



大唐投資國際有限公司\*  
GRAND INVESTMENT INTERNATIONAL LTD.  
(incorporated in Bermuda with limited liability)

INTERIM REPORT 2004



\*For identification purposes only

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## UNAUDITED INTERIM FINANCIAL STATEMENTS

The board of directors (the “Board”) of Grand Investment International Ltd. (the “Company”) is pleased to announce the unaudited condensed interim results of the Company for the six months ended 30 September 2004 together with the comparative figures for the corresponding period in 2003. These interim financial statements have not been audited, but have been reviewed by the Company’s auditors, BKR Lew & Barr Limited, in accordance with the Hong Kong Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” and by the Company’s audit committee.

### CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

		<b>Six-months ended 30/9/2004 (Unaudited) HK\$'000</b>	Period from 15/4/2003 to 30/9/2003 (Unaudited) HK\$'000
	<i>NOTE</i>		
TURNOVER	2	<b>600</b>	–
OTHER REVENUE		<b>7</b>	–
ADMINISTRATIVE EXPENSES		<b>(997)</b>	(44)
LOSS BEFORE TAXATION	4	<b>(390)</b>	(44)
TAXATION	5	–	–
LOSS ATTRIBUTION TO SHAREHOLDERS		<b>(390)</b>	(44)
INTERIM DIVIDEND PER SHARE		<b>NIL</b>	NIL
LOSS PER SHARE (CENTS)	6	<b>(0.65)</b>	(4.4)

The notes on pages 6 to 8 form part of these condensed interim financial statements.

**CONDENSED BALANCE SHEET**

AS AT 30 SEPTEMBER 2004

		<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
	<i>NOTE</i>		
<b>CURRENT ASSETS</b>			
Listed investments in Hong Kong		<b>20,597</b>	–
Note receivable	7	<b>4,388</b>	–
Accounts receivable	8	<b>4</b>	–
Deposits and prepayment		<b>179</b>	–
Bank balances		<b>29,598</b>	58,664
		<hr/> <b>54,766</b> <hr/>	<hr/> 58,664 <hr/>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	9	<b>164</b>	2,207
Amount due to a shareholder		–	1,465
		<hr/> <b>164</b> <hr/>	<hr/> 3,672 <hr/>
<b>NET ASSETS</b>			
		<hr/> <b>54,602</b> <hr/>	<hr/> 54,992 <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>6,000</b>	6,000
Reserves		<b>48,602</b>	48,992
		<hr/> <b>54,602</b> <hr/>	<hr/> 54,992 <hr/>
<b>SHAREHOLDERS' FUNDS</b>			
		<hr/> <b>54,602</b> <hr/>	<hr/> 54,992 <hr/>

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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Accumulated loss</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at 1 April 2004 (Audited)	6,000	49,066	(74)	54,992
Loss for the period	—	—	(390)	(390)
Balance at 30 September 2004 (Unaudited)	<u>6,000</u>	<u>49,066</u>	<u>(464)</u>	<u>54,602</u>
Balance at 15 April 2003 (Date of incorporation) (Unaudited)	—	—	—	—
Issue of ordinary shares	100	—	—	100
Loss for the period	—	—	(44)	(44)
Balance at 30 September 2003 (Unaudited)	<u>100</u>	<u>—</u>	<u>(44)</u>	<u>56</u>

The notes on pages 6 to 8 form part of these condensed interim financial statements.

**CONDENSED CASH FLOW STATEMENT**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004*

	<b>Six-months ended 30/9/2004 (Unaudited) HK\$'000</b>	Period from 15/4/2003 to 30/9/2003 (Unaudited) HK\$'000
NET CASH (USED IN) OPERATING ACTIVITIES	<b>(29,066)</b>	(44)
NET INFLOW FROM FINANCING ACTIVITIES	—	100
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	<b>(29,066)</b>	56
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>58,664</b>	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>29,598</b>	56
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>29,598</b>	56

The notes on pages 6 to 8 form part of these condensed interim financial statements.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004**

**1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The Company was an exempted limited company incorporated in Bermuda on 15 April 2003.

The unaudited condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The accounting policies and methods of computation used in the preparation of the unaudited condensed interim financial statements are consistent with those used in the Company’s annual accounts for the period from 15 April 2003 (date of incorporation) to 31 March 2004. The following accounting policies are also adopted for the purpose of this unaudited interim results for the period under review:

**(a) Investment securities**

Investment securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of investment securities are recognised in the income statement. Profits or losses on disposal of investment securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

**(b) Revenue recognition**

Profit on disposal of listed investment securities is recognised upon the completion of securities purchase and sale contract. Dividend income from listed investments is recognised when the shareholders’ right to receive payment has been established. Interest income is recognised on time proportion basis.

**(c) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease term.

**(d) Retirement benefit costs**

Payment to Mandatory Provident Fund Scheme are charged as an expense as they fall due.

**2. TURNOVER**

The Company principally invests in listed and unlisted securities in Hong Kong and in the People’s Republic of China.

The company’s turnover for the six months’ period under review is as follows:

	<b>2004</b>	Period from
	<b>HK\$’000</b>	15/4/2003
		to 30/9/2003
		<b>HK\$’000</b>
Net realised gain on disposal of listed investments	<b>348</b>	–
Net unrealised loss on listed investments	<b>(140)</b>	–
Dividend income from listed investments	<b>255</b>	–
Interest income on note receivable	<b>137</b>	–
	<b>600</b>	–

### 3. SEGMENT INFORMATION

No business or geographical analysis of the Company's performance for the period under review is specifically provided as all of the turnover and contribution to operating results of the Company are attributable to investment in listed securities listed in Hong Kong and note receivable.

### 4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after crediting and charging the following:

	<b>2004</b> <b>HK\$'000</b>	Period from 15/4/2003 to 30/9/2003 <b>HK\$'000</b>
<b>Crediting</b>		
Interest income	<u>7</u>	<u>–</u>
<b>Charging</b>		
Provision for auditors' remuneration	90	–
Directors' remuneration		
Fee	–	–
Other emoluments	245	–
Other staff costs	<u>53</u>	<u>–</u>
Total staff costs	298	–
Investment manager fee	200	–
Operating lease payments	<u>39</u>	<u>–</u>

Included in total staff costs are contribution to Mandatory Provident Funds of HK\$14,000.

### 5. TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the Company has no assessable profits for the period under review.

The Company did not have any material unprovided deferred taxation as at 30 September 2004.

### 6. LOSS PER SHARE

The calculation of loss per ordinary share is based on the unaudited loss attributable to shareholders of HK\$390,000 and on 60,000,000 ordinary shares in issue during the period under review. The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 2004 and 30 September 2003, therefore, no diluted earnings per share has been presented.

### 7. NOTE RECEIVABLE

The note receivable ("the Note") is secured by a debenture charging on the assets of the issuing company. The Note carries interest at the rate of 1.5% per month. The Note will be matured after ten months from the date of issue on 6 August 2004. Before the date of maturity the Company has the right to conversion to ordinary shares of the issuing company when the latter becomes successfully listed in the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.



## 8. ACCOUNTS RECEIVABLE

An aging analysis of the accounts receivable as at 30 September 2004 is as below:

	<b>30 September 2004</b>	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	<u>4</u>	<u>–</u>

## 9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

An aging analysis of the accounts payable as at 30 September 2004 is as below:

	<b>30 September 2004</b>	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	74	2,207
Over 3 months	<u>90</u>	<u>–</u>
	<b>164</b>	<b>2,207</b>

## 10. SHARE CAPITAL

	<b>30 September 2004</b>	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
200,000,000 ordinary shares of HK\$0.1 each	<u>20,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>		
60,000,000 ordinary shares of HK\$0.1 each	<u>6,000</u>	<u>6,000</u>

Under the share option scheme conditionally approved by resolutions in writing of the then sole shareholder of the Company on 13 February 2004, the directors of the Company may, at their discretion, grant options to any employee, any executive or non-executive directors of the Company, any persons who provide research, development or other technological support to the Company, any shareholder, any advisor or consultant, and/or any joint venture partner or business alliance that co-operates with the Company.

No options were granted under the share option scheme up to 30 September 2004.

## 11. OPERATING LEASE COMMITMENTS

At 30 September 2004, the company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2004</b>	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	257	–
In second to fifth year inclusive	<u>11</u>	<u>–</u>
	<b>268</b>	<b>–</b>

## 12. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved by the board of directors of the Company on 6 December 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW PROSPECTS**

The Company was listed on the Stock Exchange on 2 April 2004. Net proceeds from the Company's offer for subscription of an aggregate of 55 million ordinary shares having a nominal value of HK\$0.10 each at a placing price of HK\$1.00 by way of private placements to professional investors in Hong Kong and institutional, professional, corporate or individual investors outside Hong Kong amounted to approximately HK\$51 million. As at 30 September 2004, approximately HK\$20,597,000 (31 March 2004: Nil) of the Company's portfolio of investment assets was in listed securities in Hong Kong, approximately HK\$4,388,000 in note receivable (31 March 2004: Nil) and the remaining is in cash.

The listed securities in Hong Kong in which the Company invested involved listed companies engaged in various industries. The Company is constantly looking for stocks with reasonable mix of yield and growth potentials in accordance with the investment objective and policies of the Company.

The Company commenced effective operation after it was listed on 2 April 2004. For the six months ended 30 September 2004, the Company recorded a net loss of HK\$390,000 (30 September 2003: net loss of HK\$44,000). The result comprised the net realised profits from disposal of investment securities of HK\$348,000, and net unrealised losses from holding of investment securities of HK\$140,000. A loss of HK\$390,000 was generated for the period under review after general and administrative expenses.

In line with the principal investment objectives of achieving earnings from short to medium term capital appreciation, the Company traded in a variety of securities principally in Hong Kong, and made profits from these trades. The Company's investment policy is to trade in securities in diversified industries in both Hong Kong and the People's Republic of China that are capable of yielding gain in short to medium holding period. In the period under review, the Company was able to invest in a number of securities that performed well. The Company will continue to hold and invest in a portfolio of stocks with reasonable mix of yield and growth potentials in accordance with the investment objectives and policies of the Company. The Board is confident that the investment holding will generate reasonably attractive return on the investment.

### **INTERIM DIVIDEND**

The Board considers it appropriate for the Company to retain financial resources to provide it with the flexibility of making investment decisions when such opportunities arise. Therefore the Board has resolved not to recommend any interim dividend for the period under review.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2004, the Company was in a strong liquidity position, with cash and bank balances of HK\$29,598,000 (31 March 2004: HK\$58,664,000). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, the Company's 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.

At 30 September 2004, the Company had net current assets of HK\$54,602,000 (31 March 2004: HK\$54,992,000), with no borrowings or long-term liabilities. This liquidity position will enable the Company to pursue its investment strategies and investment opportunities. The gearing ratio calculated on the basis of total liabilities over shareholders' funds as at 30 September 2004 was 0.003 (31 March 2004: N/A).

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

As at 30 September 2004, there were no charges on the Company's assets or any significant contingent liabilities (31 March 2004: Nil).

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.

## **EMPLOYEES**

As at 30 September 2004, the Company had 8 (31 March 2004: 7) employees, including the executive, non-executive and independent non-executive directors of the Company. Total staff cost for the period under review amounted to HK\$298,000 (31 March 2004: 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 adopted by the Company. No rights to subscribe for securities of the Company were granted.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

During the period under review, the Company made no capital expenditures and other commitments.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES**

So far as the directors of the Company are aware, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange.

## DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

At no time during the period under review was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company.

## SHARE OPTIONS

The Company has a share option scheme under which the directors and certain selected classes of participants may at the discretion of the directors of the Company, be granted options to subscribe for ordinary shares of the Company, subject to the stipulated terms and conditions. No options were granted by the directors of the Company during the six months ended 30 September 2004.

Save as disclosed above, none of the Company's directors and chief executive, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 September 2004.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, the interests of persons and entities, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Name of Substantial Shareholder	Capacity	Number of Shares	Approximate Percentage of Existing Shareholdings
1. Optimize Capital Investments Limited ("Optimize Capital") <i>(Note 1)</i>	Beneficial Owner	5,000,000 (long position) <i>(Note 1)</i>	8.33%
2. Lee Tak Lun <i>(Note 1)</i>	Interest of a controlled corporation <i>(Note 1)</i>	5,000,000 (long position) <i>(Note 1)</i>	8.33%
<i>(Notes 2 and 3)</i>	Interest of a controlled corporation <i>(Notes 2 and 3)</i>	11,000,000 (long position) <i>(Notes 2 and 3)</i>	18.33%
			<hr/> 26.66% <hr/>

<b>Name of Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate Percentage of Existing Shareholdings</b>
3. Grand Finance Group Company Limited (“Grand Finance”) <i>(Notes 2 to 4)</i>	Registered and beneficial owner <i>(Notes 2 to 4)</i>	11,000,000 (long position) <i>(Notes 2 to 4)</i>	18.33%
4. Jumbo China Holdings Limited <i>(Notes 2 to 3)</i>	Interest of a controlled corporation <i>(Notes 2 to 3)</i>	11,000,000 (long position) <i>(Notes 2 to 3)</i>	18.33%
5. Bright Pearl Limited <i>(Notes 2 and 4)</i>	Interest of a controlled corporation <i>(Notes 2 and 4)</i>	11,000,000 (long position) <i>(Notes 2 and 4)</i>	18.33%
6. Chow Chuen Chung <i>(Notes 2 and 4)</i>	Interest of a controlled corporation <i>(Notes 2 and 4)</i>	11,000,000 (long position) <i>(Notes 2 and 4)</i>	18.33%
7. Ho Kin <i>(Notes 2 and 4)</i>	Interest of a controlled corporation <i>(Notes 2 and 4)</i>	11,000,000 (long position) <i>(Notes 2 and 4)</i>	18.33%
8. Kam Kin Ming <i>(Notes 2 and 4)</i>	Interest of a controlled corporation <i>(Notes 2 and 4)</i>	11,000,000 (long position) <i>(Notes 2 and 4)</i>	18.33%

*Notes:*

1. Optimize Capital is a company incorporated in the British Virgin Islands, and is owned as to 90% by Mr. Lee Tak Lun and as to 10% by his daughter, Ms. Lee Wai Tsang Rosa. Mr. Lee Tak Lun is the son of Mr. Lee Woo Sing. Mr. Lee Woo Sing is a non-executive Director.
2. Grand Finance is a company incorporated in Hong Kong, the entire issued capital of which is beneficially owned as the 52% by Jumbo China Holdings Limited and 48% by Bright Pearl Limited. Jumbo China Holdings Limited and Bright Pearl Limited are taken to be interested in these Shares.
3. The entire issued share capital of Jumbo China Holdings Limited is beneficially owned as to 80.77% by Mr. Lee Tak Lun and 19.23% by independent third party. Mr. Lee Tak Lun is taken to be interested in these Shares.
4. The entire issued share capital of Bright Pearl Limited is beneficially owned as to 33.33% by Mr. Chow Chuen Chung, 33.33% by Mr. Ho Kin and 33.33% by Mr. Kam Kin Ming.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the shares of the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2004.

#### **PURCHASE, SALE OR REDEMPTION**

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

#### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the period under review.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE**

So far as the directors of the Company are aware, during the period under review, the appointment of independent non-executive directors and the establishment of an audit committee were in compliance with rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

### **AUDIT COMMITTEE**

The Company's audit committee, comprising of three independent non-executive Directors, was established in accordance with the Code of Best Practice set out in Appendix 14 of the Listing Rules and has reviewed with the management of the Company, the accounting principles and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters including a review of the Company's unaudited interim financial statements for the six months ended 30 September 2004.

On behalf of the Board  
**Grand Investment International Ltd.**  
**Chung Wing Han Wendy**  
*Executive Director*

6 December 2004