



Interim Report 2005



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

*For Identification Purpose Only

| | <i>PAGE</i> |
|---|-------------|
| CORPORATE INFORMATION | 2 |
| UNAUDITED INTERIM FINANCIAL STATEMENTS | 3 |
| CONDENSED INCOME STATEMENT | 3 |
| CONDENSED BALANCE SHEET | 4 |
| STATEMENT OF CHANGES IN EQUITY | 5 |
| CONDENSED CASH FLOW STATEMENT | 6 |
| NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS | 7 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 12 |



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr Lee Tak Lun
Ms Lee Wai Tsang, Rosa
Ms Chung Wing Han Wendy
Mr Fong Chi Wah
Mr Chou Ping-Chun, Benji

Non-Executive Director

Mr Lee Woo Sing

Independent Non-Executive Directors

Dr Zhang Hongru
Mr Lu Fan
Mr Yao Cho Fai Andrew

COMPANY SECRETARY

Ms Chung Wing Han Wendy

AUDIT COMMITTEE

Dr Zhang Hongru
Mr Lu Fan
Mr Yao Cho Fai Andrew

INVESTMENT MANAGER

AVANTA Investment Management Limited
Unit 1701, Tower Two
Lippo Centre
89 Queensway
Hong Kong

CUSTODIAN

Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 22nd Floor, Entertainment Building
30 Queen's Road Central
Hong Kong

AUDITORS

BKR Lew & Barr Limited
12th Floor Dina House
Ruttonjee Centre
11 Duddell Street
Hong Kong

HONG KONG BRANCH SHARE

REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Hopewell Centre, 46th Floor
183 Queen's Road East
Wanchai
Hong Kong

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 2005 together with the comparative figures for the corresponding period in 2004. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

Condensed Income Statement

For the six months ended 30 September 2005

| | <i>Note</i> | Six months ended 30 September 2005 (Unaudited) HK\$'000 | Six months ended 30 September 2004 (Unaudited) HK\$'000 |
|--|-------------|--|--|
| Revenue | 3 | 1,608 | 600 |
| Other Revenue | | 215 | 7 |
| Administrative Expenses | | (1,162) | (997) |
| Profit/(Loss) before taxation | 5 | 661 | (390) |
| Taxation | 6 | (116) | – |
| Profit/(Loss) attributable to Shareholders | | 545 | (390) |
| Interim dividend per share | | Nil | Nil |
| Earnings/(Loss) per share (cents) | 7 | 0.91 | (0.65) |

The notes on page 7 to 11 form part of these condensed interim financial statements.



Condensed Balance Sheet

As at 30 September 2005

| | Note | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|---|------|---|---|
| Non Current Assets | | | |
| Available-for-sale investments | | 9,987 | – |
| Investment securities | | – | 9,987 |
| | | 9,987 | 9,987 |
| Current Assets | | | |
| Investments at value through profit or loss | | 12,625 | – |
| Available-for-sale investments | | 5,000 | – |
| Investment securities | | – | 9,838 |
| Trading securities | | – | 11,542 |
| Accounts receivable | 8 | 21 | 1,497 |
| Deposits and prepayment | | 1,171 | 255 |
| Bank balances | | 27,994 | 25,479 |
| | | 46,811 | 48,611 |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | 9 | 279 | 220 |
| Tax payable | | 612 | 496 |
| | | 891 | 716 |
| Net Current Assets | | 45,920 | 47,895 |
| Net Assets | | 55,907 | 57,882 |
| Capital and Reserves | | | |
| Share capital | 10 | 6,000 | 6,000 |
| Reserves | | 49,907 | 51,882 |
| Shareholders' funds | | 55,907 | 57,882 |

The notes on page 7 to 11 form part of these condensed interim financial statements.

Statement of Changes in Equity

For the six months ended 30 September 2005

| | Share Capital | Share Premium | Retained Profits/ (Accumulated Losses) | Total |
|---|--------------------------|--------------------------|---|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance at 1 April 2005 (Audited) | 6,000 | 49,066 | 2,816 | 57,882 |
| Dividend paid | – | – | (2,520) | (2,520) |
| Profit for the period | – | – | 545 | 545 |
| Balance at 30 September 2005 (Unaudited) | <u>6,000</u> | <u>49,066</u> | <u>841</u> | <u>55,907</u> |
| 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> |



Condensed Cash Flow Statement

For the six months ended 30 September 2005

| | Six months ended 30 September 2005 (Unaudited) HK\$'000 | Six months ended 30 September 2004 (Unaudited) HK\$'000 |
|--|--|--|
| Net cash generated from/(used in) operating activities | 2,515 | (29,066) |
| Increase/(Decrease) in cash and cash equivalents during the period | 2,515 | (29,066) |
| Cash and cash equivalents at beginning of the period | 25,479 | 58,664 |
| Cash and cash equivalents at end of the period | 27,994 | 29,598 |
| Analysis of the balance of cash and cash equivalents Bank balances and cash | 27,994 | 29,598 |

1. BASIS OF PREPARATION

The condensed financial statements are prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed financial statements should be read in conjunction with the Annual Report of the Company for the year ended 31 March 2005.

2. PRINCIPAL ACCOUNTING POLICIES

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 year ended 31 March 2005 except that the Company has changed certain of its accounting policies following its adoption of the new or revised HKAS and Hong Kong Financial Reporting Standards which are effective for accounting period commencing on or after 1 January 2005.

The changes to the Company's accounting policies and the effect of adopting those new policies are set out below:

Changes in accounting policy:

From 1 April 2005, investments previously held are re-classified either as available-for-sale investments or investments at value through profit or loss. Such classification depends on the purposes for which the investments are held. If an active market exists, available-for-sale investments are carried at fair value with any unrealised gain and losses recognized in equity. If there is no quoted market price in the active market and the fair value of the investments cannot be reliably measured by valuation techniques, the investments then are measured at cost less any provision for impairment losses. Investments at fair value through profit and loss are carried at fair value with changes recognized in profit or loss.

The changes in accounting policy have no material effect on the unaudited interim financial statements.



(a) *Revenue recognition*

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

(b) *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.

(c) *Retirement benefit costs*

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

3. REVENUES

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

The Company's revenues for the six months' period under review are as follows:

| | Six months ended 30 September 2005 (Unaudited) HK\$'000 | Six months ended 30 September 2004 (Unaudited) HK\$'000 |
|---|--|--|
| Net realised gain on disposal of listed investments | 1,041 | 348 |
| Net unrealised loss on listed investments | (169) | (140) |
| Dividend income from listed investments | 228 | 255 |
| Interest income on note receivable | 508 | 137 |
| | 1,608 | 600 |

4. SEGMENT INFORMATION

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

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at crediting and charging the following:

| | Six months ended 30 September 2005 (Unaudited) HK\$'000 | Six months ended 30 September 2004 (Unaudited) HK\$'000 |
|--------------------------------------|--|--|
| Crediting | | |
| Bank interest income | 215 | 7 |
| Charging | | |
| Provision for auditors' remuneration | 60 | 90 |
| Directors' remuneration | | |
| – Fee | – | – |
| – Other emoluments | 289 | 245 |
| Other staff costs | 21 | 53 |
| Total staff costs | 310 | 298 |
| Investment manager fees | 200 | 200 |
| Operating lease payments | 117 | 39 |

Included in total staff costs are contribution to Mandatory Provident Fund of HK\$15,000 (period ended 30 September 2004: HK\$14,000).

6. TAXATION

Provision for Hong Kong profits tax has been made at the rate of 17.5% (period ended 30 September 2004: Nil) on the estimated assessable profits for the period.



7. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per ordinary share is based on the unaudited (after tax) profit/(loss) attributable to shareholders of HK\$545,000 (period ended 30 September 2004: loss 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 2005 and 30 September 2004. Therefore, no diluted earnings per share has been presented.

8. ACCOUNTS RECEIVABLE

An aging analysis of the accounts receivable as at 30 September 2005 is as below:

| | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|-------------------|---|---|
| Less than 30 days | 21 | 1,497 |

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

An aging analysis of the accounts payable and accrued expenses as at 30 September 2005 is as below:

| | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|-------------------|---|---|
| Less than 30 days | 159 | 40 |
| Over 3 months | 120 | 180 |
| | 279 | 220 |

10. SHARE CAPITAL

| | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|---|---|---|
| <i>Authorized:</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> |

11. OPERATING LEASE COMMITMENTS

At 30 September 2005, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|-------------------------|---|---|
| Not later than one year | <u>10</u> | <u>139</u> |

12. NET ASSET VALUE PER SHARE

The calculation of Net Asset Value per share is based on the net assets as at 30 September 2005 of HK\$55,907,000 (31 March 2005: HK\$57,882,000) and the 60,000,000 ordinary shares in issue as at 30 September 2005 and 31 March 2005. The Net Asset Value per share is HK\$0.93 (31 March 2005: HK\$0.96).

13. RELATED PARTY TRANSACTIONS

During the period under review, the investment manager fees paid to the investment manager AVANTA Investment Management Limited amounted to HK\$200,000 (period ended 30 September 2004: HK\$200,000) and custody fees and other charges paid to the custodian Wing Hang Bank, Limited amounted to HK\$20,178 (period ended 30 September 2004: HK\$21,550).

14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

This interim financial statements were approved by the Board of Directors of the Company on 15 November 2005.

BUSINESS REVIEW

For the six months ended 30 September 2005 (the "Period"), the Company reported a net profit of HK\$545,000 on revenue of HK\$1,608,000 as compared to the net loss of HK\$390,000 on revenue of HK\$600,000 for the same period in 2004. The profit was attributed to dividend income of HK\$228,000 (2004: HK\$255,000), realised gain on disposal of listed investments HK\$1,041,000 (2004: HK\$348,000), unrealised loss of HK\$169,000 (2004: loss of HK\$140,000) from its portfolio of listed securities and interest received of HK\$508,000 (2004: HK\$137,000) from convertible notes.

During the Period, the Company invested in a number of listed and unlisted securities, the portfolio of investment assets was as follows:

| Assets | Market Value HK\$'000 | Percentage of Consolidated Net Asset Value |
|---------------------------------|---------------------------------|---|
| Bank Balance | 28,000 | 50.1% |
| Listed investments in Hong Kong | 12,600 | 22.5% |
| Available-for-sale investments | 15,000 | 26.8% |

As at 30 September 2005, the Company had interest in six investments, covering a variety of industries and sectors in Hong Kong and the People's Republic of China (the "PRC"). During the Period, the Company made an initial deposit of RMB1,000,000 (HK\$943,000) with the intention of investing in the shares of a PRC electric contact manufacturing company.

During the Period, and in line with the Company's principal investment objective 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 securities trading. Under its investment policy, the Company invested and traded in securities in diversified industries in both Hong Kong and the PRC that were capable of yielding gain in a short to medium holding period. The Company held a portfolio of Hong Kong listed securities and unlisted securities of PRC source. These investments in unlisted securities were made with a view that the investees would have potential of seeking listing of their securities in the foreseeable future. The Board anticipates that the investment holding will generate attractive return on the investment.



PROSPECTS

With the continuing recovery of the Hong Kong economy, we witnessed in the first half of 2005 an increase in the growth of GDP by 6.5% following the growth of 8.1% of 2004. Hong Kong has displayed a solid, broad-based upturn with robust performance of export and upsurge in consumer spending and investment. Unemployment rate fell from an average of 6.8% in 2004 to 5.5% in the 3Q of 2005, which all in all are indications of a healthy recovering economy. While economic outlook remains optimistic, with forecasted GDP growth of 4.5 – 5.5% for 2005, economic growth may slow down, due to the uncertainties of world oil prices and interest rates. Following such indicators, the Company is optimistic of the investment environment and will continue to look for investment opportunities with upside potentials in the remainder of this year and in the coming year.

As the world's seventh largest economy, China continues to grow vigorously despite the recent revaluation of the Chinese Renminbi (RMB) upwards by 2.1% to the US dollar. With a reported growth of 9.4% in the 3Q 2005 from the same period in 2004, China is expected to end the year with a growth of 9% for 2005. As investments and trade continue to pour into China, China provides challenging and promising opportunities for entrepreneurs and investors wishing to access and tap into the PRC economic growth. The Company continues to identify potential investment opportunities and pursue its prudential strategy that will generate secured dividend income and, medium to long-term capital appreciation so as to maximise the return to its shareholders.

INTERIM DIVIDEND

The Board considers that it is appropriate for the Company to retain financial resources to provide it with the flexibility of making investment decisions when such opportunities arise. As such, the Board has resolved not to recommend an interim dividend for the six month ended 30 September 2005 (2004: Nil).



LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Company was in a strong liquidity position, with cash and bank balances of HK\$27,994,000 (31 March 2005: HK\$25,479,000). 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 fluctuations is considered minimal. The Board believes that the Company has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 30 September 2005, the Company had net assets of HK\$55,907,000 (31 March 2005: HK\$57,882,000) and no borrowings or long-term liabilities, putting the Company in an advantageous position 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 2005 was 0.014 (31 March 2005: Nil).

CAPITAL STRUCTURE

There has been no change to the Company's capital structure since 31 March 2005.

CHARGE ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2005, there were no charges on the Company's assets or any significant contingent liabilities (31 March 2005: 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 (31 March 2005: Nil).

EMPLOYEES

As at 30 September 2005, the Company had 9 (2004: 8) employees, including the executive, non-executive and independent non-executive Directors of the Company. Total staff costs for the Period amounted to HK\$310,000 (2004: HK\$298,000). 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 remainder of the year.

During the Period, 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, the Company made no capital expenditures and other commitments.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN EQUITY OR DEBT SECURITIES

As at 30 September 2005, the interests or short positions of each of the Directors or Chief Executives of the Company 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 (the "SFO")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director and/or Chief Executive of the Company is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange under Appendix 10 to the Listing Rules, are:

Ordinary shares ("Shares") of HK\$0.10 each of the Company

| Name of Director | Capacity | Number of Shares Corporate | Percentage Issued Share Capital |
|------------------|------------------------------------|--|---------------------------------|
| Lee Tak Lun | Interest of Controlled Corporation | 5,000,000 (long position) <i>(Note 1)</i> | 8.33% |
| | Interest of Controlled Corporation | 11,000,000 (long position) <i>(Notes 2 to 4)</i> | 18.33% |
| | Total: | <u>16,000,000</u> | <u>26.66%</u> |



Notes:

1. These Shares were and are held through Optimize Capital Investments Limited, 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. Both of Mr. Lee Tak Lun and Ms. Lee Wai Tsang Rosa are executive Directors of the Company.
2. These Shares were and are held by Grand Finance Group Company Limited, a company incorporated in Hong Kong, the entire issued share capital of which is beneficially owned as to 58% by Jumbo China Holdings Limited and 42% 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 79.31% by Billion Sky Limited, 7.76% by Ms. Chung Wing Han Wendy, an executive Director of the Company and 12.93% by independent third parties. Billion Sky Limited is taken to be interested in these Shares.
4. The entire issued share capital of Billion Sky Limited is beneficially owned as to 52.42% by Win Key Investments Limited (the entire issued share capital of which is beneficially owned by Mr. Lee Tak Lun), 23.79% by Lee Woo Sing Holdings Ltd. (which is owned as to 10% by Mr. Lee Woo Sing and 90% by his wife, Yao Yuen Yuen), and 23.79% by independent third parties. Win Key Investments Limited and Mr. Lee Tak Lun are taken to be interested in these Shares.

Other than as disclosed above, none of the Directors, Chief Executives of the Company nor their associates had any interest or short positions in any shares and underlying shares of the Company or any of its associated corporations.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

At no time during the Period was the Company or its associated companies a party to any arrangements to enable the Directors or Chief Executive of the Company to acquire any interests or benefits by means of acquisition of shares, underlying shares in or debentures of the Company.

SHARE OPTIONS

The Company has adopted 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 under the share option scheme during the six months ended 30 September 2005 (2004: Nil).

Saved as disclosed above, none of the Company's Directors and Chief Executives or their spouse 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 2005 (2004: Nil).

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, as far as the Directors are aware:

- (a) save as disclosed below, no person or entity was, directly or indirectly, interested in 10% or more of the voting power of any general meeting of the Company or otherwise interested in 10% or more of the issued share capital of the Company;
- (b) the following entity/person had an interest or short position in the ordinary shares of the Company and the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Substantial Shareholder | Capacity | Number of Shares | Approximate Percentage of Existing Shareholdings |
|---|--|--|--|
| 1. Optimize Capital Investments Limited ("Optimize Capital") (Note 1) | Beneficial Owner | 5,000,000 (long position) (Note 1) | 8.33% |
| 2. Lee Tak Lun (Note 1) | Interest of a controlled corporation (Note 1) | 5,000,000 (long position) (Note 1) | 8.33% |



| Name of Substantial Shareholder | Capacity | Number of Shares | Approximate Percentage of Existing Shareholdings |
|---|---|--|--|
| <i>(Notes 2 to 4)</i> | Interest of a controlled corporation <i>(Notes 2 to 4)</i> | 11,000,000 (long position) <i>(Notes 2 to 4)</i> | 18.33% |
| | | | 26.66% |
| 3. Grand Finance Group Company Limited ("Grand Finance") <i>(Notes 2 to 5)</i> | Registered and beneficial owner <i>(Notes 2 to 5)</i> | 11,000,000 (long position) <i>(Notes 2 to 5)</i> | 18.33% |
| 4. Billion Sky Limited <i>(Notes 2 to 4)</i> | Interest of a controlled corporation <i>(Notes 2 to 4)</i> | 11,000,000 (long position) <i>(Notes 2 to 4)</i> | 18.33% |
| 5. Bright Pearl Limited <i>(Note 2 and 5)</i> | Interest of a controlled corporation <i>(Note 2 and 5)</i> | 11,000,000 (long position) <i>(Note 2 and 5)</i> | 18.33% |
| 6. Jumbo China Holdings Limited <i>(Notes 2 to 4)</i> | Interest of a controlled corporation <i>(Notes 2 to 4)</i> | 11,000,000 (long position) <i>(Notes 2 to 4)</i> | 18.33% |
| 7. Win Key Investments Limited <i>(Notes 2 to 4)</i> | Interest of a controlled corporation <i>(Notes 2 to 4)</i> | 11,000,000 (long position) <i>(Notes 2 to 4)</i> | 18.33% |

| Name of Substantial Shareholder | Capacity | Number of Shares | Approximate Percentage of Existing Shareholdings |
|--|--|---|---|
| 8. Chow Chuen Chung (Note 2 and 5) | Interest of a controlled corporation (Note 2 and 5) | 11,000,000 (long position) (Note 2 and 5) | 18.33% |
| 9. Ho Kin (Note 2 and 5) | Interest of a controlled corporation (Note 2 and 5) | 11,000,000 (long position) (Note 2 and 5) | 18.33% |
| 10. Kam Kin Ming (Note 2 and 5) | Interest of a controlled corporation (Note 2 and 5) | 11,000,000 (long position) (Note 2 and 5) | 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 of the Company while Mr. Lee Tak Lun and Ms. Lee Wai Tsang Rosa were appointed executive Directors of the Company on 1 June 2005.
2. Grand Finance Group Company Limited is a company incorporated in Hong Kong, the entire issued share capital of which is beneficially owned as to 58% by Jumbo China Holdings Limited and 42% 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 79.31% by Billion Sky Limited, 7.76% by Ms. Chung Wing Han Wendy, an executive Director of the Company and 12.93% by independent third parties. Billion Sky Limited is taken to be interested in these Shares.



4. The entire issued share capital of Billion Sky Limited is beneficially owned as to 52.42% by Win Key Investments Limited (the entire issued share capital of which is beneficially owned by Mr. Lee Tak Lun), 23.79% by Lee Woo Sing Holdings Ltd. (which is owned as to 10% by Mr. Lee Woo Sing and 90% by his wife, Yao Yuen Yuen), 23.79% by independent third parties. Win Key Investments Limited and Mr. Lee Tak Lun are taken to be interested in these shares.
5. 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.

In the event that the Directors of the Company should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Mandate, the interest of each of Optimize Capital, Mr. Lee Tak Lun, Grand Finance, Jumbo China Holdings Limited, Billion Sky Limited, Bright Pearl Limited, Win Key Investments Limited, Mr. Chow Chuen Chung, Mr. Ho Kin and Mr. Kam Kin Ming would be increased to approximately 9.26%, 29.63%, 20.37%, 20.37%, 20.37%, 20.37%, 20.37%, 20.37%, 20.37% and 20.37% respectively of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory offer under Rule 26 and Rule 32 of The Codes on Takeovers and Mergers and Share Repurchases or result in the aggregate amount of the share capital of the Company in public hands being reduced to less than 25%, and/or resulted in non-compliance with Rule 21.04 to the Listing Rules.

Save as disclosed above, as far as the Directors of the Company 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 2005.

PURCHASE, SALE OR REDEMPTION

During the Period, the Company has not purchased, sold or redeemed any of its shares.



COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

On 1 January 2005, the Code of Best Practice was replaced by the Code of Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the CG Code as its own code on corporate governance practices. The Company has complied with the CG Code throughout the six months ended 30 September 2005 except for the following deviations:

Pursuant to code A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election and, pursuant to Code A.4.2 of the CG Code, Directors shall retire by rotation at minimum once every three years. None of the existing non-executive Directors and independent non-executive Directors of the Company is appointed for a specific term. However, in accordance with the Company’s Bye-Laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation and become eligible for re-election. The reason for the deviation is that the Directors of the Company do not consider that arbitrary term limits on Director’s service are appropriate and the retirement by rotation has given the Company’s shareholders the right to approve continuation of the service of non-executive Director or independent non-executive Director.

Pursuant to Code B.1.1 of the CG Code, the Company should establish a Remuneration Committee for the purpose of, among others, recommending to the Board on the Company’s policy and structure for remuneration of Directors and senior management with specific written terms of reference which deal clearly with its authority and duties. During the Period, the Company has not yet established a Remuneration Committee, as the Company requires additional time to consult the independent non-executive Directors on the proposed terms of reference to be adopted for the establishment of the Remuneration Committee. The Company is now dealing with the formalities and is confident that the Remuneration Committee will be set up by the end of December 2005.

Saved as the above, there has been no material deviations from the CG Code. The corporate governance practices of the Company are in compliance with the principles of the CG Code and, in particular, the following:

- the composition and operation of the Board;
- accountability and audit;
- delegation by the Board; and
- communication with shareholders.



The Board will continuously review the corporate governance structure of the Company and effect changes whenever necessary.

So far as the Directors of the Company are aware, 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 during the Period.

The Company's Audit Committee, comprising three independent non-executive Directors, have 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 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transaction by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific an enquiry of all Directors, the Company confirmed that all the Directors complied with the required standard laid down in the Model Code in respect of the six month ended 30 September 2005.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five executive Directors, namely Mr. Lee Tak Lun, Ms. Lee Wai Tsang Rosa, Ms. Chung Wing Han Wendy, Mr. Fong Chi Wah, Mr. Chou Ping-Chun Benji, a non-executive Director, namely Mr. Lee Woo Sing and three independent non-executive Directors, namely Dr. Zhang Hongru, Mr. Lu Fan and Mr. Yao Cho Fai Andrew.

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

15 November 2005