capital structure during the year under review.

### **EMPLOYEES**

As of 31 March 2006, the Company had 9 employees (2005: 8), including the executive, non-executive and independent non-executive Directors. Total staff cost for the year under review was HK\$729,000 (2005: HK\$638,000). The Company's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The size of the Company is expected to remain more or less the same in the coming year.

### **PROSPECTS**

Sustainable growth in China will further enhance economic integration of Hong Kong's economy. We will continuously look for opportunities in China for private investments in order to maintain a balanced portfolio of high performance companies in China and premier grade stocks in Hong Kong and potential areas in order to maximise the wealth of our shareholders.

Looking ahead into 2006, we will make our best effort to bring another prosperous year to the Company.