



## Interim Report **2006**



大唐投資國際有限公司 \*  
**GRAND INVESTMENT INTERNATIONAL LTD.**  
(incorporated in Bermuda with limited liability)  
Stock Code: 1160

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr Lee Tak Lun

Ms Chung Wing Han, Wendy

Ms Lee Wai Tsang, Rosa

Mr Chou Ping-chun, Benji

#### Non-Executive Director

Mr Lee Woo Sing (*Chairman*)

#### 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

46th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

### LEGAL ADVISERS TO THE COMPANY

*As to Hong Kong law:*

Chiu & Partners

41st Floor, Jardine House

1 Connaught Place

Hong Kong

*As to Bermuda law:*

Conyers Dill & Pearman

2901, One Exchange Square

8 Connaught Place, Central

Hong Kong

## 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 2006 (the “Period”) together with the comparative figures for the corresponding period in 2005. These interim financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

On behalf of the Board  
**Grand Investment International Ltd.**  
**Lee Wai Tsang, Rosa**  
*Executive Director*

### CONDENSED INCOME STATEMENT

*For the six months ended 30 September 2006*

	NOTE	Six months ended	
		30/9/2006 HK\$'000 (Unaudited)	30/9/2005 HK\$'000 (Unaudited)
REVENUES	3	<b>3,958</b>	1,608
OTHER REVENUES		<b>291</b>	215
ADMINISTRATIVE EXPENSES		<b>(1,253)</b>	(1,162)
PROFIT BEFORE TAXATION	5	<b>2,996</b>	661
TAXATION	6	<b>(524)</b>	(116)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<b>2,472</b>	545
INTERIM DIVIDEND	7	<b>1,440</b>	NIL
EARNINGS PER SHARE (Cents)			
— Basic	8	<b>3.43</b>	0.76
— Diluted	8	<b>N/A</b>	N/A

The notes on pages 7 to 13 form part of these condensed interim financial statements.

## Unaudited Interim Financial Statements

### CONDENSED BALANCE SHEET

As at 30 September 2006

	NOTE	<b>30 September 2006 HK'000 (Unaudited)</b>	31 March 2006 HK'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Available-for-sale investments		<b>22,246</b>	22,246
<b>CURRENT ASSETS</b>			
Available-for-sale investments		<b>5,000</b>	5,000
Investments at fair value through profit and loss		<b>13,921</b>	9,176
Accounts receivable	9	<b>307</b>	291
Other receivable and prepayments		<b>226</b>	293
Cash and cash equivalents		<b>20,841</b>	22,540
		<b>40,295</b>	37,300
<b>CURRENT LIABILITIES</b>			
Other payable and accruals	10	<b>172</b>	173
Tax payable		<b>860</b>	336
		<b>1,032</b>	509
<b>NET CURRENT ASSETS</b>		<b>39,263</b>	36,791
<b>NET ASSETS</b>		<b>61,509</b>	59,037
<b>CAPITAL AND RESERVES</b>			
Share capital	11	<b>7,200</b>	6,000
Reserves		<b>54,309</b>	53,037
<b>SHAREHOLDERS' FUNDS</b>		<b>61,509</b>	59,037
<b>NET ASSET VALUE PER SHARE (Cents)</b>		<b>85.43</b>	98.39

The notes on pages 7 to 13 form part of these condensed interim financial statements.

## Unaudited Interim Financial Statements

### CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	<b>Share capital</b>	<b>Share premium</b>	<b>Retained profits</b>	<b>Total</b>
	HK'000	HK'000	HK'000	HK'000
Balance at 1 April 2006 (Audited)	6,000	49,066	3,971	59,037
Issue of bonus shares (Note 11)	1,200	(1,200)	—	—
Profit for the Period	—	—	2,472	2,472
Balance at 30 September 2006 (Unaudited)	7,200	47,866	6,443	61,509
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)	6,000	49,066	841	55,907

The notes on pages 7 to 13 form part of these condensed interim financial statements.

## Unaudited Interim Financial Statements

### CONDENSED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Six months ended	
	30/9/2006 HK\$'000 (Unaudited)	30/9/2005 HK\$'000 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	<b>(1,699)</b>	2,515
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	<b>(1,699)</b>	2,515
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>22,540</b>	25,479
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>20,841</b>	27,994
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>20,841</b>	27,994

The notes on pages 7 to 13 form part of these condensed interim financial statements.

## Unaudited Interim Financial Statements

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 September 2006*

#### 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 2006.

#### 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these unaudited interim financial statements are consistent with those adopted in the Annual Report of the Company for the year ended 31 March 2006.

The Company has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the interim financial statements of the Company.

HKAS 1 (Amendment)	Capital Disclosures (Note A)
HKFRS 7	Financial Instruments: Disclosures (Note A)
HK (IFRIC)-Int 8	Scope of HKFRS 2 (Note B)
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives (Note C)

A Effective for annual periods beginning on or after 1 January 2007

B Effective for annual periods beginning on or after 1 May 2006

C Effective for annual periods beginning on or after 1 June 2006



## Unaudited Interim Financial Statements

### 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 Period are as follows:

	<b>Six months ended</b>	
	<b>30/9/2006</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30/9/2005 HK\$'000 (Unaudited)
Net realised gain on disposal of investments at fair value through profit and loss	<b>3,130</b>	1,041
Net unrealised holding gain/(loss) on investments at fair value through profit and loss	<b>193</b>	(169)
Dividend income from listed securities	<b>33</b>	228
Interest income from notes receivable	<b>602</b>	508
	<b>3,958</b>	1,608

### 4. SEGMENT INFORMATION

No business or geographical analysis of the Company's performance for the Period is specifically provided as all of the revenues and contributions to operating results of the Company are attributable to investments in listed securities in Hong Kong, a convertible note receivable and private equities of private companies in the People's Republic of China.

## Unaudited Interim Financial Statements

### 5. PROFIT BEFORE TAXATION

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

	<b>Six months ended</b>	
	<b>30/9/2006</b>	30/9/2005
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Crediting</b>		
Interest income	<b>291</b>	215
<b>Charging</b>		
Provision for auditors' remuneration	<b>30</b>	60
Directors' remuneration		
Fee	—	—
Other emoluments	<b>305</b>	289
Other staff costs	<b>12</b>	21
<b>Total staff costs</b>	<b>317</b>	310
Investment manager fee	<b>140</b>	200
Operating lease payments	<b>221</b>	117

Included in total staff costs are contributions to Mandatory Provident Fund totalling for the Period HK\$12,250. (period ended 30 September 2005: HK\$15,000).

### 6. TAXATION

Provision for Hong Kong profits tax has been made at the rate of 17.5% (period ended 30 September 2005 : 17.5%) on the estimated assessable profits for the Period.

## Unaudited Interim Financial Statements

### 7. INTERIM DIVIDEND

The Board has resolved to pay an interim dividend in the total amount of HK\$1,440,000 for the Period (period ended 30 September 2005: Nil), which is proposed to be satisfied in the form of scrip dividend (without cash option) by the allotment of one new ordinary share (credited as fully paid by way of capitalization of the amount of up to HK\$1,440,000 standing to the credit of the Company's share premium account) for every five existing ordinary shares in the Company to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 December 2006 (the "Record Date"), but excluding those shareholder(s) of the Company whose address(es) as recorded on the Company's register of members is in a place outside Hong Kong.

#### **Reasons for the scrip dividend**

The scrip dividend will enable shareholders to increase their holdings of shares in the Company without incurring dealing costs or stamp duty. The scrip dividend will also be to the advantage of the Company because (i) any cash which would otherwise have been paid to shareholders will be retained for use as reinvestment and working capital by the Company and (ii) the shareholders of the Company can be provided with an opportunity to obtain further equity participation in the Company.

#### **Closure of register of members**

The register of members of the Company will be closed from Monday, 11 December 2006 to Friday, 15 December 2006 (both days inclusive) during which period no share transfers can be registered. In order to qualify for the interim dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 8 December 2006.

## Unaudited Interim Financial Statements

### 8. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the unaudited profit of HK\$2,472,000 for the Period (period ended 30 September 2005 : profit of HK\$545,000) attributable to shareholders and the weighted average of 72,000,000 ordinary shares (period ended 30 September 2005 : 60,000,000 ordinary shares as restated) in issue during the Period, as adjusted to reflect the bonus shares issued during the Period (Note 11).

The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 2006 and 30 September 2005, therefore, no diluted earnings per share has been presented.

### 9. ACCOUNTS RECEIVABLE

An aging analysis of the accounts receivable as at 30 September 2006 is as below:

	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
Less than 5 months	<b>307</b>	291

### 10. OTHER PAYABLE AND ACCRUALS

An aging analysis of the other payable and accruals as at 30 September 2006 is as below:

	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
Less than 30 days	<b>172</b>	173

## Unaudited Interim Financial Statements

### 11. SHARE CAPITAL

	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
<i>Authorised:</i>		
200,000,000 ordinary shares of HK\$0.1 each	<b>20,000</b>	20,000
<i>Issued and fully paid:</i>		
72,000,000 ordinary shares (year ended 31 March 2006: 60,000,000 ordinary shares) of HK\$0.1 each	<b>7,200</b>	6,000

A bonus issue of shares was approved at the Annual General Meeting of the Company held on 3 July 2006 on the basis of one bonus share for every 5 existing ordinary shares of HK\$0.10 each in the capital of the Company held by the shareholders of the Company whose names appear on the register of members of the Company on 3 July 2006. A total of 12,000,000 ordinary shares were issued as bonus shares. These bonus shares were credited as fully paid by capitalising a sum of HK\$1,200,000 standing to the credit of the Company's share premium account.

The 12,000,000 bonus shares ranked *pari passu* in all respects with the ordinary shares in the capital of the Company.

### 12. RELATED PARTY TRANSACTIONS

During the Period, the Company traded the listed securities through a securities account maintained with a related Company, Grand Investment (Securities) Limited, in which the directors of the Company, Mr. Lee Woo Sing, Mr. Lee Tak Lun, and Ms. Chung Wing Han, Wendy have beneficial interests.

## Unaudited Interim Financial Statements

### 13. OPERATING LEASE COMMITMENTS

At 30 September 2006, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
Not later than one year	<b>422</b>	422
In second to fifth year inclusive	<b>438</b>	649
	<b>860</b>	1,071

### 14. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved by the Board of Directors of the Company on 20 November 2006.

## Management Discussion and Analysis

### **INTERIM RESULTS**

During the six months ended 30 September 2006 (the “Period”), the Company recorded a revenue of HK\$3,958,000 (period ended 30 September 2005: HK\$1,608,000) and a net profit attributable to shareholders of HK\$2,472,000 (period ended 30 September 2005: HK\$545,000), indicating that the Company is achieving strong performances with its investment activities under the current challenging and dynamic market environment.

The increase in the Company’s revenue reflects our strong strategic positioning focus on identifying and transforming viable and promising business opportunities into investments with sustainable values to our shareholders and efficiency in allocation of resources. Direct investments are generally held over a longer period of time than those of listed securities given that our focus is to capture reasonable return during the market rally by trading listed equities while balancing on longer periods and potentially larger return on direct investments.

The net asset value (“NAV”) per ordinary share of HK\$0.10 (“Share”) of the Company was HK\$0.85 as at 30 September 2006 (30 September 2005: HK\$0.93).

### **INTERIM DIVIDEND BY WAY OF SCRIP DIVIDEND**

The board of directors of the Company has resolved to declare an interim dividend (the “Interim Dividend”) for the six months ended 30 September 2006 in the total amount of HK\$1,440,000 (2005: Nil) to shareholders of the Company whose names appear on the register of members of the Company as of 15 December 2006 (“Record Date”), but excluding those shareholders (“Overseas Shareholders”) of the Company whose addresses on the register of members as at the Record Date are outside Hong Kong.

The Interim Dividend will be payable in the form of scrip dividend on the basis of one new Share (credited as fully paid by way of capitalization of a portion of the share premium account of the Company in the amount of up to HK\$1,440,000) for every five existing Shares held by the shareholders of the Company whose names appear on the register of members of the Company at the close of business on the Record Date, but excluding the Overseas Shareholders as aforesaid.

The new Shares to be allotted as scrip dividend will rank *pari passu* in all respects with the existing issued Shares except that they will not carry any right to receive the Interim Dividend.

## Management Discussion and Analysis

The allotment of new Shares pursuant to the scrip dividend arrangement is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new Shares.

The register of members of the Company will be closed from Monday, 11 December 2006 to Friday, 15 December 2006 (both days inclusive) during which period no share transfers can be registered. In order to qualify for the Interim Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, at 1712-16, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 8 December 2006.

A circular, containing, among other matters, details of the scrip dividend arrangement is sent to shareholders of the Company together with this interim report of the Company.

### **BUSINESS OVERVIEW AND PROSPECTS**

During the Period, the Company adopted a prudent and value-added strategy with a trading portfolio of direct investments and listed securities that enhance the overall performance of the portfolio. Our profit for this Period is principally attributed to the return on equities.

The Company will continue to seek suitable direct investment opportunities that capitalize on China's current economic growth and competitive advantage. The objective of our direct investments will involve allocating resources into projects that generate consistent positive return. The key profitability ratios for the Company during the Period include return on shareholders' equity (ROE) of 4.02% (period ended 30 September 2005: 0.97%) and return on total assets (ROA) of 3.95% (period ended 30 September 2005: 0.96%).

Given the resilient growth in China, the Company is looking to reap the return on investments by ways of divestiture, value appreciation and/or through trade sales. Having said that, although the growth rate in China will not continue infinitely, we strive to make the best of the current momentum and bring value to our shares and shareholders.



## Management Discussion and Analysis

### INVESTMENT PORTFOLIO

During the Period, the Company held the following direct investments:

#### Direct Investments

##### *Huishan Dairy Holdings Limited*

The issue is an investment holding company which invests in a dairy production company, Shenyang Dairy Company Limited (Shenyang Dairy), in the PRC. Shenyang Dairy is one of the leading dairy product manufacturers in the PRC. It is principally engaged in the business of cattle raising, cattle breeding, dairy products processing and sales of dairy products through its well-established selling and distribution channels. The dairy products of Shenyang Dairy are traded under the brand name of “Sunny Hills”. According to a survey conducted by the AC Nielsen, Shenyang Dairy ranks top 5 in the PRC in terms of sales revenue of liquid milk and dairy products.

##### *Tianjin Yishang Friendship Holding Co., Ltd (Tianjin Yishang)*

Tianjin Yishang is a sino-foreign enterprise incorporated in the PRC on 6 January 2006 under a re-organization where by the shares of Tianjin Yishang Development Company Limited, a stated-owned enterprise in the PRC, were injected into Tianjin Yishang. The business activities of the Tianjin Yishang and its subsidiaries and branches are to operate department stores and home appliance retail shops in the Tianjin area.

##### *Ningbo Lingri*

Ningbo Lingri is a privately held company incorporated in the PRC on 4 September 2000. Ningbo Lingri carries on the business of designing, developing and manufacturing a premium and environmental friendly metal for wiring and electrical conductor components for various electronic devices. It holds two patents for the design of the components. The product is currently in its final stages of the developmental phase and production of the product has begun.

##### *Fanwo Electronic (BVI) Company Limited (“Fanwo”)*

Fanwo is an investment holding company, which acquired a wholly foreign-owned-enterprise in the PRC, namely Shenzhen Fanwo Electronic Co. Ltd. (“Shenzhen Fanwo”). Shenzhen Fanwo specializes in the development of communication hardware and software and computer networking system integration and in the manufacturing and selling of networking equipment systems, communication command and dispatch systems.

## Management Discussion and Analysis

### **Investment in Securities**

The Company also invested in a portfolio of securities mainly in listed companies engaged in diversified industries in Hong Kong and Singapore.

Looking forward, the Company will continue to seek investment projects in the PRC as well as Hong Kong and other Asian cities. The Company investment prerequisite is based on sound fundamentals and careful evaluation. The Company believes that direct investments in private enterprises, which possess the necessary competitive advantages and market know-how will likely sustain positive growth and have more potential for an eventual IPO or equity sale that could deliver favorable return and positively impact to the Company's overall net asset value and profitability in the short to long term.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the Period, the Company was in a strong liquidity position. It had available fund of HK\$20,841,000 (31 March 2006: HK\$22,540,000) which was placed in Hong Kong Dollars short term deposits with its Banks. Further, the Company had no borrowing and has no funding requirements for investment and capital expenditures. The Board believes that the Company has sufficient financial resources to meet its investment or working capital requirements.

As at 30 September 2006, the Company had net assets of HK\$61,509,000 (31 March 2006: HK\$59,037,000) with no long term liabilities. The gearing ratio calculated on the basis of total liabilities over shareholders' fund as at 30 September 2006 was 1.68% (31 March 2006: 0.86%).

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

As at 30 September 2006, there were no charges on the Company's assets or any significant contingent liabilities (31 March 2006: 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.

### **CAPITAL EXPENDITURES AND COMMITMENTS**

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

## Management Discussion and Analysis

### **CAPITAL STRUCTURE**

Pursuant to an ordinary resolution passed at the Company's Annual General Meeting held on 3 July 2006, a bonus issue of shares on the basis of one bonus share for every 5 existing ordinary shares of HK\$0.10 each in the capital of the Company held by the shareholders of the Company whose names appear on the register of members of the Company on 3 July 2006 was approved. A total of 12,000,000 new ordinary shares of HK\$0.10 each were allotted and issued by the Company as bonus shares as a result, making the total number of shares in issue of the Company to 72,000,000 as at 30 September 2006 (30 September 2005: 60,000,000 Shares).

Save as the above, there has been no change in the Company's capital structure during the Period.

### **SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the Period, the Company had not made any significant acquisition and disposal of subsidiaries.

### **EXCHANGE RISK**

The Company's investments may be denominated in currencies other than Hong Kong dollars, and thus is exposed to fluctuation of the exchange rate. It is expected that a portion of the distributions and payments to the Company from the invested companies will be denominated in Renminbi. Nevertheless, the Directors believe that the operation of the Company is not subject to significant exchange risk as Renminbi is relatively stable against Hong Kong dollar.

### **EMPLOYEES**

As at 30 September 2006, the Company had 8 (period ended 30 September 2005: 9) employees, including the executive, non-executive and independent non-executive Directors of the Company. Total staff cost for the Period amounted to HK\$317,000 (period ended 30 September 2005: HK\$310,000). 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.

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.

## Management Discussion and Analysis

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2006, the interests or short positions of each of the Directors or chief executive 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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Lee Tak Lun	Interest of controlled corporation	7,700,000 (long position) <i>(Note 1)</i>	10.69
	Interest of controlled corporation	13,200,000 (long position) <i>(Notes 2 to 4)</i>	18.33
<b>Total</b>		<b>20,900,000</b>	<b>29.02</b>

*Notes:*

- The Shares were held by Optimize Capital Investments Limited ("Optimize Capital"). 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 while Mr. Lee Tak Lun and Ms. Lee Wai Tsang, Rosa are executive Directors of the Company.
- These Shares were held by Grand Finance Group Company Limited ("Grand Finance"). Grand Finance 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 under the SFO.

## Management Discussion and Analysis

3. Jumbo China Holdings Limited is a company incorporated in the British Virgin Islands and 79.31% of its entire issued share capital is beneficially owned by Billion Sky Limited, Billion Sky Limited is taken to be interested in these Shares under the SFO.
4. Billion Sky Limited is a company incorporated in the British Virgin Islands and 52.42% of its entire issued share capital is beneficially owned by Win Key Investments Limited (which in turn, is solely and beneficially owned by Mr. Lee Tak Lun), Win Key Investments Limited and Mr. Lee Tak Lun are taken to be interested in these Shares under the SFO.

Other than as disclosed above, none of the Directors, chief executive 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**

As 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 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 Period (period ended 30 September 2005: Nil).

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 2006 (period ended 30 September 2005: Nil).

## Management Discussion and Analysis

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, 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:

<b>Name of Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate Percentage of Existing Shareholdings</b>
1. Optimize Capital Investments Limited ("Optimize Capital") (Note 1)	Beneficial owner	7,700,000 (long position) (Note 1)	10.69%
2. Lee Tak Lun (Note 1)	Interest of a controlled corporation (Note 1)	7,700,000 (long position) (Note 1)	10.69%
(Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	13,200,000 (long position) (Notes 2 to 4)	18.33%
			29.02%
3. Grand Finance Group Company Limited ("Grand Finance") (Notes 2 to 5)	Beneficial owner (Notes 2 to 5)	13,200,000 (long position) (Notes 2 to 5)	18.33%
4. Billion Sky Limited (Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	13,200,000 (long position) (Notes 2 to 4)	18.33%
5. Bright Pearl Limited (Notes 2 and 5)	Interest of a controlled corporation (Notes 2 and 5)	13,200,000 (long position) (Notes 2 and 5)	18.33%

## Management Discussion and Analysis

<b>Name of Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate Percentage of Existing Shareholdings</b>
6. Jumbo China Holdings Limited <i>(Notes 2 to 4)</i>	Interest of a controlled corporation <i>(Notes 2 to 4)</i>	13,200,000 (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>	13,200,000 (long position) <i>(Notes 2 to 4)</i>	18.33%
8. Chow Chuen Chung <i>(Notes 2 and 5)</i>	Interest of a controlled corporation <i>(Notes 2 and 5)</i>	13,200,000 (long position) <i>(Notes 2 and 5)</i>	18.33%
9. Ho Kin <i>(Notes 2 and 5)</i>	Interest of a controlled corporation <i>(Notes 2 and 5)</i>	13,200,000 (long position) <i>(Notes 2 and 5)</i>	18.33%
10. Kam Kin Ming <i>(Notes 2 and 5)</i>	Interest of a controlled corporation <i>(Notes 2 and 5)</i>	13,200,000 (long position) <i>(Notes 2 and 5)</i>	18.33%

**Notes:**

- 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 while Mr. Lee Tak Lun and Ms. Lee Wai Tsang, Rosa were executive Directors.
- Grand Finance is a company incorporated in Hong Kong, the entire issued 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 under the SFO.
- Jumbo China Holdings Limited is a company incorporated in the British Virgin Islands and 79.31% of its entire issued share capital is beneficially owned by Billion Sky Limited. Billion Sky Limited is taken to be interested in these Shares under the SFO.
- Billion Sky Limited is a company incorporated in the British Virgin Islands and 52.42% of its entire issued share capital is beneficially owned by Win Key Investments Limited (which, in turn, is solely and beneficially owned by Mr. Lee Tak Lun). Win Key Investments Limited and Mr. Lee Tak Lun are taken to be interested in these Shares under the SFO.

## Management Discussion and Analysis

5. Bright Pearl Limited is a company incorporated in the British Virgin Islands and the entire issued share capital of which 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. Messrs. Chow Chuen Chung, Ho Kin and Kam Kin Ming are taken to be interested in these Shares under the SFO.

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 2006.

### **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors or substantial shareholders of the Company or any of their respective associates has an interest in a business, which causes or may cause any significant competition with the business of the Company.

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

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

### **CORPORATE GOVERNANCE**

The Company is committed to the establishment of good corporate governance practices and procedures. The Company emphasizes a quality board, sound internal control and transparency and accountability to all shareholders of the Company.

The Company has complied with the Code of Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the Period.

A special resolution was passed at the Annual General Meeting of the Company held on 3 July 2006 to alter the bye-laws of the Company, so that every Director appointed during the year shall retire at the next general meeting and every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The Board will regularly review the corporate governance structure of the Company and effect changes if necessary.



## Management Discussion and Analysis

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the “Model Code for Securities Transaction by Directors of Listed Issuers” (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the Period and they all confirmed that they had fully complied with the required standard laid down in the Model Code.

### **AUDIT COMMITTEE**

The Company’s Audit Committee, comprising of three independent non-executive Directors, 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 2006.

### **REMUNERATION COMMITTEE**

The Remuneration Committee of the Company was established with terms of reference in compliance with the CG Code. The Remuneration Committee is responsible for formulation and review of the remuneration policy of the Company and performance of the executive Directors, recommendation as to the remuneration of the executive Directors and dealing with matters of appointment, retirement and re-election of the Directors.

### **BOARD OF DIRECTORS**

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

On behalf of the Board  
**Grand Investment International Ltd.**  
**Lee Wai Tsang, Rosa**  
*Executive Director*