



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

(incorporated in Bermuda with limited liability)

Stock Code: 1160

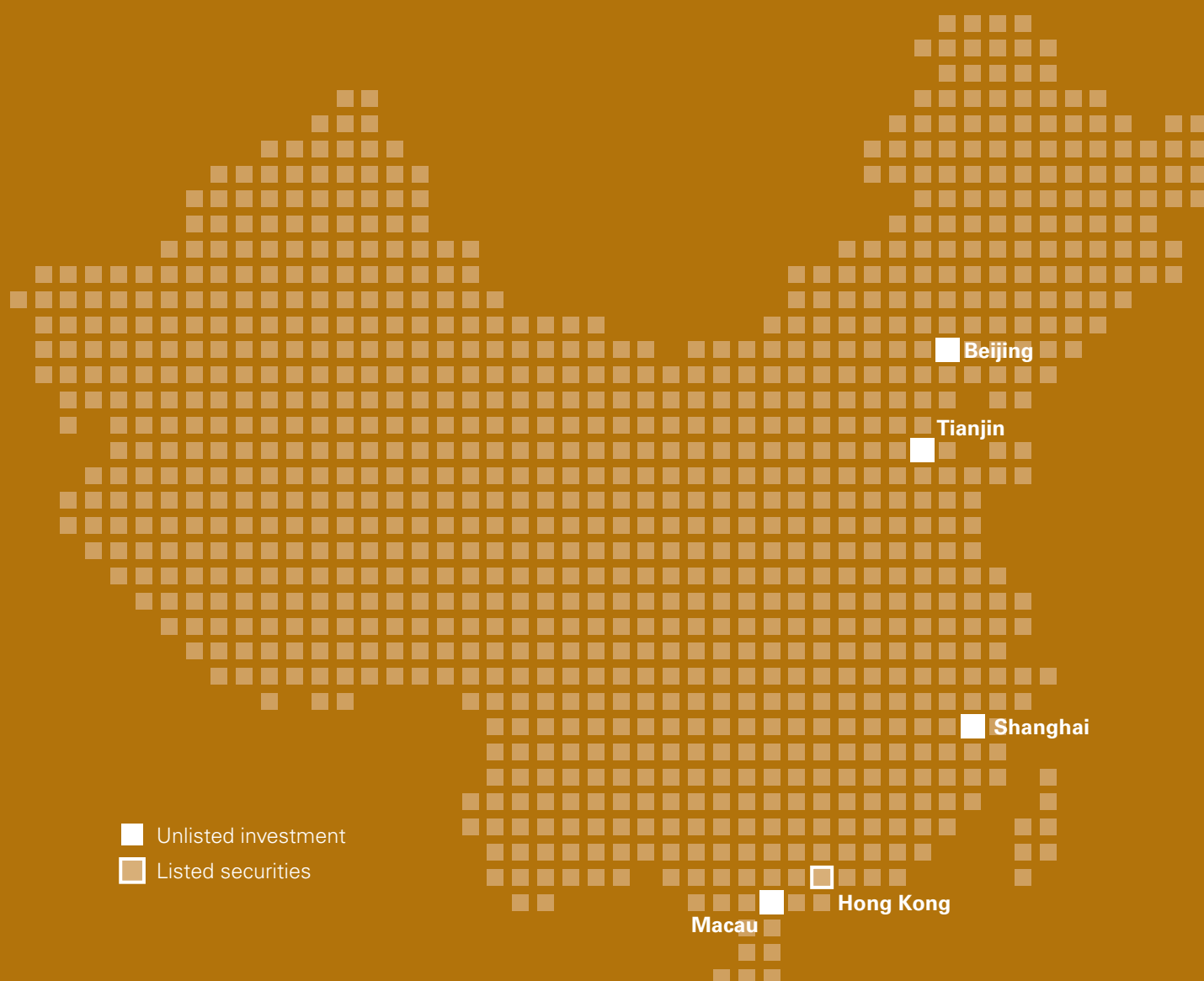
Annual Report 2009/2010



POSITIONED FOR **G R O W T H**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Huang Zhijian
 Ms. Lee Wai Tsang, Rosa
 Mr. Lee Tak Lun (resigned on June 1 2009)
 Ms. Chung Wing Han, Wendy
 (resigned on June 1 2009)

Non-Executive Director

Mr. Lee Woo Sing (*Chairman*)

Independent Non-Executive Directors

Mr. Lu Fan
 Dr. Zhang Hongru
 Dr. Zhou Yunxia (appointed on June 1 2009)
 Mr. Yao Choi Fai, Andrew
 (resigned on June 1 2009)

COMPANY SECRETARY

Ms. Chung Wing Han, Wendy

AUDIT COMMITTEE

Mr. Lu Fan
 Dr. Zhang Hongru
 Dr. Zhou Yunxia (appointed on June 1 2009)
 Mr. Yao Choi Fai, Andrew
 (resigned on June 1 2009)

INVESTMENT MANAGER

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

CUSTODIAN

UBS AG
 52/F, Two International Finance Centre
 8 Finance Street, Central, Hong Kong

AUDITORS

East Asia Sentinel Limited
 22th Floor, Tai Yau Building
 181 Johnston Road
 Wanchai, 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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716
 Hopewell Centre
 183 Queen's Road East
 Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law:

Chiu & Partners
 40th 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

As we reflect back on 2009, the global economic slowdown deflated assets classes such as equities to new lows. The swift efforts by policymakers around the world to stimulate the economy with bailout packages, liquidity measures and austerity programs had offered temporary relief and perceptions of risk had stabilized. However, real growth will require time and continuous effort.

The economic condition in 2009 continued to impact revenue and operating cash flow for many businesses. With limited exposure to the financial crisis and the appreciation of RMB, China has emerged as one of the favourite countries to invest in. That had led to an exacerbation of asset bubbles especially in real estates in first tier cities. By the end of our financial year, China had reduced liquidity with measures such as requiring banks to increase minimum and slowing asset appreciation by making property developer put down 50% deposit on land purchase. China also implemented measures to restrict some industries. Nevertheless, China will outpace the other developed countries in terms of economic growth. We expect to fully utilize the advantage of our position to maximize value of our portfolio.

Going forward in 2010, the dynamic growth in China will remain stable with higher demand than most of the other developed countries. As such, it will impact prices on commodity, equities and other investable assets class. Having said that, we are cautious in our selection because unlike last year, it will be more difficult to achieve the same result in this year than before. While we may be optimistic on China, there will be volatility in Hong Kong equities. Furthermore, the political and economic uncertainty in Europe and other parts of Asia will heighten uncertainty. We remain vigilant with the overall economic impact on our portfolio.

Our priority is to preserve capital and to seek investment opportunities that offer assets appreciation for our shareholders. In order to do so, we will monitor our portfolio diligently while exploring market opportunities for asset appreciation and return. Though the market may not return to pre-crisis level, the uncertainty about macroeconomic environment will remain. We will continue to focus on longer term asset class of direct investment and fund in China as well as short to medium term investment on equities in Hong Kong.

Finally, on behalf of the Board, I would like to offer my gratitude to the members of the Audit Committee, Investment Committee and Investment Manager for their contributions and dedication and to the shareholders for their support. We will make our best effort to lead in the continual pursuit of creating value for shareholders in the coming year.

Lee Woo Sing

Chairman

Hong Kong 25 June 2010



Management Discussion and Analysis

Operating Results

During the year ended 31 March 2010, ("Year"), the Company recorded a profit of approximately HK\$3,758,000 (2009: a loss of HK\$18,796,000). For the year ended 31 March 2010, the Company recorded HK\$6,133,000 (2009: a loss of HK\$15,703,000) in turnover, comprising realized gain of approximately HK\$3,941,000 (2009: a loss of HK\$6,731,000) and net unrealized profit of the listed securities and investments portfolio of approximately HK\$2,178,000 (2009: a loss of HK\$9,381,000).

PROSPECTS

Given the ongoing global economic recovery, China and Hong Kong are expected to stay on track through 2010 despite slowing export and tightening liquidity. Policymakers in China have drawn out various initiatives to cool down real estate prices by increasing bank reserve ratio of 50bps to 16.5%, tightening on bank loan, limiting state-owned enterprise to withdraw from real estate investment, and increasing down payment from 40% to 50% on second homes. As we expect risk perceptions to normalize in 2010 along with appreciation of RMB, we believe the growth in China will continue to present opportunities. However, the market will remain highly volatile with looming uncertainty in European Union regarding debt of peripheral European countries as well as political instability in Asia; affecting not only equities, but also foreign exchange currency and commodities. We will focus on sectors with strong fundamentals when it comes to investing on equities in Hong Kong. In addition, we have also started writing call options on our existing portfolio holdings to increase income revenue on stocks we hold throughout the Year.

While we are still optimistic about the gradual growth in China for 2010 and onwards, we will also exercise caution on project selection as well as portfolio management. We will make an effort to identify new potential projects as well as consider collaboration with other funds or partners in domestic consumption driven industry and consumer staples. Finally, our priority is to seek enhanced return for shareholders.

DIVIDENDS

The Directors have declared the payment of final dividend of HK\$0.01 (2009: Nil) per ordinary Share, amounting to a total dividend of HK\$1,728,000 (2009: Nil). Pursuant to a resolution by the Board on 25 June 2010, the proposal of the final dividend was proposed to be approved of the forthcoming annual general meeting of the company.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2010, the Company had bank balances of approximately HK\$3,349,000 (2009: HK\$8,668,000).

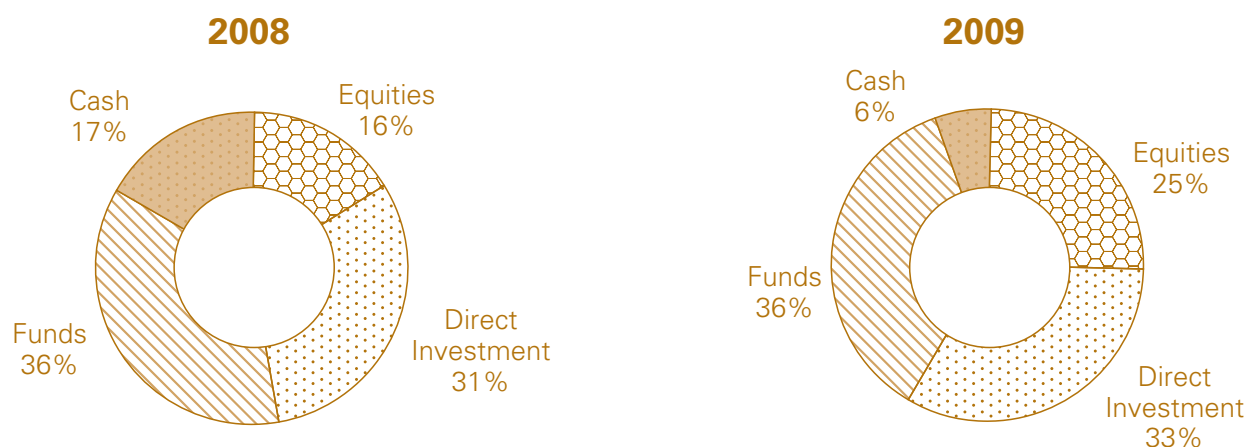
Management Discussion and Analysis

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 (2009: N/A).

The Company had net assets of approximately HK\$55,951,000 (2009: HK\$53,921,000).

INVESTMENT PORTFOLIOS

The Company's investment portfolio comprised of listed and unlisted investments 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. As the Company's exposure to such foreign exchange risks is kept to a minimum, the Company has not used any derivatives and other instruments for currency exchange hedging purposes.

CHARGE ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2010, there were no charges on the Company's assets or any significant contingent liabilities. (2009: Nil).

CAPITAL EXPENDITURES AND COMMITMENTS

The Company had capital commitments amounted to HK\$6,240,000 as at 31 March 2010 (2009: HK\$8,580,000).



Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31 March 2010, the total number of ordinary shares of HK\$0.10 each in the Company in issue was 172,800,000.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2010, the Company had 6 employees (2009: 8), including the executive, non-executive and independent non-executive Directors. Total staff cost for the Year was HK\$1,157,000 (2009: HK\$735,000). 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.

APPRECIATIONS

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

Lee Wai Tsang, Rosa

Executive Director

Hong Kong SAR, 25 June 2010

Corporate Governance Report

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

BOARD OF DIRECTORS

Composition

During the Year, the Board consists of two executive Directors, one non-executive Director and three independent non-executive Directors ("INED(s)"). Biographical details of each Director are set out on pages 14 to 16 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 they are 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 grandfather of Ms. Lee Wai Tsang Rosa, who is the executive Director. 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. It has formalized the functions reserved to the Board to achieve a clear division of the responsibilities of the Board and the management. The Board delegated its responsibilities of the executive Directors to deal with day-to-day operations and review those arrangements on a periodic basis. 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 functions 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 which sets out the guidelines on the conduct of which directors of a listed company should follow is issued to every director. The handbook also outlines the responsibilities of making disclosure of personal interest, change in personal particulars potential conflict of interest to the Stock Exchange in a timely manner.

Directors are provided with complete, adequate explanation and information to enable them to make an informed decision or assessment of the Group's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. The Directors, to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company.

The Board meets regularly and at least four Board meetings are scheduled annually at approximately quarterly intervals. Ad-hoc meetings are convened when it considers necessary. Sufficient notice is served to all Directors before the Board meetings. All Directors are entitled to have access to Board papers and related materials at a reasonable time before the intended date of a Board or Board committee meeting unless there are restrictions on disclosure due to legal and regulatory requirements or other justifiable grounds.



Corporate Governance Report

Upon convening 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. Such minutes are recorded in details for the matters considered by the participants of such meetings and decisions reached, including concerns raised by Directors and/or dissenting views expressed. The meeting minutes are circulated to relevant Directors or committee members within reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings and are open for inspection at any reasonable time on reasonable notice by any Director. 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. He is required to disclose the conflict of interest and is not allowed to participate in the final deliberation or decision and will abstain from voting on such matter. During the year ended 31 March 2010, a total of 23 meetings of the Board were held, 21 of which were conducted through the Investment Committee (see page 13 of this report).

The following is the attendance record of the meetings:

| Name of Director | No. of Meetings | |
|--|-----------------|-----------------|
| | Attended/Held | Attendance Rate |
| <i>Executive Directors</i> | | |
| Dr Huang Zhijian | 2/2 | 100% |
| Ms Lee Wai Tsang, Rosa | 2/2 | 100% |
| <i>Non-executive Director</i> | | |
| Mr Lee Woo Sing | 1/2 | 50% |
| <i>Independent Non-Executive Directors</i> | | |
| Mr Lu Fan | 2/2 | 100% |
| Dr Zhang Hongru | 0/2 | 0% |
| Dr Zhou Yunxia | 2/2 | 100% |

Corporate Governance Report

CORPORATE GOVERNANCE

During the Year, the Company has complied with all the applicable code provisions ("Code Provision") set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 to the Listing Rules except for the deviations from Code Provisions A.2.1 and A.4.1 which are explained below:

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 as the existing structure has a well-balanced of authorities, responsibilities and accountability among the members of the Board (which comprises experienced and high caliber individuals who meet regularly to discuss issues and affairs affecting the operations of the Company), the management and the investment manager of the Company.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive directors of the Company is appointed for specific term but is subject to retirement by rotation in accordance with the bye-laws of the Company at least once every three years.

The reason for the deviation is that the Directors do not consider that an arbitrary term which limits the duration of the Director's service is appropriate and the current practice of retirement by rotation has given the Company's shareholders the right to assess the performance of the retiring Directors and the opportunity to approve the continuation of the service of those Directors. The Board will review this practice from time to time.

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

The INEDs have the same duties of care and skill and fiduciary duties as the executive Directors. The functions of INEDs include, but not limited to:

- Participating in Board meetings to bring an independent judgment to bear on issues of corporate strategy, corporate performance, accountability, resources, key appointments and standard of conducts;
- Taking the lead where potential conflicts of interests arise;
- Serving and active participating on committees, if invited;
- Attending general meetings of the Company and developing a balanced understanding of the views of shareholders; and
- Scrutinizing the Group's performance in achieving agreed corporate goals and objectives and monitoring the reporting of performance.



Corporate Governance Report

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 the financial statements are prepared in accordance with the 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, Dr. Zhang Hongru and Dr. Zhou Yunxia, all being independent non-executive Directors. The terms of reference of the Audit Committee are consistent with the terms set out in the CG Code. The duties of the Audit Committee include 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 has reviewed with the management the accounting principles and practices adopted by the Company and has discussed with the management about the auditing, internal control and financial reporting matters for the Year. The Audit Committee has also reviewed the annual results of the Company for the Year.

The Audit Committee held 2 meetings in the financial year ended 31 March 2010. The following is the attendance record of the meetings held by the Audit Committee for the Year under review:

| Name of Committee | No. of Meetings | |
|--|-----------------------|-----------------|
| | Members Attended/Held | Attendance Rate |
| Mr Lu Fan (<i>Chairman</i>) | 2/2 | 100% |
| Dr Zhang Hongru | 2/2 | 100% |
| Dr Zhou Yunxia (appointed on June 01 2009) | 2/2 | 100% |

The work performed by the Audit Committee during the Year under review 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
4. reviewing the work of the external auditors, evaluating their performance, and making recommendation as to their appointment.

Corporate Governance Report

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 2010 together with the Report of Directors and Auditors' Report thereon before the announcement of the annual results; and
2. to propose in the forthcoming Annual General Meeting for re-appointing East Asia Sentinel Limited ("Auditors") as Auditors of the Company for the ensuing year and to hold office until conclusion of the next Annual General Meeting at a fee to be agreed with the Directors.

The Audit Committee 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 Auditor was as below:

| Nature of Services | HK\$'000 |
|---------------------------|-----------------|
| Audit services | 148 |
| Other advisory services | — |

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, Dr. Zhang Hongru being and Dr. Zhou Yunxia, all being independent non-executive Directors. The terms of reference of the Remuneration Committee are consistent with the terms set out in the CG Code. 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 2 meetings in the financial year ended 31 March 2009. The following is the attendance record of the meetings held by the Remuneration Committee for the year under review:

| Name of Committee | No. of Meetings | |
|-------------------------------|-----------------------|-----------------|
| | Members Attended/Held | Attendance Rate |
| Mr Lu Fan (<i>Chairman</i>) | 2/2 | 100% |
| Dr Zhang Hongru | 2/2 | 100% |
| Dr Zhou Yunxia | 2/2 | 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.

NOMINATION COMMITTEE

The Company has set up with written terms of reference a nomination committee ("Nomination Committee") on 1 June 2009, whose members are Dr. Huang Zhijian, being an executive Director, Mr. Lu Fan and Dr. Zhou Yunxia, both being INEDs. Dr. Huang Zhijian is the chairman of the Nomination Committee. The terms of the Nomination Committee are consistent with the terms set up in the CG Code. The Nomination Committee is responsible for dealing with matters of appointment, retirement and re-election of the Directors. The Company's nomination policy is in line with the prevailing market practices and is determined primarily on the basis of performance and experience of each Director.

During the year under review, the Nomination Committee had not held any meeting.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities by Directors of Listed Issuers” (“Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors, the Directors confirmed that they had complied with the required standards laid down in the Model Code throughout the year under review.

DIRECTORS’ AND AUDITORS’ ACKNOWLEDGEMENT

The Audit Committee and the Board have reviewed the Company’s financial statements for the year under review. The Directors have acknowledged their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment for the Company’s performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Company’s ability to continue as a going concern.

East Asia Sentinel Limited, Certified Public Accountants and the auditors of the Company for the year have acknowledged their reporting responsibilities in the “Independent Auditors’ Report” on pages 25 to 26 of this Report.

INTERNAL CONTROL

The Company exercises individual accountability, follows protocol and procedures, monitors investment progress, provides transparency and review risk assessment. This internal guideline serves as the reference for each Director. Decisions are made through majority vote. The Board has conducted an annual review of the effectiveness of the internal control systems of the Group, covering all material controls, including but not limited to financial, operation, compliance controls and risk management functions.

INVESTMENT COMMITTEE

On investment subjects, the investment committee (“Investment Committee”) is responsible for making routine decisions. Corporate decisions are made collectively by the Board including independent non-executive Directors. The following is the attendance record of the meetings held by the Investment Committee during the year under review.

| Name of Committee | No. of Meetings | |
|--|-----------------------|-----------------|
| | Members Attended/Held | Attendance Rate |
| Mr Lee Tak Lun | 21/21 | 100% |
| Ms Lee Wai Tsang, Rosa (<i>Chairman</i>) | 21/21 | 100% |
| Ms Chung Wing Han, Wendy | 21/21 | 100% |
| Dr Huang Zhijian | 21/21 | 100% |



Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. Lee Wai Tsang, Rosa

Ms. Lee Wai Tsang, Rosa, aged 32, has been an executive Director since 1 June 2005. Prior to her appointment as an executive Director, Ms. Lee was an executive manager and a member of the Company's investment committee. Ms. Lee has a bachelor degree from the University of Southern California. She also holds Master of Science in Finance from Boston College and MBA from University of Chicago. Ms. Lee has been working with the Company since its incorporation in April 2003 and overseeing the day-to-day investment, operation and administration 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 also the corporate representative of Shanghai YiYa Investment Management Company Limited, which is a registered member of the Shanghai Gold Exchange. Ms. Lee had written for various financial journals and had been interviewed by numerous magazines and newspapers in Hong Kong. She is a member of the Tianjin Youth Federation, Tianjin Women Federation, director of Tianjin Oversea Friendship Association and director of the Jiangxi Overseas Friendship Association.

Ms. Lee is the granddaughter of Mr. Lee Woo Sing, the Chairman and non-executive Director of the Company.

Dr. Huang Zhijian

Dr. Huang Zhijian, aged 64, has been an executive Director since 1 January 2007. 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, and he had been 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 and an executive director of Cosmos Machinery Enterprises Limited (stock code: 0118).

Biographical Details of Directors

NON-EXECUTIVE DIRECTOR

Mr. Lee Woo Sing

Mr. Lee Woo Sing, aged 82, has been a non-executive Director and the chairman of the Company since April 2003. Mr. Lee has over 60 years' experience in the finance industry. During the period from 1958 to 2003, Mr. Lee was one of the substantial shareholders and served on the senior management team of Shun Loong Group on supervising daily operations, formulating business objectives and strategies, and monitoring 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, the 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 FuDan University, a member of the Executive Committee of the Council of Chinese University of Hong Kong, Vice Chairman of the Board of Trustee at The Shaw College, Chinese University of Hong Kong, the Honorary Citizen of Tianjin, the PRC, the Honorary Chairman of the Native Friendship Association of Zhejiang Province, the Honorary Professor of Zhejiang University, the permanent Honorary Chairman of Shanghai Fraternity Association and the Honorary Chairman of Ning Po Residents Association. In 2010, Mr. Lee commemorated the Woo Sing College at the Chinese University of Hong Kong.

As at 31 March 2010, Mr. Lee had or was deemed under Part XV of the SFO to have a long position in 1,000,000 Shares by virtue of his controlling interest in Winrex International Limited and by which such 1,000,000 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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lu Fan

Mr. Lu Fan, aged 54, 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 had also been the chief economist of the Zhejiang Huating Group Co., Ltd. since 2004.

Dr. Zhang Hongru

Dr. Zhang Hongru, aged 53, is an independent non-executive Director since 13 February 2004. Dr. Zhang held position as executive director and general manager of Tianjin Development Holdings Limited (stock code: 0882). 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.

Dr. Zhou Yunxia

Dr. Zhou Yunxia, aged 31, has been an independent non-executive Director since 1 June 2009. Dr. Zhou holds a Bachelor's Degree in Finance from the University of International Business and Economics, the PRC and the Degree of Doctor of Philosophy in Finance and Accounting from the National University of Singapore. Dr. Zhou is currently the Vice-President of the Corporate Finance Division of China Asean Resources Limited (Stock code: 8186), a company whose shares are listed on the Growth Enterprise Market operated by the Stock Exchange. She had been an Assistant Professor in Finance and Accounting in the Business School of the University of Queensland, Australia during the period from 2008 to 2009. She has over seven years' diverse financial knowledge and management experience in industry and government sectors with particular expertise in corporate finance projects, such as mergers and acquisitions and initial public offerings, capital market functions and investment relationship management. She had served as financial controller, financial and/or investment consultant for various international companies in the PRC and Singapore.

Report of the 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 2010 (the “Year”) which were approved by the board of Directors (the “Board”), on 25 June 2010.

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 ended 31 March 2010 comprised of gains or loss from investments, interest earned from notes receivable and other sources.

FINANCIAL RESULTS

The profits and cash flows of the Company for the year ended 31 March 2010 and the state of affairs of the Company as at 31 March 2010 are set out in the financial statements on pages 27 to 30.

DIVIDENDS

The Directors have declared the payment of a final dividend of HK0.01 (2009: Nil) per ordinary share, amounting to a total dividend of HK\$1,728,000 (2009: HK\$Nil). Pursuant to a resolution by the Board on 25 June 2010, the payment of the dividend was proposed to be approved at the Annual General Meeting.

Subject to shareholders’ approval of the final dividend at the Annual General Meeting, payment of the final dividend will be made on 13 August 2010 to shareholders registered at the close of business on the record date on 5 August 2010.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 5 August 2010.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Company for the Year is set out on page 66.

RESERVES

Details of movements in reserves during the year under review are set out in the statement of changes in equity set out on page 29.

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.



Report of the Directors

SHARE CAPITAL

Details of movements in share capital during the Year under review are set out in note 15 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

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

COMPETING INTERESTS

As at 31 March 2010, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business apart from the Company's business that competed or was likely to compete, either directly or indirectly, with the businesses of the Company.

SHARE OPTION SCHEME

During the Year, there were no share options granted under the share option scheme adopted by the Company on 2 April 2004. Details of the share option scheme are set out in note 23 to the financial statements.

DIRECTORS

The Directors who held office during the year ended 31 March 2010 and up to the date of this report were:

Executive Directors

Dr Huang Zhijian

Ms Lee Wai Tsang, Rosa

Non-executive Director

Mr Lee Woo Sing (*Chairman*)

Independent Non-executive Directors

Mr Lu Fan

Dr Zhang Hongru

Dr Zhou Yunxia

The terms of office for all Directors is subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the bye-laws of the Company ("Bye-laws").

In accordance with Bye-Law 113(A) of the Bye-Laws, Mr. Lee Woo Sing and Mr. Lu Fan shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Report of the Directors

DIRECTORS *(continued)*

The Company has received annual confirmations of independence from Mr. Lu Fan, Dr. Zhang Hongru and Dr. Zhou Yunxia pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

SERVICE CONTRACTS

No Director proposed for re-election at the Annual General Meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation.

INTERESTS IN CONTRACTS

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

DIRECTOR'S INTEREST IN SHARES

As at 31 March 2010, the interests and short positions of the Directors 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies as 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 Woo Sing | the Company | Interest of a controlled corporation | 1,000,000 (long position) (Note 5) | 0.58% |

Other than disclosed above, none of the Directors 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.



Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, as far as the Directors are aware:

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

| Name of substantial shareholder | | Capacity | Number of Shares | Approximate percentage of existing 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 | Interest of a controlled corporation | 14,980,000 (long position) (Note 1) | 8.67% |
| | | Interest of a controlled corporation | 35,180,000 (long position) (Notes 2 to 4) | 20.36% |
| | | | | 29.03% |
| 3. | Grand Finance Group Company Limited ("GFG") | Registered and beneficial owner | 35,180,000 (long position) (Notes 2 to 4) | 20.36% |
| 4. | Billion Sky Limited | Interest of a controlled corporation | 35,180,000 (long position) (Notes 2 to 4) | 20.36% |

Report of the Directors

| Name of substantial shareholder | Capacity | Approximate percentage of existing shareholding | |
|---------------------------------|--------------------------------------|---|--------|
| | | Number of Shares | |
| 5. Jumbo China Holdings Limited | Interest of a controlled corporation | 35,180,000 (long position) (Notes 2 to 4) | 20.36% |
| 6. Win Key Investments Limited | Interest of a controlled corporation | 35,180,000 (long position) (Notes 2 to 4) | 20.36% |

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 (resigned as executive Director on 1 June 2009) is the son of Mr. Lee Woo Sing. Mr. Lee Woo Sing is a nonexecutive Director while Ms. Lee Wai Tsang Rosa was an executive Director. Mr. Lee Tak Lun is taken to be interested in these shares under Part XV of the SFO.
- 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, 28% by Bright Pearl Limited and 14% by Win Key Investments Limited. Jumbo China Holdings Limited, Bright Pearl Limited and Win Key Investments Limited are taken to be interested in these shares under Part XV of the SFO.
- 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 under Part XV of the SFO.
- The entire issued share capital of Billion Sky Limited is beneficially owned as to 59.55% 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 under Part XV of the SFO.
- 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 under Part XV of the SFO.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the shares of the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of the 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 2010.



Report of the Directors

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.

CONNECTED TRANSACTIONS

Investment Management Agreements and Interim Investment Management Agreement

Grand Investment (Securities) Limited ("GIS") was appointed as the Company's investment manager with effect from 1 May 2007 for an initial term of two years (subject to renewal for a further term of one year on the terms and conditions to be agreed by GIS and the Company at the time of renewal) at the investment management fee of HK\$200,000 per annum.

GIS is wholly-owned by GFG, which is a substantial shareholder of the Company.

GIS act as the investment manager of the Company with effect from 1 August 2007.

GIS is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the transactions under (i) the investment management agreement and the interim investment management agreement with GIS constitute connected transactions for the Company.

During the Year, the aggregate amount of investment management fees paid to GIS under the investment management agreements and the interim investment management agreement (as the case may be) amounted to HK\$168,000 (2009: HK\$288,000) which fell below the de-minimis threshold under Rule 14A.33(3) of the Listing Rules and were exempted from the disclosure and the shareholders' approval requirements under the Listing Rules.

AVANTA Investment Management Limited ("AVANTA") was appointed as the Company's interim investment manager with effect from 30 October 2009 at the investment management fee of HK\$400,000 per annum.

AVANTA act as the interim investment manager of the Company with effect from 30 October 2009.

During the Year, the aggregate amount of investment management fees paid to AVANTA under the interim investment management agreement amounted to HK\$142,000 which fell below the de-minimis threshold under Rule 14A.33(3) of the Listing Rules and were exempted from the disclosure and the shareholders' approval requirements under the Listing Rules.

Report of the Directors

The independent non-executive Directors have reviewed the above continuing connected transaction for the year and confirmed that the said transaction was conducted:

- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms; and
- (iii) in accordance with the investment manager agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors also confirmed that:

- (i) the transaction was approved by the board of directors;
- (ii) the transaction was entered into in accordance with the terms of the investment manager agreement; and
- (iii) the total investment manager fee paid by the Company in relation to the investment manager agreement do not exceed HK\$168,000.

Custodian Agreement

The Company appointed UBS AG, Limited ("UBS") as its custodian under a custodian agreement ("Custodian Agreement") that took effect from 1 June 2008 in respect of, among others, the safe custody of cash and documents 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 would continue in full force until terminated by either the Company or UBS by giving to the other not less than three months' advance notice in writing.

Pursuant to the Custodian Agreement, a custody fee at the rate of 0.125% per annum of the average month-end balance of the aggregate value of the investments (which was expected to be approximately HK\$20,000,000) deposited by the Company with UBS (subject to revision as notified by the UBS to the Company from time to time with the approval of the Company in accordance with the terms set out in the Custodian Agreement) for the provision of securities is payable by the Company to UBS.

UBS is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the transactions under the custodian agreement constituted continuing connected transactions for the Company.



Report of the Directors

During the year, the aggregate amount of custody fee and other charges paid to UBS amounted to HK\$13,232.58 (2009: HK\$7,368.57), which fell below the de-minimis threshold under Rule 14A.33(3) of the Listing Rules and were exempted from the disclosure and the shareholders' approval requirements under the Listing Rules.

In the opinion of the independent non-executive Directors, the transactions contemplated under the aforementioned 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 Bye-Laws of the Company 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 Report, there was a sufficient public float of the total issued shares of the Company as prescribed under the applicable Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the CG Code set out in Appendix 14 to the Listing Rules 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, had reviewed with the management the accounting principles and practices adopted by the Company and had 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 CG Code during the Year, except for the deviations from code provision A.2.1 and A.4.1 which are explained on page 9 of the Corporate Governance Report.

AUDITORS

The auditors, East Asia Sentinel Limited, Certified Public Accountants, were appointed as auditors of the Company for the Year. The financial statements of the Company for the Year have been audited by East Asia Sentinel Limited who retires and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming Annual General Meeting for the re-appointment of East Asia Sentinel Limited as auditors of the Company.

On behalf of the Board

Lee Wai Tsang, Rosa

Executive Director

Hong Kong, 25 June 2010

Independent Auditors' Report



East Asia Sentinel Limited 衛亞會計師事務所有限公司

Certified Public Accountants

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TO THE SHAREHOLDERS OF GRAND INVESTMENT INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of the Grand Investment International Limited (the "Company") set out on pages 27 to 65, which comprise the statement of financial positions as at 31 March 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of 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 consolidated 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 and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liabilities to any other person for the contents of this report.

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.



Independent Auditors' Report

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.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the state of affairs of the Company as at 31 March 2010 and of the Company's 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 disclosure requirements of the Hong Kong Companies Ordinance.

East Asia Sentinel Limited

So Kwok Keung Keith

Director

Practising Certificate No. P1724

Hong Kong

Date: 25 June 2010

Statement of Comprehensive Income

(For The Year Ended 31 March 2010)

| | NOTE | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------|------------------|------------------|
| GAIN/(LOSS) ON INVESTMENTS | 6 | 6,133 | (15,703) |
| OTHER REVENUES | 6 | 1 | 521 |
| IMPAIRMENT LOSS OF AVAILABLE-FOR-SALE INVESTMENTS | 10 | – | (808) |
| ADMINISTRATIVE EXPENSES | | (3,754) | (2,831) |
| PROFIT/(LOSS) BEFORE TAXATION | 7 | 2,380 | (18,821) |
| TAXATION | 8(a) | 1,378 | 25 |
| PROFIT/(LOSS) FOR THE YEAR | | 3,758 | (18,796) |
| OTHER COMPREHENSIVE INCOME | | – | – |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | 3,758 | (18,796) |
| DIVIDENDS | 20 | 1,728 | – |
| EARNINGS/(LOSS) PER SHARE | 21 | | |
| Basic: | | | |
| For profit/(loss) for the year | | HK\$0.02 | (HK\$0.11) |
| Diluted: | | | |
| For profit/(loss) for the year | | N/A | N/A |

The notes on pages 31 to 65 form an integral part of these financial statements.



Statement of Financial Position

(As of 31 March 2010)

| | NOTE | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Available-for-sale investments | 10 | 39,843 | 35,952 |
| CURRENT ASSETS | | | |
| Investments at fair value through profit or loss | 11 | 14,660 | 8,973 |
| Deposits, other receivables and prepayments | 12 | 494 | 486 |
| Cash and cash equivalents | 13 | 3,350 | 8,668 |
| TOTAL CURRENT ASSETS | | 18,504 | 18,127 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | 14 | 2,396 | 158 |
| TOTAL CURRENT LIABILITIES | | 2,396 | 158 |
| NET CURRENT ASSETS | | 16,108 | 17,969 |
| NET ASSETS | | 55,951 | 53,921 |
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | 17,280 | 17,280 |
| Reserves | 16 | 38,671 | 36,641 |
| SHAREHOLDERS' FUNDS | | 55,951 | 53,921 |
| NET ASSET VALUE PER SHARE | 19 | HK\$0.32 | HK\$0.31 |

Lee Wai Tsang, Rosa
Director

Huang Zhijian
Director

The notes on pages 31 to 65 form an integral part of these financial statements.

Statement of Changes In Equity

(For The Year Ended 31 March 2010)

| | Share capital HK\$'000 | Share premium HK\$'000 | (Accumulated losses)/ Retained profit HK\$'000 | Total HK\$'000 |
|-----------------------------------|------------------------------|------------------------------|--|-------------------|
| YEAR ENDED 31 MARCH 2009 | | | | |
| At 1 April 2008 | 17,280 | 37,786 | 17,651 | 72,717 |
| Total comprehensive (loss) | | | | |
| Net loss for the year | – | – | (18,796) | (18,796) |
| At 31 March 2009 | 17,280 | 37,786 | (1,145) | 53,921 |
| YEAR ENDED 31 MARCH 2010 | | | | |
| At 1 April 2009 | 17,280 | 37,786 | (1,145) | 53,921 |
| Total comprehensive income | | | | |
| Net profit for the year | – | – | 3,758 | 3,758 |
| Final dividend proposed (note 20) | – | – | (1,728) | (1,728) |
| At 31 March 2010 | 17,280 | 37,786 | 885 | 55,951 |

The notes on pages 31 to 65 form an integral part of these financial statements.



Statement of Cash Flows

(For The Year Ended 31 March 2010)

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before taxation | 2,380 | (18,821) |
| Adjustments for: | | |
| Interest received | (1) | (86) |
| Written back on provision for bad and doubtful debt | – | (435) |
| Unrealised (gain)/ loss of investments at fair value through profit or loss | (2,178) | 9,381 |
| Realised loss of investments at fair value through profit or loss | – | 4,812 |
| Impairment loss of available-for-sale investments | – | 808 |
| Loss on disposal of available-for-sale investments | – | 1,919 |
| Operating cash flow before movement in working capital | 201 | (2,422) |
| (Increase)/decrease in investments at fair value through profit or loss | (3,509) | (266) |
| (Increase) in available-for-sale investments | (3,891) | (9,231) |
| Decrease in accounts receivable | – | 2,304 |
| (Increase) in deposits, other receivables and prepayments | (9) | (191) |
| Increase in other payables and accruals | 511 | 5 |
| Cash (used in) operations | (6,697) | (9,801) |
| Income tax refund | 1,378 | 1,472 |
| NET CASH (USED IN) OPERATING ACTIVITIES | (5,319) | (8,329) |
| CASH FLOW FROM INVESTING ACTIVITY | | |
| Interest received | 1 | 86 |
| NET CASH GENERATED FROM INVESTING ACTIVITY | 1 | 86 |
| CASH FLOW FROM FINANCING ACTIVITY | | |
| Cash dividends paid | – | (3,456) |
| NET CASH (USED IN) FINANCING ACTIVITY | – | (3,456) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (5,318) | (11,699) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 8,668 | 20,367 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 3,350 | 8,668 |
| ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 3,350 | 5,663 |
| Short-term deposit with original maturity within three months | – | 3,005 |
| | 3,350 | 8,668 |

The notes on pages 31 to 65 form an integral part of these financial statements.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

1. GENERAL INFORMATION

Grand Investment International Limited ("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.

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The principal place of business of the Company is Unit B, 22 Floor, Entertainment Building, 30 Queen's Road, Central, Hong Kong.

2. BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

(a) Amendments and interpretations to existing standards effective as of 1 January 2009 and relevant to the Company

HKFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

2. BASIS OF PREPARATION *(continued)*

- (a) Amendments and interpretations to existing standards effective as of 1 January 2009 and relevant to the Company *(continued)*

HKAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

HKFRS 2 (amendment), 'Share-based payment' – effective 1 January 2009. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company has adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Company's financial statements.

HKFRS 8, "Operating segments" – effective 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires segment disclosure to be based on the way that the Company's chief operating decision maker regards and manages the Company, with the amounts reported for each reportable segment being the measures reported to the Company's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Company's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Company's most senior executive management, and has resulted in additional reportable segments being identified and presented (Note 5). Corresponding amounts have been provided on a basis consistent with the revised segment information.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

2. BASIS OF PREPARATION *(continued)*

- (a) Amendments and interpretations to existing standards effective as of 1 January 2009 and relevant to the Company *(continued)*

The "Improvements to HKFRSs (2008)" – effective 1 January 2009 comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Company and have not resulted in changes to the Company's accounting policies.

- (b) Standards, amendments and interpretations to existing standards that are not yet effective
Certain new standards, amendments and interpretations to existing standards (collectively, the "Amendments") have been published that are mandatory for Company's annual accounting periods beginning from 1 April 2010. Some of the Amendments are relevant and applicable to the Company; however, they have not been early adopted in these financial statements. The Company has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The directors are of the view that the impact on the financial statements would not be significant other than certain additional disclosures.

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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

- (b) Foreign currency translation

- (i) *Functional and presentation currency*

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



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Foreign currency translation *(continued)*

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments and on a trade date basis.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Company transfers substantially all the risks and rewards of ownership of the assets; or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the statement of comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

(i) *Loans and receivables*

Loans and receivables including deposit and cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. The effective interest amortisation is included in other revenue in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income within administrative expenses.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. At each financial report period end subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income with other revenue, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the statement of comprehensive income. Administrative expenses are removed from the available-for-sale investment valuation reserve.

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.

(iii) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are charged in the statement of comprehensive income. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the statement of comprehensive income within gain/(loss) on investment in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Receivables

Receivables, including trade and other receivables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the statement of comprehensive income.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(f) Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. They are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability at least 12 months after the end of the reporting period.

(g) Provision

Provisions are recognised when the Company has a present legal or constructive obligation where, as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Income tax

The tax expense for the year comprises current income tax and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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, the deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(i) Employee benefits

Pension obligation

The Company operates a defined contribution benefit retirement scheme under a mandatory provident fund scheme ("MPF scheme") in Hong Kong for its employees in Hong Kong, the assets of which are held in separate trustee-administered funds. The Company's contributions to the MPF scheme are based on a fixed percentage of the employees' relevant income per month.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

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 reporting period end.

(k) 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.

(l) Related parties

A party is considered to be related to the Company if:

- (i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;
- (ii) the party is an associate;
- (iii) the party is a joint-controlled entity;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Related parties *(continued)*

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of the Company or of any entity that is a related party of the Company.

(m) Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholder.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Company is subject to income taxes in Hong Kong. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. In addition, no deferred tax assets is recognised for the available tax losses as, in the opinion of the directors, it is not probable that future taxable profits is available in the foreseeable future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(ii) 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 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.

5. SEGMENT REPORTING

No segment information is presented in respect of the Company's business and geographical segments. Throughout the year, the Company has been operating principally in single business and geographical segment.

6. GAIN/(LOSS) ON INVESTMENTS AND OTHER REVENUES

The Company's gain/(loss) recognised during the year are as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| GAIN/(LOSS) ON INVESTMENTS | | |
| Net unrealised gain/(loss) on investments | | |
| at fair value through profit or loss | 2,178 | (9,381) |
| Net realised gain/(loss) on disposal on | | |
| investments at fair value through profit or loss | 3,869 | (4,812) |
| Net realised gain/(loss) on disposal on | | |
| available-for-sale investments | – | (1,919) |
| Dividend income from listed securities | 72 | 409 |
| Interest income from bond | 14 | – |
| | 6,133 | (15,703) |
| OTHER REVENUES | | |
| Bank interest income | 1 | 85 |
| Other interest income | – | 1 |
| Written back of provision of bad and doubtful debt | – | 435 |
| | 1 | 521 |
| Total gain/(loss) on investment and other revenues | 6,134 | (15,182) |

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

7. PROFIT/(LOSS) BEFORE TAXATION

The profit/(loss) before taxation is arrived at after charging/(crediting):

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|------------------|------------------|
| Auditors' remuneration | | |
| – Current year | 148 | 112 |
| Impairment loss of available-for-sale investments | – | 808 |
| Investment manager fee | 310 | 288 |
| Net foreign exchange gain | (17) | (76) |
| Operating lease payments | 1,104 | 749 |

8. TAXATION

(a) Taxation in the statement of comprehensive income represents:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---------------------------------|------------------|------------------|
| Hong Kong Profits Tax | | |
| – Over-provision for prior year | 1,378 | 25 |
| | 1,378 | 25 |

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company has sufficient tax losses brought forward to set off against current year's assessable profits (2009: Nil).

(b) The Company did not have any material unprovided deferred taxation as at year end.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

8. TAXATION (continued)

- (c) Reconciliation between tax expenses and accounting profit/(loss) at applicable tax rate is as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|------------------|------------------|
| Profit/(loss) before taxation | 2,380 | (18,821) |
| Notional tax on profit/(loss) before taxation | 392 | (3,105) |
| Over- provision for prior year | (1,378) | (25) |
| Tax loss utilised from previous period | (390) | – |
| Tax loss not recognised | – | 3,258 |
| Tax effect of non-taxable income | (2) | (153) |
| Total income tax credit | (1,378) | (25) |

9. DIRECTORS' EMOLUMENTS

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

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Other emolument to independent non-executive directors | | |
| – Directors's fee | 71 | 75 |
| – Management bonus | 60 | – |
| Management bonus to the non-executive director | 20 | – |
| Other emolument to executive directors | | |
| – Salaries and benefits in kind | 988 | 640 |
| – Retirement benefit scheme contributions | 18 | 20 |
| | 1,157 | 735 |

The five highest paid individuals in the Company for the year under review are Ms. Lee Wai Tsang, Rosa, Dr. Huang Zhijian, Mr. Lu Fan, Mr. Zhang Hongru and Ms. Zhou Yunxia, all being Directors, whose emolument information is shown below.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

9. DIRECTORS' EMOLUMENTS (continued)

The emoluments of each director, on a named basis, for the year ended 31 March 2010 are set out below:

| | Fees | Salaries and benefits in kind | Retirement benefit scheme contributions | Total |
|--|----------|-------------------------------------|--|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | |
| Lee Wai Tsang, Rosa | – | 736 | 12 | 748 |
| Huang Zhijian | – | 212 | 6 | 218 |
| Lee Tak Lun (note i) | – | 20 | – | 20 |
| Chung Wing Han, Wendy (note i) | – | 20 | – | 20 |
| <i>Non-executive Director</i> | | | | |
| Lee Woo Sing | – | 20 | – | 20 |
| <i>Independent Non-executive Directors</i> | | | | |
| Lu Fan | 25 | 20 | – | 45 |
| Zhang Hongru | 25 | 20 | – | 45 |
| Zhou Yunxia | 21 | 20 | – | 41 |
| | 71 | 1,068 | 18 | 1,157 |

Note (i): Mr Lee Tak Lun and Ms Chung Wing Han, Wendy were resigned on 1 June 2009.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

9. DIRECTORS' EMOLUMENTS (continued)

The emoluments of each director, on a named basis, for the year ended 31 March 2009 are set out below:

| | Fees | Salaries and benefits in kind | Retirement benefit scheme contributions | Total |
|--|----------|-------------------------------------|--|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | |
| Lee Tak Lun | – | 20 | 1 | 21 |
| Lee Wai Tsang, Rosa | – | 480 | 12 | 492 |
| Chung Wing Han, Wendy | – | 20 | 1 | 21 |
| Huang Zhijian | – | 120 | 6 | 126 |
| <i>Independent Non-executive Directors</i> | | | | |
| Lu Fan | 25 | – | – | 25 |
| Yao Cho Fai Andrew | 25 | – | – | 25 |
| Zhang Hongru | 25 | – | – | 25 |
| | 75 | 640 | 20 | 735 |

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.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

10. AVAILABLE-FOR-SALE INVESTMENTS

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Investment securities, at cost: | | |
| Equity securities, unlisted shares (note (a)) | 18,787 | 17,236 |
| Less: impairment loss | – | – |
| | 18,787 | 17,236 |
| Investments in limited partnerships, at cost (note (b)) | 21,056 | 19,524 |
| Less: impairment loss | – | (808) |
| | 21,056 | 18,716 |
| Total | 39,843 | 35,952 |

(a) Equity securities

The equity securities represent investments 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 2010. 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 2010.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

10. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(a) Equity securities (continued)

Particulars of the equity securities as at year ended are as follows:

| Name of issuer | Nature of Business | No of share held | Equity Interest held (%) | 2010 Cost less impairment HK\$'000 | 2009 Cost less impairment HK\$'000 |
|--|--|-----------------------------------|--------------------------|---|---|
| Tianjin Yishang Friendship Holding Company Limited | Operation of department stores and home retail shops | 8,712,000 (2009: 8,712,000) | 3.9% (2009: 3.9%) | 9,434 | 9,434 |
| Joyport Holdings Limited | Online game development, distribution and operation | 1,231,600 (2009: Nil) | 1.48% (2009: Nil) | 1,551 | – |
| Lot Software Systems International Limited | Provision of services on application software project developer and product research | 1,409 (2009: 1,409) | 8.8% (2009: 8.8%) | 7,802 | 7,802 |
| | | | | 18,787 | 17,236 |

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.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

10. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(a) Equity securities (continued)

Lot Software Systems International Limited ("Lot Software")

Lot Software is a limited liability company incorporated under the laws of the British Virgin Islands. It focuses on software outsourcing business in Japan and provides services on application software project developer and product research. It has expertise in the provision of a variety of services including consultancy, logistic design and development, finance, manufacturer, management information system and enterprise resource planning areas, as well as powerful capability and experience in system working and framework.

Joyport Holdings Limited ("Joyport")

Joyport is a limited liability company registered in British Virgin Islands. It is engaged in the business of online game development, distribution and operation, and other related business directly or indirectly through its subsidiaries, affiliates and associated companies in the PRC. The company is focused on the Massive Multiplayer Online Role-Playing Games ("MMORPG"), which can support more than 10,000 concurrent players together at the same time.

(b) Investments in limited partnerships

There is no active market for the investment as the interest in the limited partnership is privately held. The fair values of these investments are determined firstly by reference to the investment considerations, which were negotiated at arm's length between the directors and the general partner. In addition, the directors have been apprised with the development of the limited partnership, of its future growth potential, and the prospective growth of the value of the investment in the limited partnership. 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 2010.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

10. AVAILABLE-FOR-SALE INVESTMENTS (continued)

(b) Investments in limited partnerships (continued)

Particulars of the limited partnership are as follows:

| Name of limited partnerships | Nature of Business | Percentage of interest held (%) | 2010 Cost less impairment HK\$'000 | 2009 Cost less impairment HK\$'000 |
|---------------------------------------|---|---------------------------------|--|--|
| CMHJ Technology Fund II, L.P ("CMHJ") | Investing in equity securities of privately held companies in the technologies enabled services and products industries | 3.1% (2009: 2.8%) | 9,360 | 7,020 |
| LCF Macau Co-Investors., L.P. ("LCF") | Investing in real estate in Macau | 1.9% (2009: 1.9%) | 11,696 | 11,696 |
| | | | 21,056 | 18,716 |

A brief description of the business information of the limited partnerships is as follows:

CMHJ TECHNOLOGY FUND II, L.P ("CMHJ")

CMHJ is a limited partnership registered pursuant to the Exempted Limited Partnership Law of the Cayman Islands on 28 September 2005 as an exempted limited partnership. The principal activity of CMHJ is to make venture capital investments, principally by investing in and holding equity and equity-oriented securities of privately held early stage to pre-IPO companies in the technology-enabled services and products industries with markets and/or operations in Mainland China.

LCF MACAU CO-INVESTORS, L.P ("LCF")

LCF is a limited partnership organised pursuant to the provisions of the Partnership Act 1996 of the British Virgin Islands. LCF is primary to invest in real estates in Macau and to realise capital appreciation from the sales of the properties.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Equity securities listed in Hong Kong, at fair value (note (a)) | 13,815 | 8,973 |
| Investment in straight bond, at fair value (note (b)) | 845 | — |
| | 14,660 | 8,973 |

- (a) Equity securities listed in Hong Kong, at fair value
Particulars of the equity securities are as follows:

At 31 March 2010

| Name of invested company | Place of incorporation | Number of shares | Percentage of interest held (%) | Cost HK\$'000 | Market value HK\$'000 | Unrealised gain/(loss) arising on revaluation HK\$'000 |
|---|--------------------------------------|---------------------|---------------------------------------|------------------|-----------------------------|--|
| HSBC Holdings plc | England | 7,120 | Less than 0.1% | 545 | 563 | 18 |
| China Everbright Ltd | Hong Kong | 100,000 | Less than 0.1% | 1,204 | 2,080 | 876 |
| China Petroleum & Chemical Corporation | The People's Republic of China | 170,000 | Less than 0.1% | 1,040 | 1,081 | 41 |
| Xinhua A50 China Index ETF | Hong Kong | 260,000 | Less than 0.1% | 2,756 | 3,572 | 816 |
| China Life Insurance Co. Ltd | The People's Republic of China | 33,000 | Less than 0.1% | 1,174 | 1,228 | 54 |
| Far East Global Group Limited | Cayman Islands | 1,000,000 | Less than 0.1% | 1,193 | 1,220 | 27 |
| China Construction Bank Corporation | The People's Republic of China | 200,000 | Less than 0.1% | 1,186 | 1,272 | 86 |
| China Mobile Limited | Hong Kong | 15,000 | Less than 0.1% | 1,099 | 1,121 | 22 |
| China Shenhua Energy Co. Ltd | The People's Republic of China | 50,000 | Less than 0.1% | 1,440 | 1,678 | 238 |
| | | | | 11,637 | 13,815 | 2,178 |



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

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

(a) Equity securities listed in Hong Kong, at fair value *(continued)*

At 31 March 2009

| Name of invested company | Place of incorporation | Number of shares | Percentage of interest held (%) | Cost HK\$'000 | Market value HK\$'000 | Unrealised gain/(loss) arising on revaluation HK\$'000 |
|--|--------------------------------------|---------------------|---------------------------------------|------------------|-----------------------------|--|
| HSBC Holdings plc | England | 1,014 | Less than 0.1% | 128 | 43 | (85) |
| China Merchants China Direct Investments Ltd | Hong Kong | 150,000 | Less than 0.1% | 4,335 | 1,365 | (2,970) |
| China Everbright Ltd | Hong Kong | 150,000 | Less than 0.1% | 1,720 | 1,806 | 86 |
| Datang International Power Generation Co Ltd | The People's Republic of China | 102,000 | Less than 0.1% | 421 | 348 | (73) |
| China CITIC Bank Corporation | The People's Republic of China | 400,000 | Less than 0.1% | 1,644 | 1,172 | (472) |
| China Medical and Bio Science Ltd | Cayman Islands | 1,500,000 | Less than 0.1% | 192 | – | (192) |
| Xinhua A50 China Index ETF | Hong Kong | 300,000 | Less than 0.1% | 5,152 | 3,180 | (1,972) |
| Qin Jia Yuan Media Services Co Ltd | Cayman Islands | 433,400 | Less than 0.1% | 1,713 | 529 | (1,184) |
| HSBC Hold RTS | Hong Kong | 423 | Less than 0.1% | – | 6 | 6 |
| China Petroleum & Chemical Corporation | The People's Republic of China | 50,000 | Less than 0.1% | 226 | 248 | 22 |
| Zijin Mining Group Co. Ltd | The People's Republic of China | 70,000 | Less than 0.1% | 291 | 276 | (15) |
| | | | | 15,822 | 8,973 | (6,849) |

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

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

- (a) Equity securities listed in Hong Kong, at fair value (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 2009 was approximately US\$5,834,000,000. As at 31 December 2009, the net asset value of HSBC was approximately US\$128,299,000,000.

During the year, the Company received total dividend equivalents to HK\$6,521 from HSBC Holding plc.

China Construction Bank Corporation ("CCB")

CCB is primarily engaged in investing in providing a comprehensive range of commercial banking products and services.

The profit attributable to shareholders of CCB for the year ended 31 December 2009 was approximately RMB106,756,000,000. As at 31 December 2009, the net asset value of CCB was approximately RMB555,475,000,000.

During the year, the Company did not receive any dividend from CCB.

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 2009 was approximately HK\$4,757,641,000. As at 31 December 2009, the net asset value of China EB was approximately HK\$20,985,177,000.

During the year, the Company received cash dividend of HK\$44,250 from China EB.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

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

- (a) Equity securities listed in Hong Kong, at fair value *(continued)*

China Life Insurance Company Limited ("China Life")

China Life is primarily engaged in providing life annuities, accident and health insurance products in China.

The profit attributable to shareholders of China Life for the year ended 31 December 2009 was approximately RMB\$32,881,000,000. As at 31 December 2009, the net asset value of China Life was approximately RMB\$211,072,000,000.

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

China Mobile Limited ("China Mobile")

China Mobile is primarily engaged in provision of mobile communications and related services in PRC.

The profit attributable to shareholders of China Mobile for the year ended 31 December 2009 was approximately RMB\$115,166,000,000. As at 31 December 2009, the net asset value of China Mobile was approximately RMB\$506,748,000,000.

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

China Shenhua Energy Company Limited ("China Shenhua")

China Shenhua is primarily engaged in production and sales of coal, generation and sales of power and the provision of transportation services in PRC.

The profit attributable to shareholders of China Shenhua for the year ended 31 December 2009 was approximately RMB\$31,706,000,000. As at 31 December 2009, the net asset value of China Shenhua was approximately RMB\$170,661,000,000.

During the year, the Company received cash dividend of HK\$4,628 from China Shenhua.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

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

- (a) Equity securities listed in Hong Kong, at fair value (continued)

Far East Global Group Limited ("Far East Global")

Far East Global is primarily engaged in providing one-stop building façade solutions for high-end property development projects.

The profit attributable to shareholders of Far East Global for the year ended 31 December 2009 was approximately HK\$74,287,799. As at 31 December 2009, the net asset value of Far East Global was approximately HK\$338,154,928.

During the year, the Company did not receive any dividends from Far East Global.

China Petroleum & Chemical Corporation ("Sinopec")

Sinopec is primarily engaged in oil and gas and chemical operations in the People's Republic of China.

The profit attributable to shareholders of Sinopec for the year ended 31 December 2009 was approximately RMB61,760,000,000. As at 31 December 2009, the net asset value of Sinopec was approximate RMB375,661,000,000.

During the year, the Company received cash dividend of HK\$25,134.05 from Sinopec.

iShares FTSE/Xinhua A50 China Index ETF ("Xinhua A50")

Xinhua A50 is primarily invest in access products linked to the Chinese A-Share market.

The profit attributable to unitholders of Xinhua A50 for the year ended 31 December 2009 was approximately HK\$22,456,313,939. As at 31 December 2009, the net asset value of Xinhua A50 was approximately HK\$47,260,329,681.

During the year, the Company received cash dividend of HK\$33,000 from Xinhua A50.

- (b) Investment in straight bond

The effective interest rate on straight bonds is 7% per annum and mature until 3 May 2011.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

12. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--------------------------------|------------------|------------------|
| Deposits and other receivables | 312 | 302 |
| Prepayments | 182 | 184 |
| | 494 | 486 |

The carrying amounts of deposits and other receivables approximate their fair values as at 31 March 2010 and 2009. The Company does not hold any collateral over these balances.

The other classes within deposits and other receivables do not contain impaired assets.

The carrying amounts of the Company's deposits and other receivables are denominated in the Hong Kong dollars.

13. CASH AND CASH EQUIVALENTS

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---------------------------------|------------------|------------------|
| Cash and bank balances | 3,350 | 5,663 |
| Short-term bank deposits | – | 3,005 |
| | 3,350 | 8,668 |
| Maximum exposure to credit risk | 3,350 | 8,668 |

The effective interest rate of the short-term deposits of the Company with original maturities within three months at 31 March 2009 was 0.15% per annum.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|-----------------------|------------------|------------------|
| Hong Kong dollars | 3,321 | 8,186 |
| United States dollars | 29 | 482 |
| | 3,350 | 8,668 |

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

14. OTHER PAYABLES AND ACCRUALS

| | 2010 HK\$'000 | 2009 HK\$'000 |
|-----------------------------|------------------|------------------|
| Other payables and accruals | 2,396 | 158 |

The carrying amounts of other payables and accruals approximate their fair values as at 31 March 2010 and 2009 and are denominated in Hong Kong dollars.

15. SHARE CAPITAL

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|------------------|------------------|
| Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each | 100,000 | 100,000 |
| Issue and fully paid: 172,800,000 ordinary shares of HK\$0.10 each | 17,280 | 17,280 |

16. RESERVES

| | Share premium HK\$'000 | (Accumulated losses)/ retained profits HK\$'000 | Total HK\$'000 |
|-----------------------------|------------------------------|---|-------------------|
| At 1 April 2008 | 37,786 | 17,651 | 55,437 |
| Total comprehensive income | | | |
| Net loss for the year | – | (18,796) | (18,796) |
| At 31 March 2009 | 37,786 | (1,145) | 36,641 |
| Total comprehensive income | | | |
| Net profit for the year | – | 3,758 | 3,758 |
| Dividend proposed (note 20) | – | (1,728) | (1,728) |
| At 31 March 2010 | 37,786 | 885 | 38,671 |

(i) Share premium reserve

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

17. CAPITAL MANAGEMENT

The Company's primary objective when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company actively reviews and manages its capital structure in the light of changes in economic conditions so as to maintain a sound capital position. Total capital is defined as shareholders' funds in the statement of financial position.

The Company is not subjected to internally or externally imposed capital requirements.

18. COMMITMENTS

(a) Operating lease commitments

At 31 March 2010, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|------------------------------------|------------------|------------------|
| Not later than one year | 577 | 1,073 |
| In second to fifth years inclusive | – | 577 |
| | 577 | 1,650 |

(b) Capital commitments

The Company's capital commitments at the reporting period end are as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Contracted but not provided for | | |
| Capital contributed to a limited partnership | 6,240 | 8,580 |

19. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK\$55,951,000 at 31 March 2010 (2009: HK\$53,921,000) and the 172,800,000 ordinary shares in issue as at 31 March 2010 (2009: 172,800,000 ordinary shares)

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

20. DIVIDENDS

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Proposed final dividend | | |
| HK\$0.01 per share on 172,800,000 shares (2009: Nil) | 1,728 | — |
| | 1,728 | — |

The Directors have declared the payment of a final dividend of HK0.01 (2009: Nil) per ordinary share, amounting to a total dividend of HK\$1,728,000 (2009: HK\$Nil). Pursuant to a resolution by the Board on 25 June 2010, the payment of the dividend was proposed to be approved at the Annual General Meeting.

21. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the net profit attributable to the shareholders for the year ended 31 March 2010 of HK\$3,758,000 (2009: a net loss of HK\$18,796,000) and the weighted average of 172,800,000 ordinary shares in issue during the year ended 31 March 2010 (2009: weighted average of 172,800,000 ordinary shares in issue). The Company has no potential dilutive ordinary shares that were outstanding during the year.

22. RELATED PARTY TRANSACTIONS

During the year, saved for those parties referred to the connected transactions in the report of the Directors, the Company traded listed securities through a securities account maintained with a related Company, Grand Investment (Securities) Limited ("GIS"), in which the Directors, Mr. Lee Woo Sing, Mr. Lee Tak Lun (resigned on 1 June 2009), and Ms. Chung Wing Han, Wendy (resigned on 1 June 2009) have beneficial interests.

Details of related party transactions as below:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Investment manager fee paid to a related company | 168 | 288 |

GIS is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the Transactions also constitute continuing connected transactions for the Company. During the year, the aggregate monetary amount transacted under the Transactions did not exceed the de-minimis threshold under Rule 14A.33 of the Listing Rules. So, the Transactions were exempted from the disclosure and the shareholders' approval requirements under Chapter 14A of the Listing Rules.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

23. SHARE OPTION SCHEME

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 percent 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 percent of the Shares in issue ("General Scheme Limit").
 - (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 percent 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.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

23. SHARE OPTION SCHEME *(continued)*

(i) Maximum number of the shares *(continued)*

(d) *(continued)*

(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 percent 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.

(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 (a) 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; (b) 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 (c) the nominal value of the Shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

23. SHARE OPTION SCHEME *(continued)*

(i) Maximum number of the shares *(continued)*

(d) *(continued)*

(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 of 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.

(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.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

24. FINANCIAL INSTRUMENT BY CATEGORY

Financial assets as at 31 March 2010

| | Financial assets at fair value through profit or loss HK\$'000 | Loans and receivables HK\$'000 | Available- for-sale financial assets HK\$'000 | Total HK\$'000 |
|--------------------------------|--|--------------------------------------|---|-------------------|
| Unlisted equity investments | – | – | 39,843 | 39,843 |
| Listed equity investments | 14,660 | – | – | 14,660 |
| Deposits and other receivables | – | 312 | – | 312 |
| Cash and cash equivalents | – | 3,350 | – | 3,350 |
| | 14,660 | 3,662 | 39,843 | 58,165 |

Financial assets as at 31 March 2009

| | Financial assets at fair value through profit or loss HK\$'000 | Loans and receivables HK\$'000 | Available- for-sale financial assets HK\$'000 | Total HK\$'000 |
|--------------------------------|--|--------------------------------------|---|-------------------|
| Unlisted equity investments | – | – | 35,952 | 35,952 |
| Listed equity investments | 8,973 | – | – | 8,973 |
| Deposits and other receivables | – | 302 | – | 302 |
| Cash and cash equivalents | – | 8,668 | – | 8,668 |
| | 8,973 | 8,970 | 35,952 | 53,895 |

Financial liabilities as at 31 March 2010

| | Financial liabilities at amortised cost HK\$'000 |
|-----------------------------|---|
| Other payables and accruals | 2,396 |



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

24. FINANCIAL INSTRUMENT BY CATEGORY (continued)

Financial liabilities as at 31 March 2009

| | Financial liabilities at amortised cost HK\$'000 |
|-----------------------------|--|
| Other payables and accruals | 158 |

25. FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments are credit risks, liquidity risk, foreign exchange risks, equity 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 used some 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

The credit risk of the Company's other financial assets, which comprise cash and cash equivalents, available-for-sale financial asset and financial asset at fair value through profit or loss arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments in listed securities is limited because the counterparty is a well-established securities broker firm in Hong Kong.

The Company has no significant concentration of credit risk.

In order to minimise the credit risk, the management of the Company reviews the recoverable amount of each individual debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Company's credit risk is significantly reduced.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

25. FINANCIAL RISK MANAGEMENT (continued)

(ii) Foreign exchange risk

Foreign exchange risk arises when commercial transactions, assets or liabilities are denominated in a currency that is not the functional currency of the Company. The Company operates mainly in Hong Kong and is exposed to foreign currency exchange rate risk arising from various foreign currency exposures, primarily with respect to United States dollars and Renminbi.

The directors of the opinion that the Hong Kong dollars are reasonably stable with the United States dollars under the Linked Exchange Rate System, and accordingly, no sensitivity analysis of United States dollars with respect to Hong Kong dollars is performed.

(iii) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash and bank deposits to meet liquidity requirements in the short and longer term.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | 2010 HK\$'000 | 2009 HK\$'000 |
|-------------------------------|------------------|------------------|
| Less than one year | | |
| – Other payables and accruals | 2,396 | 158 |

(iv) Equity price risk

Equity price risk is the risk that the fair values of equity securities decreases as a result of changes in the levels of equity indices and the value of individual securities. The Company is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 11) as at 31 March 2010. The Company's listed investments are listed on the Hong Kong Stock Exchange, and are valued at quoted market price as of end of the reporting period.



Notes To The Financial Statements

(For The Year Ended 31 March 2010)

25. FINANCIAL RISK MANAGEMENT (continued)

(iv) Equity price risk (continued)

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the reporting period end, and their respective highest and lowest points during the year were as follows:

| | 31 March 2010 | High/low 2010 | 31 March 2009 | High/low 2009 |
|-----------------------------|--------------------------|---------------------------|------------------|-------------------|
| Hong Kong – Hang Seng Index | 21,239 | 22,943/ 13,519 | 13,576 | 26,262/ 11,015 |

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the reporting period end.

| | Carrying amount of equity investment HK\$'000 | Increase/ decrease in equity HK\$'000 |
|---|--|--|
| 2010 | | |
| Investment listed in: | | |
| Hong Kong – Fair value through profit or loss | 14,660 | 733 |
| 2009 | | |
| Investment listed in: | | |
| Hong Kong – Fair value through profit or loss | 8,973 | 449 |

26. FAIR VALUES

The fair values of cash and cash equivalents, trade and other receivables, available-for-sale financial assets (unlisted equity investments) and trade and other payables are not materially different from their carrying amounts. Given these terms, it is not meaningful to disclose the fair value of such balances.

Notes To The Financial Statements

(For The Year Ended 31 March 2010)

26. FAIR VALUES (continued)

The following table presents the carrying amounts of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data

| | | Level 1 | Level 2 | Level 3 | Total |
|---------------------------|-------|----------|----------|----------|----------|
| | Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Investments at fair value | | | | | |
| through profit or loss | 11 | 14,660 | – | – | 14,660 |

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of Directors on 25 June 2010.



Financial Summary

FOR THE YEAR ENDED 31 MARCH 2010

| | 2010 HK'000 | 2009 HK'000 | 2008 HK'000 | 2007 HK'000 | 2006 HK'000 |
|--|-----------------|----------------|----------------|----------------|----------------|
| RESULTS | | | | | |
| Gain/(loss) on investments | 6,133 | (15,703) | 10,593 | 21,740 | 6,086 |
| Profit/(loss) before taxation | 2,380 | (18,821) | 7,496 | 17,781 | 4,178 |
| Taxation | 1,378 | 25 | (1,403) | (2,850) | (503) |
| Profit/(Loss) attributable to shareholders | 3,758 | (18,796) | 6,093 | 14,931 | 3,675 |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 58,347 | 54,079 | 76,326 | 78,573 | 59,546 |
| Total liabilities | (2,396) | (158) | (3,609) | (4,605) | (509) |
| Shareholders' funds | 55,951 | 53,921 | 72,717 | 73,968 | 59,037 |
| NET ASSET VALUE PER SHARE | HK\$0.32 | HK\$0.31 | HK\$0.42 | HK\$0.86 | HK\$0.98 |