



大唐投資國際有限公司 *
GRAND INVESTMENT INTERNATIONAL LTD.

(incorporated in Bermuda with limited liability)

Stock Code: 1160

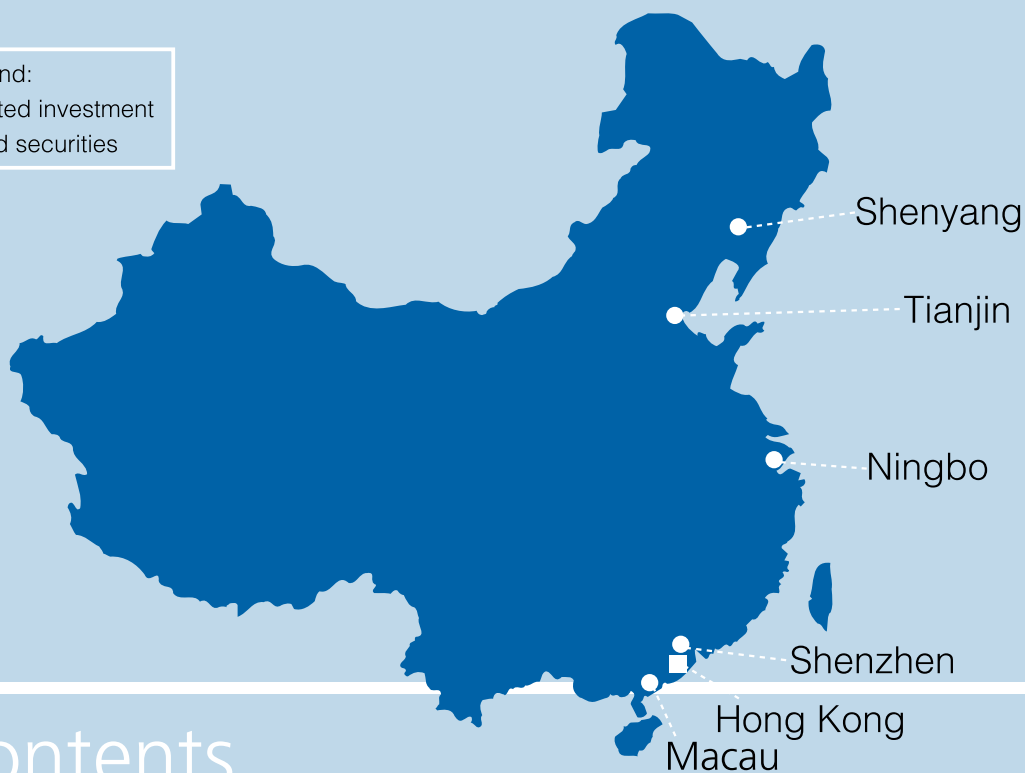


07

Annual Report

* For identification purposes only

Legend:
 ● Unlisted investment
 ■ Listed securities



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr Lee Tak Lun
Ms Lee Wai Tsang, Rosa
Ms Chung Wing Han, Wendy
Dr Huang Zhijian (appointed on 1 January 2007)
Mr Chou Ping-chun, Benji (resigned on 1 June 2007)

Non-Executive Director

Mr Lee Woo Sing (*Chairman*)

Independent Non-Executive Directors

Mr Lu Fan
Mr Yao Cho Fai, Andrew
Dr Zhang Hongru

COMPANY SECRETARY

Ms Chung Wing Han, Wendy

AUDIT COMMITTEE

Mr Lu Fan
Mr Yao Cho Fai, Andrew
Dr Zhang Hongru

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

Chairman's Statement

The current economic news is dominated by the exuberant equity markets in Hong Kong and China. In the effort to maintain market and economic stability, the China Central Bank ("PBOC") has announced a series of policies by raising deposit, lending and mortgage rates, hiking the reserve requirements, and widening the trading band for the RMB against the US dollars.

The profits generated by the Company for the year ended 31 March 2007 are largely attributed to our holdings in listed securities. The seemingly unbated rise of A-shares this year will inevitably compel the Chinese government to introduce more tightening measures to curb the over exuberant stock market. Although, an imminent correction in the A-share market may occur, the fundamental support behind the liquidity in the A-share market still remains. In addition, Hong Kong as well as other Asian countries have maintained a healthy domestic spending and economic environment for growth. Although we cannot guarantee that profit will sustain in the equity market and our portfolio will continue to outperform the market as we did in the last year, we will make our best effort to bring value to our shareholders and capture any opportunities available to us.

Looking forward in the year to come, there will be continuous divestment from bank deposits into real assets such as property and stock market. The strong growth in 2006 and the recent A-shares momentum have provided solid investment sentiment and confidence. It is our strategy to realise a number of direct investments along the way. In addition, the retail sector will continue to benefit from increased earnings and domestic spending; all consumption based industries such as retail, travel and hospitality will be at a major advantage. Against such positive outlook, their appreciation of RMB coupled with positive domestic consumption will support the stronger than expected nominal wage growth and asset price rises, which may result in higher expenses for the Company. We will make our best effort to capture opportunities to bringing value to our shareholders.

Lee Woo Sing
Chairman

Hong Kong, 4 July 2007



Management Discussion and Analysis

On behalf of the Board of the Directors (the "Board"), I would like to present the annual report of Grand Investment International Ltd. (the "Company") for the year ended 31 March 2007 (the "Year") to the shareholders.

BUSINESS REVIEW AND PROSPECTS

In 2006, the Hang Seng Index reached 20,049 points marking its all time high upon the IPO of ICBC. The market maintained its momentum until late February 2007, when the global market declined significantly as triggered by the drop in Shenzhen's A shares. While much of the value of the companies in Hong Kong and China have since gained back their value, inherent volatility still exists. Having properly managed the risk in our portfolio for our shareholders, we were able to minimise the downside of the market by realizing our profit during the peak of the securities market in 2006. In light of the current economic environment, the Company opted for a prudent strategy by carefully monitoring its investments, while capturing the opportunities that China provides. Profit before taxation for the Year was approximately HK\$17.8 million. Administrative expenses for the year were approximately HK\$4.5 million. The unrealized gain as of 31 March 2007 on the market value of the listed securities was approximately HK\$5.2 million.

The positive outlook on China's broader economy and GDP sustainability has been reaffirmed through China's 11th Five-Year Plan. The Board is optimistic that the economic prospect of Hong Kong and China remains steady in the near future. With the strong liquidity of capital flow and ongoing appreciation of the Renminbi, Hong Kong will benefit from the continuous growth and increasing investment opportunities. Holding a Hong Kong and China focused portfolio, our intention is to maximize the potential for our shareholders. We will continue to target and source value added projects to be included in our current portfolio for maximum diversification and return.

DIVIDEND

The Directors are pleased to recommend a final dividend of HK\$0.045 per share payable to shareholders whose names are on the register of members of the Company as at 8 August 2007. Including the interim dividend of HK\$0.02 per share paid on 18 December 2006 in the form of scrip dividend, the total dividend payout for the whole year shall (subject to the resolution for the final dividend being passed by Shareholders) be HK\$0.065 per share.

The dividend cheques will be posted on 10 August 2007.

BONUS ISSUE OF SHARES

The Board proposes to make a bonus issue on the basis of one new ordinary share of HK\$0.10, credited as fully paid, for every one existing share held by the shareholders of the Company whose names are on the register of members of the Company on 8 August 2007. The necessary resolution will be proposed at the forthcoming annual general meeting of the Company to be held on 8 August 2007 and if passed, share certificates for the bonus shares will be posted on 10 August 2007.

A circular containing, among other things, further details of the bonus issue will be dispatched to the shareholders of the company together with the annual report of the Company for the year ended 31 March 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2007, the Company had bank balances of approximately HK\$9 million (2006: HK\$22.5 million). The Board concludes that the Company has sufficient financial resources to satisfy its immediate investment and working capital requirements. There was no long term borrowing and calculation of gearing ratio was not applicable (2006: N/A).

Management Discussion and Analysis

The Company had net assets of approximately HK\$74.0 million (2006: HK\$59.0 million), which it expects to use for new potential investment opportunities.

INVESTMENT PORTFOLIOS

The Company's investment portfolio comprised of listed and unlisted investment in Hong Kong and China.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company held assets and liabilities denominated in Hong Kong Dollars and RMB. Accordingly, it is subjected to limited exposure of foreign exchange fluctuation.

CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2007, there were no charges on the Company's assets or any significant contingent liabilities. (2006: Nil).

CAPITAL EXPENDITURES AND COMMITMENTS

During the Year, the company did not make any capital expenditures or commitments.

CAPITAL STRUCTURE

As at 31 March 2007, the authorized share capital of the Company was HK\$20 million, of which HK\$8.64 million was issued and fully paid. Save as disclosed below, there has been no change in the Company's capital structure during the Year:

- a) a bonus issue of 12,000,000 shares was approved at the annual general meeting of the Company in July 2006; and
- b) a scrip dividend of 14,400,000 shares was approved at the Board in November 2006.

EMPLOYEES

As at 31 March 2007, the Company had 9 employees (2006: 9), including the executive, non-executive and independent non-executive Directors. Total staff cost for the Year was HK\$2.6 million (2006: HK\$729,000). The Company's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The size of the Company's work force is expected to remain more or less the same in the coming year.

APPRECIATION

On behalf of the Board, I would like to extend our greatest appreciation to all our shareholders for their continuous trust and support. My gratitude goes to our executive Directors and independent non-executive Directors for their dedication to their role and commitments.

Lee Wai Tsang, Rosa

Executive Director

Hong Kong SAR, 4 July 2007



Corporate Governance Report

The Company is committed to the practice and high standards of corporate governance with a view to enhance transparency, accountability and protect the interest of the stakeholders.

BOARD OF DIRECTORS

Composition

During the Year under review, the Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors ("INED(s)"). Biographical details of each Director are set out on page 11 to 13 of this Annual Report.

All INEDs of the Company have complied with the provisions set out in Rule 3.13 of the Listing Rule and have confirmed he is independent of the Company and the Company also considers that they are independent as defined in the Listing Rules.

Mr. Lee Woo Sing, Chairman and non-executive Director of the Company, is the father of Mr. Lee Tak Lun and grandfather of Ms. Lee Wai Tsang, Rosa, executive directors. Mr. Lee Tak Lun is the father of Ms. Lee Wai Tsang, Rosa. Save as the above, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Role of the Board

The Board is responsible for development of strategies and monitoring business performance of the Company. Every Director is kept informed of his responsibilities as a director of the Company under the laws of Hong Kong and the listing Rules and of the conduct, business activities and development of the Company.

All Directors have access to the advice and relevant information from the Company Secretary to ensure that procedures of the Board and all applicable rules and regulations are followed. All INEDs also have independent access to the executive Directors in respects of operating issues.

A Director's Handbook is issued to every director, which sets out the guidelines on the conduct of which directors of a listed company should follow. The handbook also outlines the responsibilities of making disclosure personal interest, change in personal particular, potential conflict of interest to the Stock Exchange in a timely manner.

Corporate Governance Report

Notice of regular Board meetings are served to all Directors at least 14 days before the meetings. Upon convening of a Board meeting, drafts of agenda and relevant documents are sent to directors for review and comment. The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

During the year ended 31 March 2007, 3 meetings of the Board were held. The following is the attendance record of the meetings:

Name of Directors	No. of meetings attended	Attendance Rate
<i>Executive Directors</i>		
Lee Tak Lun	3	100%
Lee Wai Tsang, Rosa	3	100%
Chung Wing Han, Wendy	3	100%
Dr Huang Zhijian (appointed on 1 January 2007)	1	33%
Chou Ping-chun, Benji (resigned on 1 June 2007)	3	100%
<i>Non-executive Director</i>		
Lee Woo Sing	2	67%
<i>Independent Non-Executive Directors</i>		
Lu Fan	3	100%
Yao Cho Fai, Andrew	3	100%
Dr. Zhang Hongru	3	100%

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr Lee Woo Sing is the chairman of the Board. The Company has not appointed any chief executive officer since its inception. Given the current size and structure of the Company, the Board considers that such appointment is not required. The Board considers that the existing structure has a well-balanced of authorities and responsibilities among the Board (which comprises experienced and high calibre individuals and meets regularly to discuss issues and affairs affecting the operations of the Company), management and the investment manager.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the existing non-executive Directors is appointed for a specific term. Nevertheless, pursuant to the existing Bye-Laws of the Company, each Director shall be subject to retirement by rotation and re-election at the Annual General Meeting of the Company at least once every three years.



Corporate Governance Report

The Directors are fully indemnified against costs, charges, losses, expenses and liabilities that may be incurred by them in the execution and discharge of their duties or in relation thereto. A Directors' and Officers' Liability Insurance policy has been arranged for providing the indemnity.

Directors' responsibility for the financial statements

The Directors acknowledge that it is their responsibilities to prepare financial statements of the Company for each financial period which give a true and fair view of the state of affairs of the Company and that financial statement are prepared in accordance with statutory and regulatory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Company.

The Directors confirm that, to the best of their knowledge and, having made appropriate enquires, consider that the Company has adequate resources to continue in operational existence for the foreseeable futures and have prepared the financial statements on a going concern accordingly.

AUDIT COMMITTEE

The Company has established with written terms of reference an Audit Committee whose members are Mr. Lu Fan, Mr. Yao Cho Fai, Andrew and Dr. Zhang Hongru, being independent non-executive Directors. The duty of the Audit Committee includes reviewing all matters relating to the scope of audit, such as the financial statements, and providing supervision over the Company's financial reporting procedures and internal control system. The Audit Committee, comprising of the three independent non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Company and has discussed the auditing, internal control and financial reporting matters for the Year.

The Audit Committee has reviewed the annual results of the Company for the year ended 31 March 2007.

The Audit Committee held 2 meetings in the financial year ended 31 March 2007. The following is the attendance record of the meeting held by the Audit Committee for the year under review:

Name of Committee Members	Number of meetings held	Attendance Rate
Mr. Lu Fan (<i>Chairman</i>)	2	100%
Mr. Yao Cho Fai, Andrew	2	100%
Dr. Zhang Hongru	2	100%

The work performed by the Audit Committee during the year under view is listed below:

- 1 reviewing and approving financial statements, auditors' reports before submitting them to the Board and relating press announcements;
- 2 considering the accounting policies adopted by the Company;
- 3 reviewing the internal control and financial systems of the Company; and

Corporate Governance Report

- 4 reviewing the work of the external auditors, evaluating their performance, and making recommendation as to their appointment.

After thorough review, discussion and consideration by the Audit Committee, the Audit Committee recommended to the Board:

- 1 to approve the audited financial statements for the year ended 31 March 2007 together with the Report of Directors and Auditors' Report thereon before the result announcement; and
- 2 to propose in the forthcoming Annual General Meeting of the Company for re-appointing BKR Lew and Barr Limited as auditors of the Company for the ensuing year and to hold office until conclusion of the next Annual General Meeting.

The Audit Committee of the Company does not include a former partner of the existing Auditors of the Company.

During the financial year under review, the amount of remuneration paid to the Auditors, BKR Lew & Barr Limited were as below:

Nature of Services	HK\$'000
Audit services	60
Other advisory services	30
	90

The Audit Committee has been provided with sufficient resources to discharge its responsibilities. The Audit Committee will make available its terms of reference, explaining its role and the authority delegated to it by the Board upon request.

REMUNERATION COMMITTEE

The Company has set up with written terms of reference a Remuneration Committee whose members are Mr. Lu Fan, Mr. Yao Cho Fai, Andrew and Dr. Zhang Hongru being independent non-executive Directors. The major role and functions of the Remuneration Committee are to formulate, review and deliberate on the remuneration policy and related matters of the Company. The Company's remuneration policy is in line with the prevailing market practices and is determined primarily on the basis of performance and experience of each Director.



Corporate Governance Report

The Remuneration Committee held 3 meetings in the financial year ended 31 March 2007. The following is the attendance record of the meeting held by the Remuneration Committee for the year under review:

Name of Committee Members	Number of meetings held	Attendance Rate
Mr. Lu Fan (<i>Chairman</i>)	3	100%
Mr. Yao Cho Fai Andrew	3	100%
Dr. Zhang Hongru	3	100%

During the Year under review, the Remuneration Committee has, amongst others things, undertaken the following tasks

- (1) considered and adopted the terms of reference for the Remuneration Committee to ensure compliance with the Listing Rules;
- (2) made recommendations to the Board regarding the Company's remuneration policy and for the formulation and review of the specific remuneration package of all Directors and senior management of the Company; and
- (3) considered and dealt with the matters of appointment, retirement and re-election of the Directors.

The Remuneration Committee will make available its terms of reference, explaining its role and the authority delegated to it by the Board upon request.

Appointment of Director

According to the Bye-Laws of the Company, the Board is empowered to appoint director(s) any time so as to fill a casual vacancy or, to add a new member of the Board. Appointment is made on basis of the qualifications, experience and personality of the appointee. During the Year under review, the Company has not established the Nomination Committee, but the Remuneration Committee is responsible for the function of the Nomination Committee in dealing with matters of appointment, retirement and re-election of the Directors. During the Year under review, there were no changes to the Remuneration Committee members of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities 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 enquiries of all Directors, the Company confirmed that all the Directors complied with the required standards laid down in the Model Code in respect of the Year.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors for the Year as at the date of this report are stated below.

EXECUTIVE DIRECTORS

Mr. Lee Tak Lun

Mr. Lee Tak Lun, aged 58, was appointed as an executive Director since 1 June 2005. Mr. Lee has over 27 years of experience in the securities and financial industry. He is the founder and a substantial shareholder of Grand Finance Group ("GFG") since 1989. GFG has gone through restructuring during 2003 and is currently composed of subsidiary companies engaged in securities, futures, bullion and corporate finance. Mr. Lee is a licensed person for regulated activities of dealing and advising in securities and futures contracts, advising in corporate finance and asset management under the Securities and Futures Ordinance ("SFO"). Mr. Lee is also the president of the Chinese Gold and Silver Exchange Society, standing committee member of The Chinese General Chamber of Commerce and a member of the Zhejiang Committee of Chinese People's Political Consultative Conference.

Mr. Lee is the son of Mr. Lee Woo Sing, the Chairman and the non-executive Director of the Company, and the father of Ms. Lee Wai Tsang, Rosa, an executive Director of the Company.

As at 31 March 2007, Mr Lee had or deemed under Part XV of the SFO to have a long position in 25,080,000 Shares by virtue of his controlling interests in Optimize Capital Investments Limited and GFG and by which such 25,080,000 Shares were held. Save as disclosed, Mr Lee did not have any interest in Shares within the meaning of Part XV of the SFO.

Ms. Lee Wai Tsang, Rosa

Ms. Lee Wai Tsang, Rosa, aged 29, is an executive Director since 1 June 2005. Prior to the appointment of executive Director, Ms. Lee was an executive manager and a member of the Company's investment committee. She received her bachelor degree from the University of Southern California and master degree in finance from Boston College. Ms. Lee is principally responsible for, among others, assisting the Board in the execution of investment, divestment and decisions approved by the Board on the recommendation and advice of the investment manager. She also makes recommendations in respect of potential investments and divestments opportunities for consideration by the Board and the investment manager of the Company. Ms. Lee has been working with the Company since its incorporation in April 2003 and overseeing the day-to-day administration and operation of the Company. Ms. Lee is a licensed person for the regulated activities of dealing and advising in securities under the SFO.

Ms. Lee is a Director of GFG and several of its subsidiaries. She is the daughter of Mr. Lee Tak Lun, and the granddaughter of Mr. Lee Woo Sing.

Ms. Chung Wing Han, Wendy

Ms. Chung Wing Han, Wendy, aged 44, is an executive Director since 22 April 2003 and the Company Secretary to the Company. Ms. Chung holds a master degree in business administration majoring in management information systems from University of Wollongong, Australia. From 1995 onwards, she has been involved in the securities industry with primary duties of overseeing the management and administrative functions of the company she has served. She is a licensed person for the regulated activities of dealing and advising in securities and futures under the SFO. Ms. Chung is also a fellow member of The Association of Chartered Certified Accountants, an associate member of Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Securities Institute.



Biographical Details of Directors and Senior Management

Mr. Chou Ping-chun, Benji

Mr. Chou Ping-chun, Benji, aged 43 is an executive Director since 22 April 2003. Mr. Chou holds a master degree in business administration from Anderson Graduate School of Management at University of California, Los Angeles, USA and a bachelor degree in statistics from Cheng-Chi University, Taiwan. He is a licensed person for the regulated activities of advising on securities and asset management under the SFO. Mr. Chou has been a director of AVANTA Investment Management Limited (“AVANTA”), the investment manager of the Company, from January 1999 to present and is responsible for identifying target companies for investments, negotiating appropriate terms and conditions, performing valuation and execution, monitoring the investments and providing investment and disposition recommendations. Mr. Chou has approximately thirteen years experience in investment management.

Mr. Chou resigned as executive Director on 1 June 2007.

Dr Huang Zhijian

Dr Huang, aged 61, is an executive Director of the Company appointed on 1 January 2007. He is a registered professional engineer in Hong Kong. Dr Huang graduated from Tsinghua University in Beijing, the PRC. He received a Master of Science degree and a Doctor of Philosophy degree from the Institute of Science and Technology of the University of Manchester, the United Kingdom, and he had been a lecturer at Tsinghua University during the period from 1984 to 1986. Dr Huang had held senior executive and managerial positions in various companies since 1986 including China Resources Development and Investment Co., Ltd. Dr. Huang had served as a non-executive director of China Resources Peoples Telephone Company Limited (stock code: 331) and an executive director of Cosmos Machinery Enterprises Limited (stock code: 0118).

NON-EXECUTIVE DIRECTORS

Mr. Lee Woo Sing, (Chairman)

Mr. Lee Woo Sing, aged 79 is a non-executive Director and the Chairman of the Company since 22 April 2003. Mr. Lee has over 55 years' experience in the finance industry. During the period from 1956 to 2003, Mr. Lee served as one of the substantial shareholders and senior management of Shun Loong Group to supervise the daily operations, formulated the business objectives and strategies, and monitored the investment performance. During the period from 1995 to March 2003, Mr. Lee was a registered dealer with the SFC and a dealing director with the Stock Exchange respectively. He was also one of the Founding Committee Members of the Stock Exchange, the Financial Securities Advisor of Tianjin, PRC and a member of the China National Committee of Pacific Economic Cooperation Business Forum. Mr. Lee is currently the Honorary Advisor to the Chinese Gold & Silver Exchange Society, the Honorary President of the Institute of Securities Dealers Limited, a member of the Board of Trustee for Chinese University of Hong Kong, the Honorary Citizen of Tianjin, PRC, the Honorary Chairman of the Native Friendship Association of Zhejiang Province, the Honorary Professor of Zhejiang University, the Honorary Chairman of Shanghai Fraternity Association and the Honorary Chairman of Ning Po Residents Association.

As at 31 March 2007, Mr Lee had or deemed under Part XV of the SFO to have a long position in 500,000 Shares by virtue of his controlling interest in Winrex International Limited and by which such 500,000 Shares were held. Save as disclosed, Mr Lee did not have any interest in Shares within the meaning of Part XV of the SFO.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lu Fan

Mr. Lu Fan, aged 51, is an independent non-executive Director since 1 June 2005. Mr. Lu graduated from the Academy of Finance, Hangzhou University, (now known as Zhejiang University). He was a researcher at the Zhejiang Academy of social science for the period from 1980 to 1993. Mr. Lu previously held managerial positions in Zhejiang Securities Co. Ltd. whose principal business was securities brokerage and had been an independent supervisor of Zhejiang Expressway Co., Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0576) for the period from July 1997 to March 2003. He has also been the chief economist of the Zhejiang Huating Group Co., Ltd. since 2004.

Mr. Yao Cho Fai, Andrew

Mr. Yao Cho Fai, Andrew, aged 41, is an independent non-executive Director since 13 February 2004. Mr. Yao graduated from the University of California, Berkeley and Harvard University Graduate School of Business. Mr. Yao is Chairman & CEO of Van Shung Chong Holdings Ltd (stock code: 1001) Mr. Yao is also the founder and director of iSteelAsia Holdings Limited (now renamed North Asia Strategic Holdings Ltd).

Mr. Yao is the General Committee Member of Federation of Hong Kong Industries and he is also a Member of the Shanghai Municipal Committee of the 10th Session of China People's Political Consultative Conference, Committee Member of the 10th Session of China Youth Federation, Vice Chairman of Shanghai Youth Federation, Director and First Vice Chairman of Hong Kong United Youth Association, Director of Fudan University in Shanghai, Director of Harvard Business School, Chairman of HBS Global Alumni Conference 2004 in Shanghai, Founder of Young President Organization (YPO) Shanghai Chapter, General Committee Member of Young Presidents' Organization (YPO) Hong Kong Chapter. He was awarded "Young Industrialist Awards of Hongkong" in the year of 2004. He is also appointed as a member of the University Court of The University of Hong Kong by the Secretary for Education and Manpower for a period of three years until November 2008. He is also recently appointed as member of Central Policy Unit of HKSAR.

Dr. Zhang Hongru

Dr. Zhang Hongru, aged 50, is an independent non-executive Director since 13 February 2004. Prior to July 2004, Dr. Zhang held position as executive director and general manager of Tianjin Development Holdings Limited (stock code: 882). Dr. Zhang is currently the vice general manager of Tianjin Automobile Group and the director and general manager of Tsinlien Group Company Limited. He is qualified as a senior economist and an attorney in the PRC. He is also a part-time professor of Nankai University, PRC.



Report of the Directors

REPORT OF DIRECTORS

The directors (the "Directors") of Grand Investment International Ltd. (the "Company"), have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 March 2007 which were approved by the board of Directors (the "Board"), on 28 June 2007.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated on 15 April 2003 with limited liability as an exempted company in Bermuda. The Company is principally engaged in investing in listed and unlisted enterprises established in Hong Kong, the People's Republic of China and Macau with potential for earnings growth and capital appreciation.

The Company's revenue for the Year comprised of gains from investments, interest earned from notes receivable and other sources.

FINANCIAL RESULTS

The profit and cash flows of the Company for the year ended 31 March 2007 and the state of affairs of the Company as at 31 March 2007 are set out in the financial statements on pages 25 to 54.

DIVIDENDS

The Board recommends the payment of a cash dividend of HK\$0.045 per share (2006: Nil). Such cash dividend will amount to a total of HK\$3,888,000 for the year ended 31 March 2007. (2006: Nil).

BONUS ISSUE OF SHARES

The Board proposes to make a bonus issue on the basis of one new ordinary share of HK\$0.10, credited as fully paid, for every one existing share held by the shareholders of the Company whose names are on the register of members of the Company on 8 August 2007. The necessary resolution will be proposed at the forthcoming annual general meeting of the Company to be held on 8 August 2007 and if passed, share certificates for the bonus shares will be posted on 10 August 2007.

A circular containing, among other things, further details of the bonus issue will be dispatched to the shareholders of the company together with the annual report of the Company for the year ended 31 March 2007.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Company for the year under review is set out on page 54.

RESERVES

Details of movements in reserves during the year under review are set out in note 14 to the financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

SHARE CAPITAL

Details of movements in share capital during the year under review are set out in note 13 to the financial statements.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

The Company did not purchase, sell or redeem any of its shares during the year under review.

SHARE OPTION SCHEME

During the year under review, there were no share options granted under the share option scheme adopted by the Company. Details of the share option scheme are set out in note 20 to the financial statements.

DIRECTORS

The Directors who held office during the year under review and up to the date of this report were:

Executive Directors

Mr. Lee Tak Lun
Ms. Lee Wai Tsang, Rosa
Ms. Chung Wing Han, Wendy
Dr. Huang Zhijian (Appointed on 1 January 2007)
Mr. Chou Ping-Chun, Benji (Resigned on 1 June 2007)

Non-executive Director

Mr. Lee Woo Sing (*Chairman*)

Independent Non-executive Directors

Mr. Lu Fan
Mr. Yao Cho Fai, Andrew
Dr. Zhang Hongru

In accordance with Bye-Law 113(A) of the Bye-Laws of the Company, Ms. Chung Wing Han, Wendy, Mr. Lee Woo Sing, and Dr. Huang Zhijian shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Bye-Law 117 of the Bye-Laws of the Company, Dr. Huang Zhijian shall hold office only until the forthcoming annual general meeting and shall retire and, being eligible, offer himself for re-election at the meeting.

The term of office for all Directors of the Company is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.

The Company has received annual confirmations of independence from Mr. Yao Cho Fai, Andrew, Dr. Zhang Hongru and Mr. Lu Fan pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Company considers the independent non-executive Directors to be independent.



Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Ms. Chung Wing Han, Wendy and Mr. Chou Ping-Chun, Benji both entered into Service Agreements with the Company on 13 February 2004. The Service Agreements took effect on 2 April 2004 for an initial term of three years, which will be renewed automatically thereafter for successive terms of one year each. Either party may at any time after the expiration of the first 24 months of the term be entitled to terminate the Service Agreement, provided that not less than three months' prior written notice be given to the other party.

Mr. Lee Tak Lun and Ms. Lee Wai Tsang, Rosa both entered into Service Agreements with the Company on 1 June 2005. Both individuals are not appointed for a specific term. The Service Agreements took effect on 1 June 2005. Pursuant to the Service Agreements, either party may at any time after the expiration of the first 3 months from commencement of the service agreements be entitled to terminate the Service Agreement, provided that not less than three months' prior written notice be given to the other party.

Dr. Huang Zhijian entered into a Service Agreement with the Company on 20 November 2006. The Service Agreement took effect on 1 January 2007 for an initial term of one year, which will be renewed automatically thereafter for successive terms of one year. Either party may at any time during the initial term be entitled to terminate the Service Agreement, provided that not less than three months' prior written notice be given to the other party.

Each executive Director is entitled to a basic salary, subject to an annual increment of not more than 10% of the annual salary (or such percentage as shall from time to time be determined by the Company in general meeting) at the time of the relevant review at the discretion of the Directors. The executive Directors may, at the discretion of the Board, be granted share options entitling them to subscribe for shares in the Company under the share option scheme, if any, from time to time adopted by the Company in accordance with the terms and conditions of such share option scheme. Upon the approval of the Remuneration Committee and Board of Directors, Ms. Chung Wing Han Wendy, Mr. Lee Tak Lun and Ms. Lee Wai Tsang, Rosa are entitled to a management bonus in respect of each financial year of the Company in an amount to be determined by the Directors in their absolute discretion (provided that the total amount of bonuses payable to all the executive Directors in respect of any financial year of the Company shall not exceed 12% of the audited net profit of the Company in respect of that financial year of the Company).

Non-Executive Directors

The term of office of each non-executive Director is the period from his appointment up to his retirement by rotation and re-election in accordance with the Company's Bye-Laws.

Save as disclosed above, no other Director has entered into a Service Agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2007, the interests and short positions of Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company under Section 352 of the SFO or 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 and the Model Code contained in the Listing Rules, were as follows:

Name of Director	Name of Company/ associated corporation	Capacity	Number of shares	Approximate percentage of existing shareholding
Lee Tak Lun	the Company	Interest of a controlled corporation (Note 1)	9,240,000 (long position) (Note 1)	10.69%
		Interest of a controlled corporation (Note 2)	15,840,000 (long position) (Note 2)	18.33%
				29.02%
Lee Woo Sing	the Company	Interest of a controlled corporation (Note 6)	500,000 (Long position) (Note 6)	0.58%

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.

Note: The notes can be found on page 19 and 20 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

At no time during the year 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.



Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, 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 Division 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Capacity	Number of Shares	Approximate Percentage of Existing Shareholding
1. Optimize Capital Investments Limited ("Optimize Capital") (Note 1)	Beneficial owner	9,240,000 (long position) (Note 1)	10.69%
2. Lee Tak Lun (Note 1)	Interest of a controlled corporation (Note 1)	9,240,000 (long position) (Note 1)	10.69%
(Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	15,840,000 (long position) (Notes 2 to 4)	18.33%
			29.02 %
3. Grand Finance Group Company Limited ("GFG") (Notes 2 to 5)	Registered and beneficial owner (Note 2 to 5)	15,840,000 (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)	15,840,000 (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)	15,840,000 (long position) (Notes 2 and 5)	18.33%

Report of the Directors

Name of Substantial Shareholder	Capacity	Number of Shares	Approximate Percentage of Existing Shareholding
6. Jumbo China Holdings Limited (Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	15,840,000 (long position) (Notes 2 to 4)	18.33%
7. Win Key Investments Limited (Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	15,840,000 (long position) (Notes 2 to 4)	18.33%
8. Chow Chuen Chung (Notes 2 and 5)	Interest of a controlled corporation (Notes 2 and 5)	15,840,000 (long position) (Notes 2 and 5)	18.33%
9. Ho Kin (Notes 2 and 5)	Interest of a controlled corporation (Notes 2 and 5)	15,840,000 (long position) (Notes 2 and 5)	18.33%
10. Kam Kin Ming (Notes 2 and 5)	Interest of a controlled corporation (Notes 2 and 5)	15,840,000 (long position) (Notes 2 and 5)	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 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.
- GFG 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.
- 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 and 12.93% by independent third parties. Billion Sky Limited is taken to be interested in these Shares'.
- 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.



Report of the Directors

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.
6. These shares are held by Winrex International Limited ("Winrex"), a company incorporated in the British Virgin Islands. Mr Lee Woo Sing holds more than one-third of the issued share capital of Winrex and is accordingly taken to be interested in the shares held by Winrex.

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 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 31 March 2007.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial parts of the business of the Company were entered into or existed during the year under review.

CONNECTED TRANSACTIONS

Investment Management Agreement

Pursuant to the Investment Management Agreement dated 13 February 2004, the Company appointed AVANTA Investment Management Limited as its investment manager to provide the Company with investment management services for an initial term of two years commencing on 2 April 2004, being the Listing Date of the Company and renewable automatically for successive terms of one year commencing from the day after the expiry of the initial term. The investment management fee of HK\$400,000 per annum, is payable in 12 equal monthly installments in advance.

AVANTA Investment Management Limited is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the Investment Management Agreement constituted a connected transaction of the Company.

During the year under review, the investment management fee paid to the investment manager amounted to HK\$220,000 (2006: HK\$400,000). The aggregate investment management fee paid under the Investment Management Agreement fell below the de-minimis threshold under Rule 14A.33(3) of the Listing Rules and would be exempted from the disclosure and the shareholders' approval requirements under the Listing Rules.

Custodian Agreement

Pursuant to the Custodian Agreement, the Company appointed Wing Hang Bank, Limited as its custodian on 14 February 2004. The custodian has agreed to provide the Company with custodian services in respect of, among others, the safe custody of cash and document of title, physical settlement of the securities in the investment portfolio of the Company and the collection of dividends and other entitlements in respect of such securities. The Custodian Agreement continues to be in force until terminated by either the Company or the custodian by giving to the other not less than three months' advance notice in writing.

Report of the Directors

Pursuant to the Custodian Agreement, a monthly fixed custody fee of HK\$3,000 (subject to adjustment) and certain charges at the agreed rates (subject to revision by the custodian from time to time) for the provision of securities are payable by the Company to the custodian.

The custodian is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the Custodian Agreement constitutes a connected transaction of the Company.

During the year under review, the custody fee and other charges paid to the custodian amounted to HK\$36,000 (2006: HK\$36,000). The aggregate custody fee and other charges paid under the Custodian Agreement fell below the de-minimis threshold under Rule 14A.33(3) of the Listing Rules and would be exempted from the disclosure and the shareholders' approval requirements under the Listing Rules.

In the opinion of the independent non-executive Directors of the Company, the transactions contemplated under the Investment Management Agreement and the Custodian Agreement are on normal commercial terms and were fair and reasonable as far as the shareholders of the Company are concerned.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in respect of the shares of the Company under the Company's Bye-Laws although there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company as prescribed under the Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the code provisions of the Corporate Governance Code for the purpose of reviewing and providing supervision over the Company's financial reporting procedures and internal control system. The Audit Committee, comprising of the three independent non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Company and has discussed the auditing, internal control and financial reporting matters for the year.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules which became effective on 1 January 2005. The Company has complied throughout the year ended 31 March 2007, except that non-executive Directors of the Company are not appointed for a specified term but are subject to retirement by rotation and re-election at the annual general meeting of the Company according to the provision of the Bye-Laws of the Company.



Report of the Directors

AUDITORS

The auditors, BKR Lew & Barr Limited, a corporation of Certified Public Accountants, were appointed as auditors of the Company since 2 April 2004, the listing date of the Company. BKR Lew & Barr Limited will retire at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Wai Tsang, Rosa

Executive Director

Hong Kong, 4 July 2007

Independent Auditors' Report

劉白 **BKR Lew & Barr Ltd**

Certified Public Accountants

12th Floor, Dina House
Ruttonjee Centre
11 Duddell Street
Hong Kong

Tel : (852) 2521 2328
Fax : (852) 2525 9890
Email : letters@lew barr.com
Website : www.bkrlewbarr.com

TO THE SHAREHOLDERS OF
GRAND INVESTMENT INTERNATIONAL LTD.
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Grand Investment International Ltd. (The "Company") set out on pages 25 to 53, which comprise the balance sheet as at 31 March 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditors' Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2007 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

BKR Lew & Barr Limited

So Kwok Keung Keith

Director

Practising Certificate No. P1724

Hong Kong

Date: 4 July 2007

Income Statement

For the year ended 31 March 2007

	NOTE	2007 HK\$'000	2006 HK\$'000
REVENUE	4	21,740	6,086
OTHER REVENUES	4	507	536
ADMINISTRATIVE EXPENSES		(4,466)	(2,444)
PROFIT BEFORE TAXATION	5	17,781	4,178
TAXATION	6(a)	(2,850)	(503)
PROFIT FOR THE YEAR		14,931	3,675
DIVIDENDS	18	6,528	1,200
EARNINGS PER SHARE (Cents)	19	20.5	6.1

The notes on pages 29 to 54 form an integral part of these financial statements.



Balance Sheet

At 31 March 2007

	NOTE	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Available-for-sale investments	8	22,246	22,246
CURRENT ASSETS			
Available-for-sale investments	8	5,000	5,000
Investments at fair value through profit and loss	9	32,849	9,176
Accounts receivable	10	1,378	291
Other receivable and prepayments		8,106	293
Cash and cash equivalents	11	8,994	22,540
		56,327	37,300
CURRENT LIABILITIES			
Other payable and accruals	12	2,132	173
Tax payable	6(b)	2,473	336
		4,605	509
NET CURRENT ASSETS		51,722	36,791
NET ASSETS		73,968	59,037
CAPITAL AND RESERVES			
Share capital	13	8,640	6,000
Reserves	14	65,328	53,037
SHAREHOLDERS' FUNDS		73,968	59,037
NET ASSET VALUE PER SHARE (CENTS)	16	86	98

Lee Wai Tsang, Rosa
Director

Chung Wing Han Wendy
Director

The notes on pages 29 to 54 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2007

	Share capital HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
YEAR ENDED 31 MARCH 2006				
At 1 April 2005	6,000	49,066	2,816	57,882
Dividends paid	—	—	(2,520)	(2,520)
Net profit for the year	—	—	3,675	3,675
At 31 March 2006	6,000	49,066	3,971	59,037
YEAR ENDED 31 MARCH 2007				
At 1 April 2006	6,000	49,066	3,971	59,037
Issues of final bonus dividend shares	1,200	(1,200)	—	—
Issues of interim bonus dividend shares	1,440	(1,440)	—	—
Net profit for the year	—	—	14,931	14,931
At 31 March 2007	8,640	46,426	18,902	73,968

The notes on pages 29 to 54 form an integral part of these financial statements.



Cash Flow Statement

For the year ended 31 March 2007

	2007 HK\$'000	2006 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,781	4,178
Operating cash flow before movement in working capital	17,781	4,178
Decrease in investment securities	—	19,825
Increase in available-for-sale investments	—	(27,246)
Decrease in trading securities	—	11,542
Increase in investments at fair value through profit and loss	(23,673)	(9,176)
(Increase)/Decrease in accounts receivable	(1,087)	1,206
Increase in other receivable and prepayments	(7,813)	(38)
Increase/(decrease) in other payable and accruals	1,959	(47)
Cash generated from operations	(12,833)	244
Income tax paid	(713)	(663)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(13,546)	(419)
CASH FLOW FROM FINANCING ACTIVITY		
Cash dividends paid	—	(2,520)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,546)	(2,939)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	22,540	25,479
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8,994	22,540
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,992	17,540
Short-term deposit with original maturities within three months	3,002	5,000
	8,994	22,540

The notes on pages 29 to 54 form an integral part of these financial statements.

31 March 2007

Notes to the Financial Statements

1. GENERAL

The Company is a limited company incorporated in Bermuda on 15 April 2003 as an exempted company.

The Company is principally engaged in investing in listed and unlisted enterprises established in Hong Kong, the People's Republic of China and Macau.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 April 2004.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on or after 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position of the Company for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Company has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Company.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments — Disclosures ¹
HKFRS 8	Operating Segments ²
HK (IFRIC) — Interpretation 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK (IFRIC) — Interpretation 8	Scope of HKFRS 2 ⁴
HK (IFRIC) — Interpretation 9	Reassessment of Embedded Derivatives ⁵
HK (IFRIC) — Interpretation 10	Interim Financial Reporting and Impairment ⁶
HK (IFRIC) — Interpretation 11	Group and Treasury Share Transactions ⁷
HK (IFRIC) — Interpretation 12	Service Concession Arrangements ⁸

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

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 March 2006

⁴ Effective for annual periods beginning on or after 1 May 2006

⁵ Effective for annual periods beginning on or after 1 June 2006

⁶ Effective for annual periods beginning on or after 1 November 2007

⁷ Effective for annual periods beginning on or after 1 March 2007

⁸ Effective for annual periods beginning on or after 1 January 2008



Notes to the Financial Statements

31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation of financial statements

These financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements are presented in Hong Kong dollars, the currency in which the majority of the Company's transactions are denominated.

(b) Financial instruments

(i) *Financial assets*

The Company classifies its financial assets in the following categories: investments at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investments at fair value through profit or loss

Investments classified as held for trading are included in the category "investments at fair value through profit or loss". Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and receivables, prepayments, deposits and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

31 March 2007

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(i) *Financial assets (continued)*

Available-for-sale investments

Available-for-sale investments are those non-derivative investments in unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

(ii) *Financial liabilities*

Financial liabilities including trade payables, accruals and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities are recognised when the Company becomes a party to the contractual agreement of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

(iii) *Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.



Notes to the Financial Statements

31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(iii) Fair value (continued)

The Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired on each balance sheet date. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(c) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(d) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

31 March 2007

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Taxation

Income tax expense represents the sum of the current tax and deferred tax. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(f) Foreign currencies

Investments included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"), which is Hong Kong dollars, the Company's functional and presentation currency.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

The results and financial position of all the Company's investments (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.



Notes to the Financial Statements

31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition

Profits on disposal of securities are recognised upon the completion of securities sale contract.

Interest income is recognised on a time proportion basis.

Dividend income from listed and unlisted investments is recognised when the shareholders' right to receive payment has been established.

Unrealised gain on investments is recognised when the fair value of the investments is above the carrying value of the investments at the balance sheet date.

(h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(i) Retirement benefits costs

The Company contributes to a defined contribution retirement benefit scheme pursuant to the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme") which is available to all employees. Contributions to the scheme by the Company and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Company to the scheme.

(j) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other company in making financial and operating decisions or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities including entities under the significant influence of related parties of the Company, where those parties are individuals and post-employment benefit plans which benefited employees of the Company or any entity that is a related party of the Company.

31 March 2007

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Critical accounting estimates and judgments

Impairment of available-for-sale financial assets

The Company follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Company will hold on to this investment.

4. REVENUES

	2007 HK\$'000	2006 HK\$'000
REVENUE		
Net unrealised holding gain/(loss) on investments at fair value through profit and loss	5,161	(1,207)
Net realised gain on disposal on investments at fair value through profit and loss	14,722	5,778
Dividend income from listed securities	180	451
Dividend income from unlisted securities	837	377
Interest received from notes receivable	840	687
	21,740	6,086
OTHER REVENUES		
Bank interest income	501	475
Other interest income	6	61
	507	536
TOTAL REVENUES	22,247	6,622

During the year, all the Company's investment activities were carried out in Hong Kong, therefore no analysis of the Company's revenue and contribution to operating profit for the year set out by principal activities and geographical market is provided.



Notes to the Financial Statements

31 March 2007

5. PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging:

	2007 HK\$'000	2006 HK\$'000
Auditors' remuneration		
— Current year	122	150
— Over-provision in prior year	(62)	(60)
	60	90
Investment manager fee	220	400
Staff costs (excluding directors' remuneration)	83	—
Operating lease payments	422	314

6. TAXATION

(a) Taxation in the income statement represents:

	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax		
— Provision for the year	2,850	503

Provision for Hong Kong profits tax is provided at the rate of 17.5% on the estimated assessable profits for the year (2006: HK\$503,000).

(b) Taxation in the balance sheet represents:

	2007 HK\$'000	2006 HK\$'000
Balance brought forward	336	496
Tax paid during the year	(713)	(663)
Provision for current year	2,850	503
Balance carried forward	2,473	336

(c) The Company did not have any material unprovided deferred taxation as at 31 March 2007.

31 March 2007

Notes to the Financial Statements

6. TAXATION (continued)

(d) Reconciliation between tax expenses and accounting profit is as follows:

	2007 HK\$'000	2006 HK\$'000
Profits before taxation	17,781	4,178
Notional tax on profit before taxation	3,111	731
Tax effect of non-taxable income	(261)	(228)
Total income tax expenses	2,850	503

7. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	2007 HK\$'000	2006 HK\$'000
Fees to independent non-executive Directors	40	37
Other emoluments to executive Directors		
— Salaries allowances and benefits in kind	2,556	660
— Retirement benefit scheme contributions	28	32
	2,624	729

The five highest paid individuals in the Company for the year under review are reflected in the analysis presented above.



Notes to the Financial Statements

31 March 2007

7. DIRECTORS' EMOLUMENTS (continued)

The emoluments of each Director, on a named basis, for the year ended 31 March 2007 are set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Lee Tak Lun	—	1,253	1	1,254
Lee Wai Tsang, Rosa	—	857	12	869
Chung Wing Han, Wendy	—	176	1	177
Huang Zhijian (appointed on 1 January 2007)	—	30	2	32
Chou Ping-Chun, Benji	—	240	12	252
Independent Non-executive Directors				
Lu Fan	20	—	—	20
Yao Cho Fai, Andrew	10	—	—	10
Zhang Hongru	10	—	—	10
	40	2,556	28	2,624

The emoluments of each Director, on a named basis, for the year ended 31 March 2006 are set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
Lee Tak Lun	—	10	1	11
Lee Wai Tsang, Rosa	—	180	7	187
Chung Wing Han Wendy	—	10	1	11
Chou Ping-Chun, Benji	—	240	12	252
Fong Chi Wah (resigned on 1 April 2006)	—	220	11	231
Independent Non-executive Directors				
Lu Fan	17	—	—	17
Yao Cho Fai, Andrew	10	—	—	10
Zhang Hongru	10	—	—	10
	37	660	32	729

During the year, there was no arrangement under which a Director waived or agreed to waive any remuneration. No emoluments were paid by the Company to any of the Directors as an inducement to join or upon joining the Company or as compensation for loss of office.

The Company did not employ any employee other than the Directors of the Company for the current and prior years.

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Notes to the Financial Statements

8. AVAILABLE-FOR-SALE INVESTMENTS

	2007 HK\$'000	2006 HK\$'000
Investment securities, at cost:		
Convertible notes receivable, unlisted (<i>Note a</i>)	5,000	5,000
Convertible redeemable preference shares, unlisted shares (<i>Note b</i>)	9,987	9,987
Equity securities, unlisted shares (<i>Note c</i>)	12,259	12,259
	27,246	27,246
Classified under:		
Current assets	5,000	5,000
Non-current assets	22,246	22,246
	27,246	27,246

(a) Convertible notes receivable

The convertible notes receivable are dated debt securities that provide the holders with the right to convert the outstanding principal amount of the debt securities into shares of the issuers at the specified dates. The intention of the Directors is to exercise the option to convert the notes receivable into shares in the invested companies.

The convertible notes receivable is interest bearing on the principal amount at the rates of 0.8% per month.

The Directors consider the unlisted convertible notes receivable are worth at least their book cost.

Particulars of the convertible notes receivable are as follows:

Name of Issuer	Place of incorporation	Nature of business	Principal amount HK\$'000	Maturity date	% of total assets of the Company
Fanwo Electronic (BVI) Company Limited	The British Virgin Islands	Computer networking system provider	5,000	14 Sep.2007	6.4% (2006: 8.4%)



Notes to the Financial Statements

31 March 2007

8. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(a) Convertible notes receivable (continued)

A brief description of the issuer of the notes receivable is as follows:

Fanwo Electronic (BVI) Company Limited ("Fanwo (BVI)")

Fanwo (BVI) is an investment holding company which is currently under group restructuring. Upon completion of restructuring, Fanwo (BVI) will acquire a wholly foreign-owned-enterprise in the Peoples' Republic of China ("PRC"), namely Shenzhen Fanwo Electronic Co., Ltd. ("Shenzhen Fanwo"). Shenzhen Fanwo is a specialist in (i) the development of communication hardware/software and computer networking systems integration and (ii) the manufacturing and selling of networking equipment systems, communication command and dispatch systems

(b) Convertible redeemable preference shares ("CRPS")

The CRPS are dated debt securities that provide the holders with the right to convert the outstanding principal amount of the debt securities into shares of the issuers at the specified dates. The intention of the Directors is to exercise the option to convert the CRPS into shares in the invested company. The CRPS are non-interest bearing.

Having regard to the financial position of the issuer, the Directors consider that the unlisted CRPS are worth at least their book cost.

Particulars of the CRPS are as follows:

Name of Issuer	Place of incorporation	Nature of business	Principal amount HK\$'000	Maturity date	% of total assets of the Company
Huishan Dairy Holdings Limited	The Cayman Islands	Production of dairy products	9,987	5 Feb 2008	12.7% (2006: 16.84%)

A brief description of the issuer of the CRPS is as follows:

Huishan Dairy Holdings Limited

The issuer 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 "Sunny Hills". According to a survey conducted by AC Nielsen, Shenyang Dairy ranks in the top 5 position in the PRC in terms of sales revenue of liquid milk and dairy products.

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Notes to the Financial Statements

8. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(c) Equity securities

The equity securities represent investment in unlisted equity shares issued by private enterprises in the PRC.

There is no active market for these equity securities as the companies are privately held. The fair value of these equity securities are determined firstly by reference to the investment considerations, which were negotiated at arm's length between the Directors and the investee companies. In addition, the Directors have been apprised with the development of the investee companies of the future growth potential and the prospective growth of the value of the shares. On account of such analysis, the Directors consider that there have not been any material changes to the equity securities that would lead to a change in the fair value of these available-for-sale investments from the dates of their acquisition to 31 March 2007. There is therefore no revaluation difference to be recognised in these financial statements and no impairment provision was required to be made as at 31 March 2007.

Particulars of the equity securities are as follows:

Name of issued	Nature of Business	No. of shares holding	% of interest held	Cost HK\$'000	% of total assets of the Company	Net asset attributable to the Company HK\$'000
Tianjin Yishang Friendship Holding Company Limited	Operation of department stores and home appliance retail shops	8,712,000	3.9	9,434	12.0% (2006: 15.8%)	17,782
浙江凌日復合材料有限公司 (formerly known as 寧波凌日表面工程有限公司)	Designing, developing and manufacturing a premium and environmental friendly metal	3,000,000	29.5	2,825	3.6% (2006: 4.7%)	1,905
				12,259		

Note: Notwithstanding the fact that the Company holds 29.5% interest in 浙江凌日復合材料有限公司, on account that the Company is not able to exert significant influence over the affairs of 浙江凌日復合材料有限公司, it is not treated as an associated company of the Company. The investment in 浙江凌日復合材料有限公司 is treated as an investment in a non-current available-for-sale investment.



Notes to the Financial Statements

31 March 2007

8. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(c) Equity securities (continued)

A brief description of the business information of the equity securities is as follows:

Tianjin Yishang Friendship Holdings Co., Ltd ("Tianjin Yishang")

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

Tianjin Yishang is under preparation for an initial public offering of its shares.

浙江凌日復合材料有限公司 ("浙江凌日")

浙江凌日是 a privately held company incorporated in the PRC on 4 September 2000. 浙江凌日 carries on the business of designing, developing, and manufacturing a premium and environmental friendly metal for wiring and electrical conductor components. It holds two patents for the design of the components. The products of 浙江凌日 are currently in their development phase.

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 HK\$'000	2006 HK\$'000
Equity securities listed in Hong Kong, at fair value	32,849	9,176

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Notes to the Financial Statements

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Particulars of the equity securities are as follows:

2007

Name of invested company	Place of incorporation	Number of shares	% of interest held	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) arising on revaluation HK\$'000	% of total assets of the Company	Net assets attributable to the Company HK\$'000
HSBC Holdings plc	United Kingdom	50,160	Less than 0.1%	7,187	6,812	(375)	8.67%	3,639
Hutchison Whampoa Ltd	Hong Kong	60,000	Less than 0.1%	4,912	4,509	(403)	5.74%	3,853
China Everbright Ltd	Hong Kong	500,000	Less than 0.1%	4,385	4,000	(385)	5.09%	2,023
Shui On Land Ltd	Cayman Islands	400,000	Less than 0.1%	2,627	2,588	(39)	3.29%	1,333
Shenzhen Investment Ltd	Hong Kong	50,000	Less than 0.1%	178	199	22	0.25%	113
Qin Jia Yuan Media Services Co., Ltd	Cayman Islands	270,000	Less than 0.1%	583	570	(14)	0.73%	281
China Life Insurance Co., Ltd	The People's Republic of China	200,000	Less than 0.1%	4,871	4,490	(381)	5.71%	3,885
China Medical and Bio Science Ltd	Cayman Islands	12,908,000	0.9545%	1,932	9,681	7,749	12.32%	122
				26,675	32,849	6,174		

2006

Name of invested company	Place of incorporation	Number of shares	% of interest held	Cost HK\$'000	Market value HK\$'000	Unrealised loss arising on revaluation HK\$'000	% of total assets of the Company	Net assets attributable to the Company HK\$'000
Chevalier International Holdings Limited	Bermuda	500,000	0.2%	—	4,075	(475)	5.2%	6,545
China Petroleum & Chemical Corporation	The People's Republic of China	500,000	Less than 0.1%	9,346	2,250	(5)	2.9%	1,385
Qin Jia Yuan Media Services Company Limited	Cayman Islands	698,000	0.2%	5,194	1,413	(533)	1.8%	647
Van Shung Chong Holdings Limited	Bermuda	1,712,000	0.2%	—	1,438	(194)	1.8%	3,473
				14,540	9,176	(1,207)		



Notes to the Financial Statements

31 March 2007

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

A brief description of the business information of the invested companies, based on their latest published annual or interim reports, is as follows:

HSBC Holdings plc (“HSBC”)

HSBC is primarily engaged in provision of a comprehensive range of banking and related financial services through an international network in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa.

The profit attributable to shareholders of HSBC for the year ended 31 December 2006 was approximately US\$16,871,000,000. As at 31 December 2006, the net asset value of HSBC was approximately US\$114,928,000,000.

During the year, the Company reinvested the share dividends for 160 ordinary shares from HSBC.

Hutchison Whampoa Ltd. (“Hutchison”)

Hutchison is primarily engaged in ports and related services, telecommunications and e-commerce, property and hotels, retail and manufacturing, energy, infrastructure, finance and investments.

The profit attributable to shareholders of Hutchison for the year ended 31 December 2006 was approximately HK\$22,626,000,000. As at 31 December 2006, the net asset value of Hutchison was approximately HK\$290,565,000,000.

During the year, the Company did not receive any dividends from Hutchison.

China Everbright Ltd. (“China EB”)

China EB is primarily engaged in provision financial services and investment holding.

The profit attributable to shareholders of China EB for the year ended 31 December 2006 was approximately HK\$921,954,000. As at 31 December 2006, the net asset value of China EB was approximately HK\$6,630,167,000.

During the year, the Company did not receive any dividends from China EB.

Shui On Land Ltd. (“Shui On”)

Shui On is primarily engaged in development, sale, leasing, management and the long term ownership of high quality residential, office, retail, entertainment and cultural properties in the PRC.

The profit attributable to shareholders of Shui On for the year ended 31 December 2006 was approximately RMB\$1,639,540,000. As at 31 December 2006, the net asset value of Shui On was approximately RMB\$15,164,732,000.

During the year, the Company did not receive any dividends from Shui On.

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Notes to the Financial Statements

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Shenzhen Investment Ltd. ("Shenzhen Invest")

Shenzhen Invest is primarily engaged in property development, investment and management services, transportation services, infrastructure investment and information technology.

The profit attributable to shareholders of Shenzhen Invest for the year ended 31 December 2006 was approximately HK\$1,138,376,000. As at 31 December 2006, the net asset value of Shenzhen Invest was approximately HK\$7,796,776,000.

During the year, the Company did not receive any dividends from Shenzhen Invest.

Qin Jia Yuan Media Services Co. Ltd. ("Qin Jia Yuan")

Qin Jia Yuan is primarily engaged in provision of TV programme related services, marketing related services and public relations services in the PRC.

The profit attributable to shareholders of Qin Jia Yuan for the year ended 30 September 2006 was approximately HK\$83,605,000. As at 30 September 2006, the net asset value of Qin Jia Yuan was approximately HK\$533,027,000.

During the year, the Company received cash dividend of HK\$260,978 from Qin Jia Yuan.

China Life Insurance Co., Ltd. ("China Life")

China Life is primarily engaged in providing life insurance and annuity products.

The profit attributable to shareholders of China Life for the year ended 31 December 2006 was approximately RMB\$20,051,000,000. As at 31 December 2006, the net asset value of China Life was approximately RMB\$140,205,000,000.

During the year, the Company did not receive any dividends from China Life.

China Medical and Bio Science Ltd. ("China Medical")

China Medical is primarily engaged in production, sales and distribution of veterinary drugs and animal vaccines.

There is no profit attributable to shareholders of China Medical for the six months ended 31 January 2007. As at 31 January 2007, the net asset value of China Medical was approximately HK\$34,029,000.

During the year, the Company did not receive any dividends from China Medical.



Notes to the Financial Statements

31 March 2007

10. ACCOUNTS RECEIVABLE

An aging analysis of the accounts receivable as at 31 March 2007 is as below:

	2007 HK\$'000	2006 HK\$'000
Less than one year	1,378	291

The amount represents receivable from the listed shares dealing through the 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.

11. CASH AND CASH EQUIVALENTS

	2007 HK\$'000	2006 HK\$'000
Cash and bank balances	5,992	17,540
Short-term deposit with original maturities within three months	3,002	5,000
	8,994	22,540

The effective interest rate of the short-term deposits of the Company with original maturities within three months at 31 March 2007 was 2.80% per annum (2006: 3.47% per annum).

12. OTHER PAYABLE AND ACCRUALS

An aging analysis of the other payable and accruals as at 31 March 2007 is as below:

	2007 HK\$'000	2006 HK\$'000
Less than one year	2,132	173

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Notes to the Financial Statements

13. SHARE CAPITAL

	2007 HK\$'000	2006 HK\$'000
Authorised: 200,000,000 ordinary shares of HK\$0.10 each	20,000	20,000
Issue and fully paid: 86,400,000 ordinary shares of HK\$0.10 each	8,640	6,000

A bonus issue of shares was approved at the Annual General Meeting of the Company held on 3 July 2006. One bonus share was issued for every 5 ordinary shares in issue. A total of 12,000,000 new ordinary shares of HK\$0.1 each were issued as bonus shares. These bonus shares were credited as fully paid by a capitalisation of HK\$1,200,000 from 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.

A scrip dividend issue was approved at the meeting of the board of Directors of the Company held on 20 November 2006. One scrip share was issued for every 5 ordinary shares in issue. A total of 14,400,000 new ordinary shares of HK\$0.1 each were issued as scrip shares. These scrip shares were credited as fully paid by a capitalisation of HK\$1,440,000 from the Company's share premium account.

The 14,400,000 scrip shares ranked pari passu in all respects with the ordinary shares in the capital of the Company.

14. RESERVES

Total	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 31 March 2005	49,066	2,816	51,882
Profit for the year	—	3,675	3,675
Dividends paid	—	(2,520)	(2,520)
At 31 March 2006	49,066	3,971	53,037
At 31 March 2006	49,066	3,971	53,037
Issues of bonus shares	(1,200)	—	(1,200)
Issues of interim scrip dividend shares	(1,440)	—	(1,440)
Profit for the year	—	14,931	14,931
At 31 March 2007	46,426	18,902	65,328



Notes to the Financial Statements

31 March 2007

15. OPERATING LEASE COMMITMENTS

At 31 March 2007, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 HK\$'000	2006 HK\$'000
Not later than one year	422	422
In second to fifth year inclusive	227	649
	649	1,071

16. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK\$73,968,000 at 31 March 2007 (2006: HK\$59,037,000) and the 86,400,000 ordinary shares in issue as at 31 March 2007 (2006:60,000,000).

17. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of the profit of HK\$14,931,000 (Year ended 31 March 2006: profit of HK\$3,675,000).

18. DIVIDENDS

	2007 HK\$'000	2006 HK\$'000
Final dividend by way of bonus issue at HK\$0.02 per share		
— proposed	—	1,200
— paid (in respect of the bonus issue as proposed on 3 July 2006)	1,200	—
Interim dividend paid by way of scrip dividend at HK\$0.02 per share (2006: Nil)	1,440	—
	2,640	1,200
Proposed final cash dividend		
86,400,000 shares at HK\$0.045 per share (2006: Nil)	3,888	—
	6,528	1,200

31 March 2007

Notes to the Financial Statements

18. DIVIDENDS (continued)

A final cash dividend of HK\$0.045 per share for the year ended 31 March 2007 has been proposed by the Directors and will be payable to shareholders whose names are on the register of members of the Company as at 8 August 2007. Including the current year's interim dividend of HK\$0.02 per share paid on 18 December 2006 in the form of scrip dividend, the total dividend payout for the whole year, subject to the resolution for approving the final dividend being passed by the Shareholders, shall be HK\$0.065 per share.

19. EARNINGS PER SHARE

The calculation of earnings per share, which is based on the net profit attributable to the shareholders for the year ended 31 March 2007 was HK\$14,931,000 (2006: HK\$3,675,000) and the weighted average of 72,815,342 ordinary shares in issue during the year ended 31 March 2007 (2006: 60,000,000). The Company has no potential dilutive ordinary shares that were outstanding during the year.

20. SHARE OPTION SCHEME

The Company had conditionally approved by resolutions in writing of its sole shareholder at that time of share option scheme on 13 February 2004, under which certain selected classes of participants (including, amongst others, full-time employees) may be granted options to subscribe for ordinary shares of the Company (the "Shares"). The share option scheme was not in place on the balance sheet date but was approved by the Stock Exchange of Hong Kong Limited upon the Listing of the Shares on 2 April 2004.

The following is a summary of the pertinent terms of the share option scheme.

The purpose of the share option scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company, if any.

The Directors may, at their absolute discretion, grant options to any employee, any executive or non-executive Directors, any persons that provides research, development or other technological support to the Company, any shareholder, any advisor or consultant, and/any joint venture partner or business alliance that co-operates with the Company.

(i) Maximum number of the shares

- (a) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30 per cent. of the share capital of the Company in issue from time to time.
- (b) The total number of shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the share option scheme and any other share option scheme(s) of the Company) to be granted under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 10 per cent. of the Shares in issue ("General Scheme Limit").



Notes to the Financial Statements

31 March 2007

20. SHARE OPTION SCHEME (continued)

(i) Maximum number of the shares (continued)

(c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the share option scheme and any other share option scheme(s) of the Company must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the share option scheme and any other share option scheme(s) of the Company) previously granted under the share option scheme and any other share option scheme(s) of the Company will not be counted.

(d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate approval of the Shareholders in general meeting to grant options under the share option scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

(i) *Maximum entitlement of each participant*

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the share option scheme and any other share option scheme(s) of the Company (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being.

(ii) *Grant of options to connected persons*

Any grant of options under the share option scheme to a Director, chief executive or substantial shareholder or any of their respective associates must be approved by the independent non-executive Directors.

Certain grant of options to a substantial shareholder or an independent non-executive Director, must be approved by the shareholders in general meeting.

(iii) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

The maximum period that an option may be exercised from the time it is granted is 10 years. There is no minimum period required under the share option scheme for the holding of an option before it can be exercised.

31 March 2007

Notes to the Financial Statements

20. SHARE OPTION SCHEME (continued)

(i) Maximum number of the shares (continued)

(iv) *Performance targets*

No performance targets are specifically stipulated under the share option scheme.

(v) *Subscription price for the shares*

The subscription price for the shares under the share option scheme shall be a price determined by the directors but shall not be less than the highest of (aa) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade on the date of the offer of grant which must be a business day; (bb) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (cc) the nominal value of the Shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(vi) *Restrictions on the time of grant of options*

No offer for the grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in newspapers.

(vii) *Period of the share option scheme*

The share option scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme becomes unconditional.

(viii) *Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of capital of the Company whilst an option remains exercisable such corresponding alterations, if any, certified by the auditors for the time being or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of the Shares the subject matter of the Share Option Scheme and the option granted and so far as granted and unexercised and/or the subscription price.

(ix) *Termination of the Share Option Scheme*

The Company may by resolution at general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered.



Notes to the Financial Statements

31 March 2007

20. SHARE OPTION SCHEME (continued)

(i) Maximum number of the shares (continued)

(x) *Lapse of option*

An option shall lapse automatically on the earliest of the expiry of the period referred to in paragraph (iv) and the expiry of the periods or dates of the following:

- Cessation of employment of a grantee;
- Death, ill-health, or retirement of a grantee;
- Dismissal of a grantee;
- Breach of contract by a grantee;
- Holder of the Shares accepting a general offer, a compromise, or arrangement; and
- The Company undergoing a voluntary winding-up.

None of employees were granted share option by the Company during the year.

21. RELATED PARTY TRANSACTIONS

During the year, saved for those parties referred to the connected transactions in the report of the Directors, 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.

22. FINANCIAL INSTRUMENTS

(a) Financial risk factors

The main risks arising from the Company's financial instruments are credit risks, foreign exchange risks, price risks and interest rate risks. The Directors meet periodically to analyse and formulate measures to manage the Company's exposure to these risks. Generally, the Company introduces conservative strategies on its risk management. As the Company's exposure to these risks is kept to a minimum, the Company has not used any derivatives and other instruments for hedging purposes. The Directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) *Credit risks*

Financial instruments of the Company that are exposed to credit risks include cash equivalents and trade receivables. Cash equivalents consist principally of deposits and short-term money market funds placed with major financial institutions. These instruments are short-term in nature and bear minimal risk. To date, the Company has not experienced any losses on cash equivalents.

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Notes to the Financial Statements

22. FINANCIAL INSTRUMENTS (continued)

(a) Financial risk factors (continued)

(i) *Credit risks (continued)*

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(ii) *Foreign exchange risks*

The Company may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with its investments. The Company has not used any means to hedge the exposure to foreign exchange risks.

(iii) *Price risks*

The Company is exposed to price risks because of investments held by the Company and classified as investments at fair value through profit and loss. They are stated at fair value through profit or loss.

(iv) *Interest rate risks*

The Company has no interest-bearing borrowings. The Company's exposure to changes in interest rates is mainly attributable to its interest-bearing assets representing available-for-sale investments, details of which have been disclosed in note 8 to the Financial Statements. Interest rates on these investments have been fixed in the relevant contracts. Other financial assets and liabilities do not have material interest rate risk.

(v) *Valuation risks*

The Company cannot guarantee all direct investments are priced accurately and that all projects will generate positive return.

(b) Fair value estimation

The Company's investments held for trading are listed equity securities traded in active market. The fair value of these investments is based on quoted market prices at the balance sheet date.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of Directors on 28 June 2007.



Financial Summary

	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
RESULTS				
Revenue	—	5,514	6,086	21,740
Profit/(loss) before taxation	(74)	3,386	4,178	17,781
Taxation	—	(496)	(503)	(2,850)
Profit/(loss) attributable to shareholders	(74)	2,890	3,675	14,931
ASSETS AND LIABILITIES				
Total assets	58,664	58,598	59,546	78,573
Total liabilities	(3,672)	(716)	(509)	(4,605)
Shareholders' funds	54,992	57,882	59,037	73,968
NET ASSET VALUE PER SHARE (CENTS)	92	96	98	86