



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

(incorporated in Bermuda with limited liability)

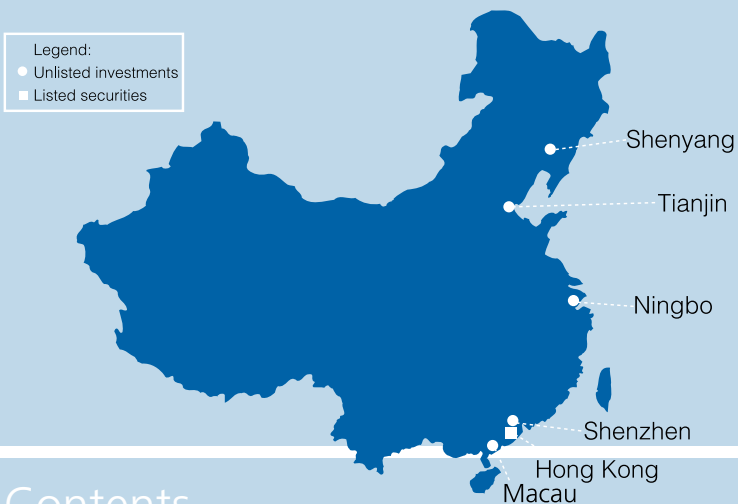
Stock Code: 1160



07

Interim Report

\* For identification purposes only



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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

### 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

Grand Investment (Securities) Limited  
22 Floor, Entertainment Building  
30 Queen's Road Central  
Hong Kong

## CUSTODIAN

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

## AUDITORS

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

## SHARE REGISTRAR

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PLACE OF BUSINESS IN HONG KONG

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

## LEGAL ADVISORS

*As to Hong Kong law*  
Chiu & Partners  
41 Floor, Jardine House  
1 Connaught Place, Central  
Hong Kong

*As to Bermuda law*  
Conyers Dill & Pearman  
2901, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

## PRINCIPAL BANKER

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



# Unaudited Interim Financial Statements

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Grand Investment International Ltd. (the “Company”) is pleased to announce that the unaudited condensed results of the Company for the period from 1 April 2007 to 30 September 2007 (the “Period”). These interim financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

On behalf of the Board

**Grand Investment International Ltd.**

**Lee Wai Tsang, Rosa**

*Executive Director*



## Condensed Income Statement

For the six months ended 30 September 2007

	NOTE	Six months ended	
		30 September 2007 HK\$'000 (Unaudited)	30 September 2006 HK\$'000 (Unaudited)
REVENUES	3	20,850	3,958
OTHER REVENUES		164	291
ADMINISTRATIVE EXPENSES		(1,386)	(1,253)
PROFIT BEFORE TAXATION	5	19,628	2,996
TAXATION	6	(3,440)	(524)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		16,188	2,472
INTERIM DIVIDEND	7	—	1,440
EARNINGS PER SHARE (Cents)			
— Basic	8	14.59	3.43
— Diluted	8	N/A	N/A

The notes on pages 8 to 13 form part of these condensed interim financial statements.

# Condensed Balance Sheet

As at 30 September 2007

		30 September 2007 HK'000 (Unaudited)	31 March 2007 HK'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Available-for-sale investments		23,193	22,246
<b>CURRENT ASSETS</b>			
Available-for-sale investments		6,948	5,000
Investments at fair value through profit or loss		37,997	32,849
Accounts receivable	9	2,920	1,378
Other receivable and prepayments		255	8,106
Cash and cash equivalents		20,845	8,994
		68,965	56,327
<b>CURRENT LIABILITIES</b>			
Other payable and accruals	10	103	2,132
Tax payable		5,787	2,473
		5,890	4,605
<b>NET CURRENT ASSETS</b>		<b>63,075</b>	<b>51,722</b>
<b>NET ASSETS</b>		<b>86,268</b>	<b>73,968</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	17,280	8,640
Reserves		68,988	65,328
<b>SHAREHOLDERS' FUNDS</b>		<b>86,268</b>	<b>73,968</b>
<b>NET ASSET VALUE PER SHARE (Cents)</b>		<b>50</b>	<b>86</b>

The notes on pages 8 to 13 form part of these condensed interim financial statements.



## Condensed Statement of Changes in Equity

For the six months ended 30 September 2007

	Share capital HK'000	Share premium HK'000	Retained profits HK'000	Total HK'000
Balance at 1 April 2006 (Audited)	6,000	49,066	3,971	59,037
Issue of bonus shares	1,200	(1,200)	—	—
Profit for the Period	—	—	2,472	2,472
<b>Balance at 30 September 2006 (Unaudited)</b>	<b>7,200</b>	<b>47,866</b>	<b>6,443</b>	<b>61,509</b>
Balance at 1 April 2007 (Audited)	8,640	46,426	18,902	73,968
Issue of bonus shares (Note 11)	8,640	(8,640)	—	—
Dividends paid	—	—	(3,888)	(3,888)
Profit for the Period	—	—	16,188	16,188
<b>Balance at 30 September 2007 (Unaudited)</b>	<b>17,280</b>	<b>37,786</b>	<b>31,202</b>	<b>86,268</b>

The notes on pages 8 to 13 form part of these condensed interim financial statements.

# Condensed Cash Flow Statement

For the six months ended 30 September 2007

	Six months ended	
	30 September 2007 HK\$'000 (Unaudited)	30 September 2006 HK\$'000 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	11,851	(1,699)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	11,851	(1,699)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	8,994	22,540
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	20,845	20,841
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	20,845	20,841

The notes on pages 8 to 13 form part of these condensed interim financial statements.





# Notes to the Unaudited Interim Financial Statements

*For the six months ended 30 September 2007*

## 1. BASIS OF PREPARATION

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

The condensed financial statements should be read in conjunction with the Annual Report of the Company for the year ended 31 March 2007.

## 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these unaudited interim financial statements are consistent with those adopted in the Annual Report for the year ended 31 March 2007.

In the current interim period, the Company has applied, for the first time, certain new standards, amendments and interpretations, ("new HKFRSs and HKASs") issued by the HKICPA, which are effective for the Company's financial year beginning 1st April 2007.

The adoption of these new accounting standards does not have significant impact on the Company's operating result or financial position.

The Company has not applied the following new and revised HKFRSs and HKASs that have been issued but are not yet effective, in these interim financial statements.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK (IFRIC) — Int 12	Service Concession Arrangement <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

The Company expects that the adoption of the above policies are unlikely to have a significant impact on the Company's financial statements for the period in which the Company initially adopted such policies.

# Notes to the Unaudited Interim Financial Statements

*For the six months ended 30 September 2007*

## 3. REVENUES

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

The Company's revenue for the Period are as follows:

	Six months ended	
	30 September 2007 HK\$'000 (Unaudited)	30 September 2006 HK\$'000 (Unaudited)
Net realised gain on disposal of investments at fair value through profit and loss	11,073	3,130
Net unrealized holding gain on investments at fair value through profit and loss	8,548	193
Dividend income from listed securities	184	33
Interest income from notes receivable	1,045	602
	<b>20,850</b>	<b>3,958</b>

## 4. SEGMENT INFORMATION

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



# Notes to the Unaudited Interim Financial Statements

For the six months ended 30 September 2007

## 5. PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September 2007 HK\$'000 (Unaudited)	30 September 2006 HK\$'000 (Unaudited)
<b>Crediting</b>		
Interest income	164	291
<b>Charging</b>		
Provision for auditors' remuneration	30	30
Directors' remuneration		
Fee	—	—
Other emoluments	340	305
Other staff costs	12	12
<b>Total staff costs</b>	<b>352</b>	<b>317</b>
Investment manager fee	148	140
Operating lease payments	221	221

Included in total staff costs are contribution to Mandatory Provident Fund totaling for the Period HK\$12,458 (period ended 30 September 2006: HK\$12,250).

## 6. TAXATION

Provision for Hong Kong profits tax has been made at the rate of 17.5% (period ended 30 September 2006: 17.5%) on the assessable profits for the Period.

## 7. INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend for the period ended 30 September 2007 (period ended 30 September 2006: HK\$1,440,000).

# Notes to the Unaudited Interim Financial Statements

*For the six months ended 30 September 2007*

## 8. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the unaudited profit of HK\$16,188,000 for the Period (period ended 30 September 2006: profit of HK\$2,472,000) attributable to shareholders and the weighted average of 110,950,820 ordinary shares (period ended 30 September 2006: 72,000,000 ordinary shares) in issue during the Period, as adjusted to reflect the bonus shares issued during the Period.

The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 2007 and 30 September 2006, therefore, no diluted earnings per share has been presented.

## 9. ACCOUNTS RECEIVABLE

An aging analysis of the accounts receivable as at 30 September 2007 is as below:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Within three months	2,481	—
Four months to one year	436	1,378
Between one to two years	3	—
	<b>2,920</b>	<b>1,378</b>



# Notes to the Unaudited Interim Financial Statements

For the six months ended 30 September 2007

## 10. OTHER PAYABLE AND ACCRUALS

An aging analysis of the other payable and accruals as at 30 September 2007 is as below:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Within three months	97	2,132
Four months to one year	6	—
Between one to two years	—	—
	<b>103</b>	<b>2,132</b>

## 11. SHARE CAPITAL

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Authorised: 200,000,000 ordinary shares of HK\$0.1 each	<b>20,000</b>	20,000
Issued and fully paid: 172,800,000 ordinary shares (year ended 31 March 2007: 86,400,000 ordinary shares) of HK\$0.1 each	<b>17,280</b>	8,640

A bonus share issue was approved at the Annual General Meeting of the Company held on 8 August 2007. One bonus share was issued for every one ordinary share in issue. A total of 86,400,000 ordinary shares of HK\$0.1 each were issued as bonus shares. These bonus shares were credited as fully paid by a transfer of HK\$8,640,000 from the Company's share premium account.

The 86,400,000 bonus shares ranked *pari passu* in all respects with the ordinary shares in the capital of the Company.

# Notes to the Unaudited Interim Financial Statements

*For the six months ended 30 September 2007*

## 12. RELATED PARTY TRANSACTIONS

During the Period, the Company traded the listed securities through a securities account maintained with a related company, Grand Investment (Securities) Limited in which the directors of the Company, Mr. Lee Woo Sing, Mr. Lee Tak Lun and Ms. Chung Wing Han Wendy have beneficial interests. The Company also appointed, AVANTA Investment Management Limited as interim Investment Manager, in which the then Director of the Company, Mr. Chou Ping Chun Benji, has beneficial interests.

During the six months ended 30 September 2007, in accordance with the Investment Management Agreement in force during the Period, management fees paid to the Investment Manager of the Company totaled HK\$148,000 (period ended 30 September 2006: HK\$140,000), which is calculated based on a fixed fee.

## 13. OPERATING LEASE COMMITMENTS

At 30 September 2007, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Not later than one year	422	422
In second to fifth year inclusive	35	227
	<b>457</b>	<b>649</b>

## 14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

This interim financial statements were approved by the Board on 21 November 2007.



# Management Discussion and Analysis

## INTERIM RESULTS

During the Period, the Company recorded a revenue of HK\$20,850,000 (period ended 30 September 2006: HK\$3,958,000) and a net profit attributable to shareholders of HK\$16,188,000 (period ended 30 September 2006: HK\$2,472,000). The increase in profit is primarily the capital gains from disposal of listed securities.

The net asset value (“NAV”) per ordinary share of HK\$0.10 (“Share”) of the Company was HK\$0.50 as at 30 September 2007 (31 March 2007: HK\$0.86).

## BUSINESS OVERVIEW AND PROSPECTS

Since August 2007, stock markets in Hong Kong and globally have fluctuated widely due to turmoil in the US sub-prime mortgage markets. In Hong Kong, the Hang Seng Index reached records high followed by numerous corrections. While the turbulent markets present challenges for some, they also present opportunities for others. Our Company strives to take advantage of the movements in the markets.

It is the investment objectives of our Company to seek out investment targets that have strong asset position and working capital. Our Company will further prepare itself for the impending introduction of the so-called “through train” policy for Chinese citizens to invest in stock markets. Should this policy become a reality, there would be significant impact on the Hong Kong stock market and our Company will ensure that we are prepared to capture the opportunities of this development.



## Management Discussion and Analysis

Our Company holds the view that companies that are capable of creating value in its business model, either in terms of producing a valuable product, or in providing a valuable service, will hold a competitive edge over other businesses. In our selection of investment targets and opportunities, we abide by this principal criterion. With the Chinese economy continuing to grow strongly, notwithstanding the efforts by the Chinese government to control inflation and overheated property markets, Chinese companies that have the ability to create value tend to stand out more. Our company will continue to target this type of companies for investments.

### Direct Investments

#### *Huishan Dairy Holdings Limited (“Huishan Dairy”)*

Huishan Dairy is an investment holding company 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, 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.

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

Tianjin Yishang is a sino-foreign enterprise incorporated in the PRC under a re-organization whereby the shares of Tianjin Yishang Development Company Limited, a state-owned enterprise in the PRC, were injected into Tianjin Yishang. The business activities of the Tianjin Yishang, subsidiaries and branches operate department stores and home appliance retail shops in the Tianjin area.

#### *浙江凌日復合材料有限公司 (“Ningbo Lingri”)*

Ningbo Lingri is a privately held company incorporated in the PRC. Ningbo Lingri carries on the business of designing, developing and manufacturing a premium and environmental friendly metal for wiring and electrical conductor components for various electronic devices.





## Management Discussion and Analysis

### *LCF Macau Co-investors, LP (the "Fund")*

The Fund co-invest in a site centrally located in Macau's Cotai Strip by ways of potential development, marketing, and selling of upscale commercial and residential highrise development complex. The Fund seeks to capitalize on Macau's future economic growth through focused real-estate development.

### **Investment in Securities**

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

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

The listed investments remain Hong Kong focus. The sound macro and micro economic fundamentals of China and Hong Kong have contributed to the strong equities markets. The relaxation of the QDII investment channels in recent months and the underlying stock price discrepancy between A-Shares and H-shares drove numerous rallies in both the Hong Kong and China stock market, driving the Hang Seng Index and H-Shares Index to all time highs. For the period from April 1 to September 30 of this year, the average equities portfolio return was approximately 12.53%.



# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Company was in a sound liquidity position. It had an available fund of HK\$20,845,000 (31 March 2007: HK\$8,994,000) which was placed in Hong Kong Dollars short terms deposits with its Bank. There was no borrowing or funding requirements by the Company for investment and capital expenditures. The Board believes that the Company has sufficient financial resources to meet its investment or working capital requirements.

As at 30 September 2007, the Company had net assets of HK\$86,268,000 (31 March 2007: HK\$73,968,000) with no long term liabilities. The gearing ratio calculated on the basis of total liabilities over shareholders' fund as at 30 September 2007 was 6.83% (31 March 2007: 6.23%).

## CHARGE ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2007, there were no charges on the Company's assets or any significant contingent liabilities (31 March 2007: Nil).

The calculation of debt to equity ratio (expressed as a percentage of bank and other borrowings over total net assets of the Company) is not applicable.

## CAPITAL EXPENDITURES AND COMMITMENTS

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

## CAPITAL STRUCTURE

The directors of the Company do not recommend the payment of an interim dividend for the Period ended 30 September 2007. For the period ended 30 September 2006, the Company paid an interim dividend of HK\$1,440,000 in the form of scrip dividend during the period by which a total of 14,400,000 ordinary shares of HK\$0.10 each were issued as scrip shares. These scrip shares were credited as fully paid by a transfer of HK\$1,440,000 from the Company's share premium account.



## Management Discussion and Analysis

A bonus share issue was approved at the Annual General Meeting of the Company held on 8 August 2007. One bonus share was issued for every one ordinary share in issue. A total of 86,400,000 ordinary shares of HK\$0.1 each were issued as bonus shares. These bonus shares were credited as fully paid by a transfer of HK\$8,640,000 from the Company's share premium account.

The 86,400,000 bonus shares and the 14,400,000 scrip shares ranked pari passu in all respects with the ordinary shares in the capital of the Company.

The total number of ordinary shares of HK\$0.10 each issued as at 30 September 2007 was 172,800,000.

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

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

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2007, the Company had 8 (2006: 8) employees, including the executive, non-executive and independent non-executive Directors of the Company. Total staff cost for the Period amounted to HK\$352,000 (period ended 30 September 2006: HK\$317,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of the individual employees.

During the Period, no option has been granted or agreed to be granted under the share option scheme adopted by the Company.

# Management Discussion and Analysis

## FOREIGN CURRENCY EXPOSURE

The Company's investments may be denominated in currencies other than Hong Kong dollar, and is to certain extent exposed to fluctuation of the exchange rate. The Board believes that foreign exchange risks are minimal as the other currencies used (mostly in Renminbi and an insignificant portion in US dollars) are relatively stable against Hong Kong dollar.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2007, the interests and short positions of the Directors and Chief Executive of the Company and their associates 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 pursuant to Section 352 of the SFO or which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited 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)	14,980,000 (long position) (Note 1)	8.67%
		Interest of a controlled corporation (Note 2)	35,180,000 (long position) (Note 2)	20.35%
				29.03%
Lee Woo Sing	the Company	interest of a controlled corporation (Note 6)	1,000,000 (long position) (Note 6)	0.58%



## Management Discussion and Analysis

Other than 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 22 to 23 of this interim report

### DIRECTOR'S INTEREST 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 period ended 30 September 2007 or at any time during the six month ended 30 September 2007 under review.

### DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

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

### SHARE OPTIONS

The Company has a share option scheme under which the Directors and certain selected classes of participants may at the discretion of the Directors of the Company, be granted options to subscribe for ordinary shares of the Company, subject to the stipulated terms and conditions. No options were granted under the share option scheme during the Period (period ended 30 September 2006: nil)

Save as disclosed above, none of the Company's Directors and chief executive, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six month ended 30 September 2007 (period ended 30 September 2006: Nil).

# Management Discussion and Analysis

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 Divisions 2 and 3 or 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	14,980,000 (long position) (Note 1)	8.67%
2. Lee Tak Lun (Note 1)	Interest of a controlled corporation (Note 1)	14,980,000 (long position) (Note 1)	8.67%
(Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	35,180,000 (long position) (Notes 2 to 4)	20.35%
			29.03%
3. Grand Finance Group Company Limited ("GFG") (Note 2 to 5)	Registered and beneficial owner (Notes 2 to 5)	35,180,000 (long position) (Notes 2 to 5)	20.35%



## Management Discussion and Analysis

Name of Substantial shareholder	Capacity	Number of Shares	Approximate percentage of existing shareholding
4. Billion Sky Limited (Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	35,180,000 (long position) (Notes 2 to 4)	20.35%
5. Bright Pearl Limited (Notes 2 and 5)	Interest of a controlled corporation (Notes 2 and 5)	35,180,000 (long position) (Notes 2 and 5)	20.35%
6. Jumbo China Holdings Limited (Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	35,180,000 (long position) (Notes 2 to 4)	20.35%
7. Win Key Investments Limited (Notes 2 to 4)	Interest of a controlled corporation (Notes 2 to 4)	35,180,000 (long position) (Notes 2 to 4)	20.35%
8. Chow Chuen Chung (Notes 2 and 5)	Interest of a controlled corporation (Notes 2 and 5)	35,180,000 (long position) (Notes 2 and 5)	20.35%
9. Ho Kin (Notes 2 and 5)	Interest of a controlled corporation (Notes 2 and 5)	35,180,000 (long position) (Notes 2 and 5)	20.35%
10. Kam Kin Ming (Notes 2 and 5)	Interest of a controlled corporation (Notes 2 and 5)	35,180,000 (long position) (Notes 2 and 5)	20.35%

### 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 the non-executive Director while Mr. Lee Tak Lun and Ms. Lee Wai Tsang Rosa were executive Directors.



## Management Discussion and Analysis

2. 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.
3. The entire issued share capital of Jumbo China Holdings Limited is beneficially owned as to 79.31% by Billion Sky Limited. Billion Sky Limited is taken to be interested in these shares.
4. The entire issued share capital of Billion Sky Limited is beneficially owned as to 52.42% by Win Key Investments Limited (the entire issued share capital of which is beneficially owned by Mr. Lee Tak Lun). Win Key Investments Limited and Mr. Lee Tak Lun are taken to be interested in these shares.
5. The entire issued share capital of Bright Pearl Limited is beneficially owned as to 33.33% by Mr. Chow Chuen Chung, 33.33% by Mr. Ho Kin and 33.33% by Mr. Kam Kin Ming.
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 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2007.

### COMPETITION AND CONFLICT OF INTEREST

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





# Management Discussion and Analysis

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the Period.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted codes of conduct regarding securities transactions by Directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. On specific enquiries made, all Directors have confirmed that, in respect of the reporting period, they have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

## AUDIT COMMITTEE

The Company's Audit Committee, comprising of three independent non-executive Directors, has reviewed with the management of the Company the accounting principles and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters including a review of the Company's unaudited interim financial statements for the six months ended 30 September 2007.

## BOARD OF DIRECTORS

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

By order of the Board  
**Lee Wai Tsang, Rosa**  
*Executive Director*

Hong Kong, 21 November 2007