



大唐投資國際有限公司\*

GRAND INVESTMENT INTERNATIONAL LTD.

(incorporated in Bermuda with limited liability)

Stock Code: 1160

Positioned for  
Growth

2011-12

Annual Report



BEIJING



HONG KONG



MACAU



TIANJIN



SHANGHAI

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# Corporate Information

## BOARD OF DIRECTORS

### 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

## COMPANY SECRETARY

Ms. Chung Wing Han, Wendy

## AUDIT COMMITTEE

Mr. Lu Fan  
Dr. Zhang Hongru  
Dr. Zhou Yunxia

## INVESTMENT MANAGER

Grand Investment (Securities) Limited  
1/F–3/F,  
Nos. 269–277 Queen's Road Central  
Hong Kong

## CUSTODIAN

DBS Bank Ltd., Hong Kong Branch  
18th Floor, The Center,  
99 Queen's Road Central  
Hong Kong

## AUDITORS

East Asia Sentinel Limited  
22nd 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 A, 2nd Floor,  
Nos. 269–277 Queen's Road Central  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
12th Floor, The Lee Gardens,  
33 Hysan Avenue,  
Causeway Bay, 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 look back to 2011, the market sustained throughout a year of volatility and instability. For most of the remaining year starting from the second quarter of 2011 when our company's financial year began, we started to see corrections in the equities market, which continued throughout the summer and autumn. The risk-on and risk-off is driven by near default risk of Greece as well as the Europe zone's inability to contain and manage market expectation from the crisis. Fortunately, positive economic data from the US and China's required reserved ratio cut boosted the investor sentiment; the market was able to recover towards the end of 2011 and the beginning of 2012.

As we go further to 2012, the market has hinged on a period of sensitivity with election in various countries in Europe including France, Holland and Greece as well as transition of power in Asia including China, Hong Kong, Taiwan and Korea. Euro-debt crisis remains one of the catalysts dictating the direction of the market and any signs of increasing bond yield in European countries will drive equities market to a downward direction.

We will see both negative and positive news being digested by investors. Any significant events in Europe will likely emerge after September. Meanwhile economic data from the US will drive the sentiment of the markets. While Chairman Ben Bernanke of the Federal Open Market Committee has reiterated to maintain the interest rate at near zero through the end of 2014, the market continues to hope for a third round of quantitative easing (QE3). The likelihood of further quantitative easing is subject to the economic situation in the coming months. With the expected transition of power in China in November, we believe that there is little left to do by the incumbent government in terms of public policy in China.

Finally, I would like to express my gratitude to the committee members and Investment Manager for their unwavering commitment and to the shareholders for their continuous support. We strive to make the best of our shareholders' value in the coming year.

**Lee Woo Sing**  
*Chairman*

Hong Kong, 22 June 2012

# Management Discussion and Analysis

## OPERATING RESULTS

The Euro debt crisis along with mild US recovery and slower growth in China has attributed to the overall negative economic outlook. It has made our portfolio companies exit much more challenging which resulted in lower revenue in the Year. During the year ended 31 March 2012 (“Year”), the Company recorded a loss of approximately HK\$1,648,000 (2011: a loss of HK\$1,182,000). For the year ended 31 March 2012, the Company recorded approximately HK\$250,000 (2011: HK\$44,000) in turnover, comprising realized gain of approximately HK\$280,000 (2011: HK\$701,000) and net unrealized loss of the listed securities and investments portfolio of approximately HK\$1,253,000 (2011: HK\$915,000) and recorded a distribution income from unlisted partnership of approximately HK\$1,222,000 (2011: HK\$2,394,000) in other revenues.

## PROSPECTS

The economic condition of China plays a vital role in Hong Kong, its market and economy. While the fear of China hard landing has reduced, global investors remain sensitive to any negative news from Europe and signs of economic slowdown in China. China’s GDP growth during the first quarter of 2012 has dropped to 8.1% compared with a year ago, down markedly from 8.9% in the fourth quarter of 2011. New-loan amounts in April and May 2012 were down to RMB681 billion and RMB750 billion respectively, comparing with RMB1.01 trillion in March 2012, indicating a possibility that China will loosen monetary policy to combat further slow down. Trading volume in Hong Kong equities had shrunk dramatically since the beginning of 2012, the gains of 15.86% on A shares and 17.6% on Hang Seng Index had since been reduced to 9% and -1.3% respectively as of 1 June.

While China reiterated support for the economy, it announced that it would not implement a stimulus package closed to the amount of RMB4 trillion as it had during the 2008 financial crisis. Having said that, recent data indicated that Chinese consumption contributed 76% to the first-quarter growth, up from 52% in 2011, and an average of 42% in the last decade. The contribution of investment is also decreased down to 33% from 54% in 2011, which shows that the government attempts to be less reliant on investment and allows domestic consumption to play a greater role in supporting the economy. Even resuming investment on infrastructure, railway and low income housing, China is gradually shifting to a more sustainable growth model. While the uncertainty global economic outlook has made our role more challenging, we are doing our best to manage our existing portfolio companies to find appropriate exits and returns. Last but not least, our objective is to seek a balance of risk and return on behalf of our shareholders.

## DIVIDENDS

The directors of the Company (“Directors”) do not recommend the payment of a dividend for the year ended 31 March 2012 (2011: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2012, the Company had bank balances of approximately HK\$2,284,000 (2011: HK\$4,982,000).

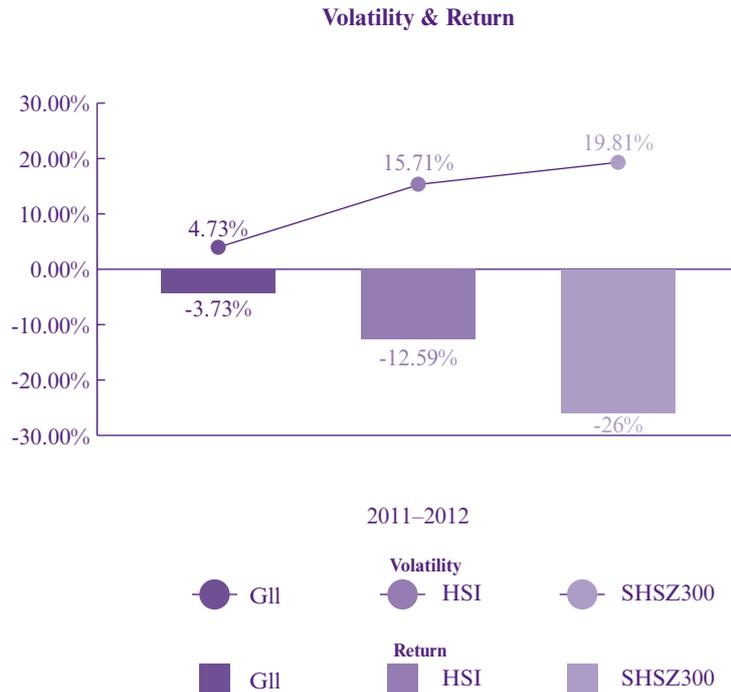
The Board concludes that the Company has sufficient financial resources to satisfy its immediate investment and working capital requirements. There was no long term borrowing and calculation of gearing ratio was not applicable (2011: N/A).

The Company had net assets of approximately HK\$53,121,000 (2011: HK\$54,769,000).

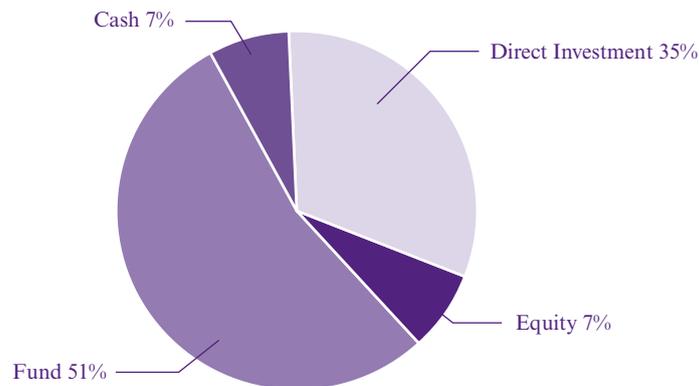
# Management Discussion and Analysis

## PORTFOLIOS

### 1. Equities Performance



### 2. Investment Portfolio



## 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 2012, there were no charges on the Company's assets or any significant contingent liabilities (2011: Nil).

# Management Discussion and Analysis

## CAPITAL EXPENDITURES AND COMMITMENTS

The Company did not have any capital commitments as at 31 March 2012 (2011: capital commitment of HK\$3,906,000 in respect of capital contribution to a limited partnership).

## CAPITAL STRUCTURE

As at 31 March 2012, the total number of ordinary shares of HK\$0.10 each in the Company (“Shares”) in issue was 172,800,000.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2012, the Company had 7 employees (2011: 7), including the executive, non-executive and independent non-executive Directors and staff. Total staff cost for the Year was HK\$1,053,000 (2011: HK\$949,000). 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, 22 June 2012

# 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 15 of this Annual Report. All INEDs of the Company have complied with the provisions set out in Rule 3.13 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) 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 an executive Director. Save as the above, there is no relationship, including financial, business, family or other material relationships, among the 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 the responsibilities to deal with day-to-day operations and review those arrangements on a periodic basis to the executive Directors. Every Director is kept informed of his or her 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, among others, making disclosure of personal interest, change in personal particulars and 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 the Board considers necessary. Sufficient notice has been served to all Directors before all 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 the Directors for review and comment. The Company Secretary is responsible for taking and keeping 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 the Directors and/or dissenting views expressed. The meeting minutes are circulated to the 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 or she 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 2012, a total of two meetings of the Board were held.

The following is the attendance record of the meetings:

| Name of Director                           | No. of meetings<br>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                            | 2/2                              | 100%            |
| <i>Independent Non-executive Directors</i> |                                  |                 |
| Mr Lu Fan                                  | 2/2                              | 100%            |
| Dr Zhang Hongru                            | 2/2                              | 100%            |
| Dr Zhou Yunxia                             | 2/2                              | 100%            |

## 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.1.1 and A.4.1 which are explained below:

Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, only two meetings were held by the Board. Given that the Company is an investment company in nature, the majority of its business would invariably involve identifying, reviewing and evaluating investment and divestment opportunities with the assistance and advice of the investment manager of the Company in accordance with the investment objective and policies formulated by the Company and timing is crucial in the execution of investment and divestment decisions. The Board considered it appropriate to delegate the responsibility to the investment committee formed by the Board to recommend and manage the Company’s investment portfolio with the assistance of its investment manager. Frequent meetings were held by the investment committee of the Board (see page 13 of this report) during the Year. The status of investment portfolio was reported to the Board from time to time and each member of the Board is encouraged to communicate his/her views or participate in any meetings of the investment committee in person or through other electronic means of communication if he or she so wishes. The Board considers that this arrangement could improve operational efficiencies and is beneficial to the development of the business of the Company.

# Corporate Governance Report

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 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 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.

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.

## **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, they 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.

# Corporate Governance Report

## 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 INEDs. 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 Year. The following is the attendance record of the meetings held by the Audit Committee for the Year:

| Name of committee members     | No. of meetings<br>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%            |

The work performed by the Audit Committee during the Year 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.

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 2012 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 of the Company ("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.

# Corporate Governance Report

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 Auditors was as below:

| Nature of services      | HK\$'000 |
|-------------------------|----------|
| Audit services          | 160      |
| Other advisory services | —        |

The Audit Committee has been provided with sufficient resources to discharge its responsibilities. The Company will provide the terms of reference of the Audit Committee and explain its role and the authority delegated to it by the Board upon request. Such terms of reference have also been made available on the websites of the Stock Exchange and the Company.

## REMUNERATION COMMITTEE

The Company has set up with written terms of reference a Remuneration Committee whose members are Mr. Lu Fan, Dr. Zhang Hongru and Dr. Zhou Yunxia, all being INEDs. 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.

The Remuneration Committee held 2 meetings in the Year. The following is the attendance record of the meetings held by the Remuneration Committee for the Year:

| Name of committee members     | No. of meetings<br>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, the Remuneration Committee has, amongst other 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 matters of appointment, retirement and re-election of the Directors.

The Company will provide the terms of reference of the Remuneration Committee and explain its role and the authority delegated to it by the Board upon request. Such terms of reference have also been made available on the websites of the Stock Exchange and the Company.

# Corporate Governance Report

## 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 out 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.

The Nomination Committee held 1 meeting in the Year. The following is the attendance record of the meeting held by the Nomination Committee for the Year:

| Name of committee members            | No. of meeting(s) | Attendance rate |
|--------------------------------------|-------------------|-----------------|
|                                      | attended/held     |                 |
| Dr Huang Zhijian ( <i>Chairman</i> ) | 1/1               | 100%            |
| Mr Lu Fan                            | 1/1               | 100%            |
| Dr Zhou Yunxia                       | 1/1               | 100%            |

The Company will provide the terms of reference of the Nomination Committee and explain its role and the authority delegated to it by the Board upon request. Such terms of reference have also been made available on the websites of the Stock Exchange and the Company.

## 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 the 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.

## DIRECTORS’ AND AUDITORS’ ACKNOWLEDGEMENT

The Audit Committee and the Board have reviewed the Company’s financial statements for the Year. 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 22 to 23 of this Report.

## INTERNAL CONTROL

The Company exercises individual accountability, follows protocol and procedures, monitors investment progress, provides transparency and reviews risk assessment. This internal guideline serves as the reference for each Director. Decisions are made through majority vote of the Board. 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.

# Corporate Governance Report

## INVESTMENT COMMITTEE

On investment subjects, the investment committee (“Investment Committee”) of our Company is responsible for assisting the Board to recommend and manage the Company’s investment portfolio with the assistance and advice of the investment manager of the Company and making routine decisions. Corporate decisions are made collectively by the Board including the INEDs. The following is the attendance record of the meetings held by the Investment Committee during the Year.

| Name of committee members  | No. of meetings<br>attended/held | Attendance rate |
|--|----------------------------------|-----------------|
| Mr Lee Tak Lun   | 25/25                            | 100%            |
| Ms Lee Wai Tsang, Rosa ( <i>Chairman and an executive Director</i> ) | 25/25                            | 100%            |
| Ms Chung Wing Han, Wendy   | 25/25                            | 100%            |
| Dr Huang Zhijian ( <i>an executive Director</i> )                    | 25/25                            | 100%            |

## Biographical Details of Directors

### EXECUTIVE DIRECTORS

#### Ms. Lee Wai Tsang, Rosa

Ms. Lee Wai Tsang, Rosa, aged 34, 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 holds 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 and asset management under the SFO. Ms. Lee is a director of Grand Finance Group Company Limited ("GFG"), several of its subsidiaries and a director of Tianjin Yishang Friendship Holdings Co., Ltd. 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 contributed articles to 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 the non-executive Director of the Company.

#### Dr. Huang Zhijian

Dr. Huang Zhijian, aged 66, 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 a lecturer at Tsinghua University during the period from 1984 to 1986. Dr. Huang had held senior executive and managerial positions in various companies since 1986 including China Resources Development and Investment Co., Ltd.. Dr. Huang had served as a non-executive director of China Resources Peoples Telephone Company Limited and an executive director of Cosmos Machinery Enterprises Limited (stock code: 0118) and now serves as an independent non-executive director of Pine Technology Holdings Limited (stock code: 1079).

### NON-EXECUTIVE DIRECTOR

#### Mr. Lee Woo Sing

Mr. Lee Woo Sing, aged 84, has been a non-executive Director and the chairman of the Company since April 2003. Mr. Lee has over 70 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. 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 Honorary Professor of Huazhong University of Science and Technology, Doctor of Social Science, honoris causa, the Chinese University of Hong Kong, 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 2012, 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 56, 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 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 55, is an independent non-executive Director since 13 February 2004. Dr. Zhang is currently the vice general manager of Tianjin Automobile Group, the director of Tianjin FAW XIALI Automobile Co., Ltd. (stock code: 000927), a company listed on the Shenzhen Stock Exchange and the director and general manager of Tianjin China Car Component Industry Park Co. Ltd. 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 33, 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 2012 (the “Year”), which were approved by the board of Directors (the “Board”) on 22 June 2012.

## 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 2012 comprised of gains or loss from investments, interest earned from notes receivable and other sources.

## FINANCIAL RESULTS

The loss and cash flows of the Company for the year ended 31 March 2012 and the state of affairs of the Company as at 31 March 2012 are set out in the financial statements on pages 24 to 27.

## DIVIDENDS

The Directors do not recommend the payment of a dividend for the Year (2011: Nil).

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (“Annual General Meeting”) will be held on 30 July 2012.

## FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Company for the Year is set out on page 56.

## RESERVES

Details of movements in reserves during the Year are set out in the statement of changes in equity set out on page 26.

## TAX RELIEF AND EXEMPTION

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

## SHARE CAPITAL

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

# Report of the Directors

## COMPETING INTERESTS

As at 31 March 2012, 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 in this Report.

## DIRECTORS

The Directors who held office during the Year 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 are 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, Dr. Huang Zhijian and Dr. Zhang Hongru shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

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.

# Report of the Directors

## DIRECTOR'S INTEREST IN SHARES

As at 31 March 2012, 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/<br>Associated corporation | Capacity                                | Number of<br>Shares                             | Approximate<br>percentage<br>of existing<br>shareholding |
|------------------|--|---|---|--|
| Lee Woo Sing     | the Company                                | Interest of a controlled<br>corporation | 1,000,000<br>(long position)<br><i>(Note 5)</i> | 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012, as far as the Directors are aware:

- 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;
- 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<br>substantial<br>shareholder   | Capacity                                | Number of<br>Shares                                    | Approximate<br>percentage<br>of existing<br>shareholding |
|---|---|--|--|
| 1. Optimize Capital Investments Limited<br>("Optimize Capital") <i>(Note 1)</i> | Beneficial owner                        | 14,980,000<br>(long position)<br><i>(Note 1)</i>       | 8.67%  |
| 2. Lee Tak Lun  | Interest of a controlled<br>corporation | 14,980,000<br>(long position)<br><i>(Note 1)</i>       | 8.67%  |
|   | Interest of a controlled<br>corporation | 35,180,000<br>(long position)<br><i>(Notes 2 to 4)</i> | 20.36%   |
|   |   |  | 29.03%   |

# Report of the Directors

| Name of substantial shareholder                | Capacity                             | Number of Shares                                       | Approximate percentage of existing shareholding |
|--|--------------------------------------|--|---|
| 3. Grand Finance Group Company Limited (“GFG”) | Registered and beneficial owner      | 35,180,000<br>(long position)<br><i>(Notes 2 to 4)</i> | 20.36%  |
| 4. Jumbo China Holdings Limited                | Interest of a controlled corporation | 35,180,000<br>(long position)<br><i>(Notes 2 to 4)</i> | 20.36%  |
| 5. Billion Sky Limited                         | Interest of a controlled corporation | 35,180,000<br>(long position)<br><i>(Notes 2 to 4)</i> | 20.36%  |
| 6. Win Key Investments Limited                 | Interest of a controlled corporation | 35,180,000<br>(long position)<br><i>(Notes 2 to 4)</i> | 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 is the son of Mr. Lee Woo Sing. Mr. Lee Woo Sing is a non-executive 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 is 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 or 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 2012.

# 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 December 2010 at the investment management fee of HK\$288,000 per annum.

GIS is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. GIS is wholly-owned by Grand Finance Group Company Limited, a substantial shareholder of the Company. Accordingly, the transactions under the Investment Management Agreement constituted continuing connected transactions for the Company. During the Year, the aggregate amount of investment management fees paid to GIS under the Investment Management Agreement amounted to HK\$288,000 which fell below the de-minimis threshold under Rule 14A.33(3) of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions 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 Management 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 of the Company;
- (ii) the transaction was entered into in accordance with the terms of the Investment Management Agreement; and
- (iii) the total investment manager fee paid by the Company in relation to the Investment Management Agreement do not exceed HK\$288,000.

### Custodian Agreement

The Company appointed DBS Bank Ltd, Limited (“DBS”) as its custodian under a custodian agreement (“Custodian Agreement”) that took effect from 1 December 2010 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 DBS 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, with minimum US\$500 per month, of the aggregate value of the investments (which was expected to be approximately HK\$20,000,000) deposited by the Company with DBS (subject to revision as notified by the DBS 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 DBS.

# Report of the Directors

DBS 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.

During the Year, the aggregate amount of custody fee and other charges paid to DBS amounted to HK\$48,000 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.

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 in force during the Year 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 then in force during the Year, except for the deviations from code provisions A.1.1 and A.4.1 which are explained in the Corporate Governance Report in this Report.

## AUDITORS

East Asia Sentinel Limited, Certified Public Accountants, was 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, 22 June 2012

# Independent Auditors' Report



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

*Certified Public Accountants*

22/F, Tai Yau Building  
181 Johnston Road  
Wanchai, Hong Kong

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### TO THE SHAREHOLDERS OF GRAND INVESTMENT INTERNATIONAL LTD.

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements of the Grand Investment International Ltd. (the "Company") set out on pages 24 to 55, which comprise the statement of financial position as at 31 March 2012, 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 information.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 1981, 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 about whether the financial statements are free from material misstatement.

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

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

# Independent Auditors' Report

## OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2012 and of the Company's loss 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**

**V. Robert Lew**

*Director*

Practising Certificate No. P01355

Hong Kong

Date: 22 June 2012

# Statement of Comprehensive Income

(For the year ended 31 March 2012)

|                                       | <i>NOTE</i> | 2012<br>HK\$'000  | 2011<br>HK\$'000 |
|---------------------------------------|-------------|-------------------|------------------|
| GAIN ON INVESTMENTS                   | 6           | 250               | 44               |
| OTHER REVENUES                        | 6           | 1,226             | 2,394            |
| ADMINISTRATIVE EXPENSES               |             | <b>(3,124)</b>    | (3,620)          |
| LOSS BEFORE TAXATION                  | 7           | <b>(1,648)</b>    | (1,182)          |
| TAXATION                              | 8(a)        | —                 | —                |
| LOSS FOR THE YEAR                     |             | <b>(1,648)</b>    | (1,182)          |
| OTHER COMPREHENSIVE INCOME            |             | —                 | —                |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR |             | <b>(1,648)</b>    | (1,182)          |
| DIVIDENDS                             | 20          | —                 | —                |
| LOSS PER SHARE                        | 21          |                   |                  |
| Basic:                                |             |                   |                  |
| For loss for the year                 |             | <b>(HK\$0.01)</b> | (HK\$0.01)       |
| Diluted:                              |             |                   |                  |
| For loss for the year                 |             | N/A               | N/A              |

The notes on pages 28 to 55 form an integral part of these financial statements.

# Statement of Financial Position

(As of 31 March 2012)

|  | <i>NOTE</i> | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|--|-------------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                        |             |                  |                  |
| Available-for-sale investments                   | <i>10</i>   | 46,078           | 42,177           |
| <b>CURRENT ASSETS</b>                            |             |                  |                  |
| Investments at fair value through profit or loss | <i>11</i>   | 3,733            | 7,454            |
| Deposits, other receivables and prepayments      | <i>12</i>   | 1,197            | 354              |
| Cash and cash equivalents                        | <i>13</i>   | 2,284            | 4,982            |
| <b>TOTAL CURRENT ASSETS</b>                      |             | <b>7,214</b>     | 12,790           |
| <b>CURRENT LIABILITIES</b>                       |             |                  |                  |
| Other payables and accruals                      | <i>14</i>   | 171              | 198              |
| <b>TOTAL CURRENT LIABILITIES</b>                 |             | <b>171</b>       | 198              |
| <b>NET CURRENT ASSETS</b>                        |             | <b>7,043</b>     | 12,592           |
| <b>NET ASSETS</b>                                |             | <b>53,121</b>    | 54,769           |
| <b>EQUITY</b>                                    |             |                  |                  |
| Share capital                                    | <i>15</i>   | 17,280           | 17,280           |
| Reserves   | <i>16</i>   | 35,841           | 37,489           |
| <b>TOTAL EQUITY</b>                              |             | <b>53,121</b>    | 54,769           |
| <b>NET ASSET VALUE PER SHARE</b>                 | <i>19</i>   | <b>HK\$0.31</b>  | HK\$0.32         |

**Lee Wai Tsang, Rosa**

*Director*

**Huang Zhijian**

*Director*

The notes on pages 28 to 55 form an integral part of these financial statements.

# Statement of Changes in Equity

(For the year ended 31 March 2012)

|                                 | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | (Accumulated<br>losses)/<br>Retained<br>profit<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|------------------------------|------------------------------|--|-------------------|
| <b>YEAR ENDED 31 MARCH 2011</b> |                              |                              |  |                   |
| At 1 April 2010                 | 17,280                       | 37,786                       | 885  | 55,951            |
| <b>Total comprehensive loss</b> |                              |                              |  |                   |
| Loss for the year               | —                            | —                            | (1,182)  | (1,182)           |
| At 31 March 2011                | 17,280                       | 37,786                       | (297)  | 54,769            |
| <b>YEAR ENDED 31 MARCH 2012</b> |                              |                              |  |                   |
| At 1 April 2011                 | 17,280                       | 37,786                       | (297)  | 54,769            |
| <b>Total comprehensive loss</b> |                              |                              |  |                   |
| Loss for the year               | —                            | —                            | (1,648)  | (1,648)           |
| At 31 March 2012                | 17,280                       | 37,786                       | (1,945)  | 53,121            |

The notes on pages 28 to 55 form an integral part of these financial statements.

# Statement of Cash Flows

(For the year ended 31 March 2012)

|  | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|--|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |                  |                  |
| Loss before taxation   | (1,648)          | (1,182)          |
| Adjustments for:   |                  |                  |
| Bond interest income received  | (27)             | (54)             |
| Unrealised loss of investments at fair value through profit or loss      | 1,253            | 915              |
| Operating loss before changes in working capital                         | (422)            | (321)            |
| Change in fair value of investments at fair value through profit or loss | (3,901)          | 6,291            |
| Change in fair value of available-for-sale investments                   | 2,469            | (2,334)          |
| (Increase)/decrease in deposits, other receivables and prepayments       | (844)            | 140              |
| (Decrease) in other payables and accruals                                | (27)             | (470)            |
| <b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>            | <b>(2,725)</b>   | <b>3,306</b>     |
| <b>CASH FLOW FROM INVESTING ACTIVITY</b>                                 |                  |                  |
| Bond interest income received  | 27               | 54               |
| <b>NET CASH GENERATED FROM INVESTING ACTIVITY</b>                        | <b>27</b>        | <b>54</b>        |
| <b>CASH FLOW FROM FINANCING ACTIVITY</b>                                 |                  |                  |
| Cash dividends paid  | —                | (1,728)          |
| <b>NET CASH (USED IN) FINANCING ACTIVITY</b>                             | <b>—</b>         | <b>(1,728)</b>   |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>              | <b>(2,698)</b>   | <b>1,632</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>                | <b>4,982</b>     | <b>3,350</b>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>                      | <b>2,284</b>     | <b>4,982</b>     |
| <b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>              |                  |                  |
| Cash and bank balances   | 308              | 2,438            |
| Short-term deposit with original maturity within three months            | 1,976            | 2,544            |
|  | <b>2,284</b>     | <b>4,982</b>     |

The notes on pages 28 to 55 form an integral part of these financial statements.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 1. GENERAL INFORMATION

Grand Investment International Ltd. (“the Company”) is a limited liability company incorporated in Bermuda on 15 April 2003 as an exempted company. 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 A, 2/F, 269–277 Queen’s Road, Central, Hong Kong.

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

## 2. BASIS OF PREPARATION

These financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which is a collective term that includes all applicable individual HKFRS, 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. These financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statement have been prepared under the historical cost convention, except that available-for-sale financial assets and investments at fair value through profit or loss are stated at fair value as explained in the accounting policies set out below.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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.

### (a) Amendments and interpretations to existing standards effective for the Company’s annual financial year beginning on 1 April 2011 and relevant to the Company

Revised HKAS 24 (revised), “Related party disclosures”, issued in November 2009. It supersedes HKAS 24, “Related party disclosures”, issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. This revised standard clarifies and simplifies the definition of a related party. HKAS 24 requires the Company and the parent to disclose any transactions between its subsidiaries and its associates. The adoption of this standard will not have material impact to the Company’s financial statements.

The “Improvements to HKFRSs 2010” comprises 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.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 2. BASIS OF PREPARATION *(continued)*

### (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

Up to the date of issue of these financial statements, the HKICPA have issued a number of new standards, amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2012, and which have not been adopted in preparing these financial statements. These include the following which may be relevant to the Company.

|   | Effective for<br>accounting periods<br>beginning on or after |
|---|--|
| HKAS 12 (Amendments), "Income taxes"                  | 1 January 2012   |
| HKFRS 9 "Financial instruments"                       | 1 January 2013   |
| HKFRS 12 "Disclosures of interests in other entities" | 1 January 2013   |
| HKFRS 13 "Fair value measurement"                     | 1 January 2013   |

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Company has yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company has yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. The Company has yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 2. BASIS OF PREPARATION *(continued)*

### (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted *(continued)*

Except for those as stated below and other presentational changes, the adoption of these new/revised HKFRS is not expected to have significant impact on the results and the financial position of the Company:

- (i) HKFRS 9 may have an effect on the classification and the treatment of fair value changes of existing financial assets; and
- (ii) HKFRS 13 may have an effect on the measurement of fair values of the Company's financial instruments.

## 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 regularly to the Company's chief operating decision-maker for the purpose of allocating resources to, and assessing performance of, various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### (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.

#### (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.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

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

### (c) Financial instruments *(continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. 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 deposits and other receivables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, unless the discounting effect would be immaterial, in which case they are stated at cost. 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.

#### (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) Investments at fair value through profit or loss

Investments 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. Investments 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 income when the Company's right to receive payments is established.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

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

### (d) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each financial year end.

### (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, unless the discounting effect would be immaterial, in which case they are stated at cost. 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.

### (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.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

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

### (h) Income tax *(continued)*

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.

### (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 end of reporting period.

### (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 charged in the statement of comprehensive income on a straight-line basis over the period of the lease.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

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

### (l) Related parties

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

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of the parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### (m) Dividend distribution

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

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 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.

### (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 timespan 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 ON INVESTMENTS AND OTHER REVENUES

The Company's gain on investments and other revenues recognised during the year are as follows:

|   | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|---|------------------|------------------|
| <b>GAIN ON INVESTMENTS</b>  |                  |                  |
| Net unrealised loss on investments at fair value through profit or loss           | (1,253)          | (915)            |
| Net realised gain on disposal on investments at fair value through profit or loss | 280              | 701              |
| Dividend income   | 1,196            | 204              |
| Interest income from bond   | 27               | 54               |
|   | <b>250</b>       | <b>44</b>        |
| <b>OTHER REVENUES</b>   |                  |                  |
| Sundry income   | 4                | —                |
| Distribution income from unlisted partnership                                     | 1,222            | 2,394            |
|   | <b>1,226</b>     | <b>2,394</b>     |
| <b>Total gain on investments and other revenues</b>                               | <b>1,476</b>     | <b>2,438</b>     |

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 7. LOSS BEFORE TAXATION

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

|   | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|---|------------------|------------------|
| Auditors' remuneration                        |                  |                  |
| — Current year                                | 160              | 160              |
| Investment manager fee                        | 288              | 322              |
| Exchange gain, net                            | (1)              | —                |
| Operating lease payments                      | 678              | 1,100            |
| Staff costs (excluding directors' emoluments) | 246              | 166              |

## 8. TAXATION

- (a) No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has no assessable profit derived from its operation in Hong Kong during the year (2011: Nil).
- (b) As at 31 March 2012, the Company had an unrecognised deferred tax asset of approximately HK\$2,866,000 (2011: HK\$2,548,000) which mainly represents the full tax effect of timing differences arising from accumulative tax losses carried forward. This asset has not been recognised in the financial statements as, in the opinion of directors, it is not probable to determine that this asset can be utilised in the foreseeable future. These unused tax losses have no expiry date.
- (c) Reconciliation between tax expenses and accounting loss at applicable tax rate is as follows:

|   | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|---|------------------|------------------|
| Loss before taxation                              | (1,648)          | (1,182)          |
| Tax at the applicable rate of 16.5% (2011: 16.5%) | (272)            | (195)            |
| Tax effect of the tax loss not recognised         | 317              | 238              |
| Tax effect of non-taxable income                  | (45)             | (43)             |
| Total income tax                                  | —                | —                |

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 9. DIRECTORS' EMOLUMENTS

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

|  | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|--|------------------|------------------|
| Other emolument to independent non-executive directors |                  |                  |
| — Directors' fees                                      | 75               | 75               |
| Other emolument to executive directors                 |                  |                  |
| — Salaries and benefits in kind                        | 720              | 690              |
| — Retirement benefit scheme contributions              | 12               | 18               |
|  | <b>807</b>       | <b>783</b>       |

The emoluments of each director, on a named basis, for the year ended 31 March 2012 are set out below:

|  | Directors'<br>fees<br>HK\$'000 | Salaries and<br>benefits<br>in kind<br>HK\$'000 | Retirement<br>benefit<br>scheme<br>contributions<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------------------|---|--|-------------------|
| <i>Executive Directors</i>                 |                                |   |  |                   |
| Lee Wai Tsang, Rosa                        | —                              | 600   | 12   | 612               |
| Huang Zhijian                              | —                              | 120   | —  | 120               |
| <i>Non-executive Director</i>              |                                |   |  |                   |
| Lee Woo Sing                               | —                              | —   | —  | —                 |
| <i>Independent Non-executive Directors</i> |                                |   |  |                   |
| Lu Fan                                     | 25                             | —   | —  | 25                |
| Zhang Hongru                               | 25                             | —   | —  | 25                |
| Zhou Yunxia                                | 25                             | —   | —  | 25                |
|  | <b>75</b>                      | <b>720</b>                                      | <b>12</b>  | <b>807</b>        |

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 9. DIRECTORS' EMOLUMENTS (continued)

### (a) (continued)

The emoluments of each director, on a named basis, for the year ended 31 March 2011 are set out below:

|  | Directors' fees<br>HK\$'000 | Salaries and benefits in kind<br>HK\$'000 | Retirement benefit scheme contributions<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------------|---|---|-------------------|
| <i>Executive Directors</i>                 |                             |   |   |                   |
| Lee Wai Tsang, Rosa                        | —                           | 570                                       | 12  | 582               |
| Huang Zhijian                              | —                           | 120                                       | 6   | 126               |
| <i>Non-executive Director</i>              |                             |   |   |                   |
| Lee Woo Sing                               | —                           | —   | —   | —                 |
| <i>Independent Non-executive Directors</i> |                             |   |   |                   |
| Lu Fan                                     | 25                          | —   | —   | 25                |
| Zhang Hongru                               | 25                          | —   | —   | 25                |
| Zhou Yunxia                                | 25                          | —   | —   | 25                |
|  | 75                          | 690                                       | 18  | 783               |

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 (2011: Nil).

### (b) Five highest paid individuals

Of the five individuals with the highest remuneration in the Company, three (2011: four) were directors of the Company whose emoluments are included in the disclosure in 9(a) above. The emoluments of the remaining two (2011: one) individuals are as follows:

|   | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 236              | 141              |
| Retirement benefit scheme contributions   | 10               | 7                |
|   | 246              | 148              |

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 9. DIRECTORS' EMOLUMENTS (continued)

### (b) Five highest paid individuals (continued)

The number of employee whose remuneration fell within the following bands are as follows:

|                              | Number of employees |      |
|------------------------------|---------------------|------|
|                              | 2012                | 2011 |
| Nil to HK\$500,000           | 2                   | 1    |
| HK\$500,001 to HK\$1,000,000 | —                   | —    |
|                              | 2                   | 1    |

During the year, no share options were granted to any of these directors or the above highest paid individual in respect of their services to the Company.

## 10. AVAILABLE-FOR-SALE INVESTMENTS

|   | 2012     | 2011     |
|---|----------|----------|
|   | HK\$'000 | HK\$'000 |
| Investment securities, at cost:                         |          |          |
| Equity securities, unlisted shares (note (a))           | 18,787   | 18,787   |
| Less: impairment loss                                   | —        | —        |
|   | 18,787   | 18,787   |
| Investments in limited partnerships, at cost (note (b)) | 27,291   | 23,390   |
| Less: impairment loss                                   | —        | —        |
|   | 27,291   | 23,390   |
| Total   | 46,078   | 42,177   |

### (a) Equity securities

The equity securities represent investments in unlisted equity interest in private enterprises in the People's Republic of China.

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 considered 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 2012. There is therefore no revaluation difference to be recognised in these financial statements and no impairment provision is required to be made as at 31 March 2012.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 10. AVAILABLE-FOR-SALE INVESTMENTS (continued)

### (a) Equity securities (continued)

Particulars of the equity securities as at the end of the reporting period are as follows:

| Name of issuer                                      | Nature of Business   | No of share held               | Equity Interest held (%) | 2012 Cost less impairment HK\$'000 | 2011 Cost less impairment HK\$'000 |
|---|--|--------------------------------|--------------------------|------------------------------------|------------------------------------|
| Tianjin Yishang Friendship Holdings Company Limited | Operation of department stores and home retail shops                                 | 8,711,965<br>(2011: 8,711,965) | 3.955%<br>(2011: 3.955%) | 9,434                              | 9,434                              |
| Joyport Holdings Limited                            | Online game development, distribution and operation                                  | 1,231,600<br>(2011: 1,231,600) | 1.48%<br>(2011: 1.48%)   | 1,551                              | 1,551                              |
| Lot Software Systems International Limited          | Provision of services on application software project developer and product research | 1,429<br>(2011: 1,429)         | 8.68%<br>(2011: 8.8%)    | 7,802                              | 7,802                              |
|   |  |                                |                          | <b>18,787</b>                      | <b>18,787</b>                      |

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

#### **Tianjin Yishang Friendship Holdings Company Ltd (“Tianjin Yishang”)**

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

#### **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. Joyport focuses on the Massive Multiplayer Online Role-Playing Games (“MMORPG”), which can support more than 10,000 concurrent players.

#### **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 China. It 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.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 10. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

### (b) Investments in limited partnerships

There is no active market for the investments 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 general partners and the third parties. In addition, the directors have considered the development of the limited partnerships, of its future growth potential, and the prospective growth of the value of the investments. 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 2012.

Particulars of the limited partnerships are as follows:

| Name of limited partnerships           | Nature of Business  | Percentage of interest held (%) | 2012 Cost less impairment HK\$'000 | 2011 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 | 2.8%<br>(2011: 2.8%)            | 15,595                             | 11,694                             |
| Project Carmel L.P. ("Project Carmel") | Investing in real estate in Macau   | 1.94%<br>(2011: 1.94%)          | 11,696                             | 11,696                             |
|  |   |                                 | 27,291                             | 23,390                             |

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. 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.

#### PROJECT CARMEL L.P. (Formerly known as LCF MACAU CO-INVESTORS, L.P) ("Project Carmel")

LCF Macau Co-Investors, L.P. has changed its name to Project Carmel L.P. with effects from 13 March 2012. Project Carmel is a limited partnership organised pursuant to the provisions of the Partnership Act 1996 of the British Virgin Islands. Project Carmel is primary to invest in real estate in Macau and to realise capital appreciation from the sales of the properties.

The principal asset held by Project Carmel as at 31 December 2012 was a 4.61% (2011: 4.61%) equity interest in Baia da Nossa Senhora da Esperanca Real Estate Development Company Limited ("Baia da Nossa"), a limited liability company incorporated in Macau, which has an interest in a piece of land situated at Fabrica de Panchões Iec, Macau. As at the end of reporting period, the title of the land has not been transferred to Baia da Nossa as the governmental approvals have not been sought to progress the projects on original planned schedule.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|--|------------------|------------------|
| Equity securities listed in Hong Kong, at fair value ( <i>note (a)</i> ) | 3,733            | 6,609            |
| Investment in straight bond, at fair value ( <i>note (b)</i> )           | —                | 845              |
|  | <b>3,733</b>     | <b>7,454</b>     |

At the end of the reporting period, the Company's investment in listed securities designated as investments at fair value through profit or loss with fair value amounting to HK\$558,400 (2011: HK\$2,030,500) were pledged as collateral to a related company, Grand Investment (Securities) Limited ("GIS"), to obtain margin facility for the Company of which the Company did not utilise at the end of the reporting period.

At the date of approval of these financial statements, the aggregate market value of the listed equity securities held by the Company as at 31 March 2012 was approximately HK\$3,525,150.

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

Particulars of the equity securities are as follows:

At 31 March 2012

| Name of invested company             | Place of incorporation         | Number of shares | Percentage of interest held (%) | Cost         | Market value | Unrealised gain/(loss) arising on revaluation |
|--------------------------------------|--------------------------------|------------------|---------------------------------|--------------|--------------|---|
|                                      |                                |                  |                                 | HK\$'000     | HK\$'000     | HK\$'000                                      |
| Bank of China Limited                | The People's Republic of China | 140,000          | Less than 0.1%                  | 495          | 438          | (57)  |
| China Everbright Limited             | Hong Kong                      | 20,000           | Less than 0.1%                  | 349          | 236          | (113)   |
| China Life Insurance Company Limited | The People's Republic of China | 45,000           | Less than 0.1%                  | 1,314        | 907          | (407)   |
| Power Assets Holdings Limited        | Hong Kong                      | 5,000            | Less than 0.1%                  | 294          | 285          | (9)   |
| Tencent Holdings Limited             | Cayman Islands                 | 2,000            | Less than 0.1%                  | 429          | 433          | 4   |
| Xinhua A50 China Index ETF           | Hong Kong                      | 80,000           | Less than 0.1%                  | 1,067        | 862          | (205)   |
| Yanzhou Coal Mining Company Limited  | The People's Republic of China | 34,000           | Less than 0.1%                  | 1,038        | 572          | (466)   |
|                                      |                                |                  |                                 | <b>4,986</b> | <b>3,733</b> | <b>(1,253)</b>                                |

# Notes to the Financial Statements

(For the year ended 31 March 2012)

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

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

Particulars of the equity securities are as follows:

At 31 March 2011

| Name of invested company      | Place of incorporation         | Number of shares | Percentage of interest held (%) | Cost<br>HK\$'000 | Market value<br>HK\$'000 | Unrealised gain/(loss) arising on revaluation<br>HK\$'000 |
|-------------------------------|--------------------------------|------------------|---------------------------------|------------------|--------------------------|---|
| HSBC Holdings plc             | England                        | 2,000            | Less than 0.1%                  | 172              | 164                      | (8)   |
| China Everbright Ltd          | Hong Kong                      | 70,000           | Less than 0.1%                  | 1,456            | 1,220                    | (236)   |
| China Life Insurance Co. Ltd  | The People's Republic of China | 45,000           | Less than 0.1%                  | 1,639            | 1,314                    | (325)   |
| China Mobile Limited          | Hong Kong                      | 20,000           | Less than 0.1%                  | 1,570            | 1,433                    | (137)   |
| Far East Global Group Limited | Cayman Islands                 | 750,000          | Less than 0.1%                  | 915              | 765                      | (150)   |
| Tencent Holdings Limited      | Cayman Islands                 | 2,000            | Less than 0.1%                  | 398              | 379                      | (19)  |
| Xinhua A50 China Index ETF    | Hong Kong                      | 100,000          | Less than 0.1%                  | 1,374            | 1,334                    | (40)  |
|                               |                                |                  |                                 | 7,524            | 6,609                    | (915)   |

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

#### **Bank of China Limited (“Bank of China”)**

Bank of China provides a range of banking and related financial services, including commercial banking, investment banking, insurance, direct investment and investment management, fund management and aircraft leasing business.

The profit attributable to shareholders of Bank of China for the year ended 31 December 2011 was approximately RMB124,182,000,000. As at 31 December 2011, the net asset value of Bank of China was approximately RMB723,162,000,000.

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

# Notes to the Financial Statements

(For the year ended 31 March 2012)

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

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

#### **China Everbright Limited (“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 2011 was approximately HK\$1,922,705,000. As at 31 December 2011, the net asset value of China EB was approximately HK\$26,465,337,000.

During the year, the Company received cash dividends of HK\$17,878 from China EB.

#### **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 2011 was approximately RMB18,331,000,000. As at 31 December 2011, the net asset value of China Life was approximately RMB191,530,000,000.

During the year, the Company received cash dividends of HK\$19,241 from China Life.

#### **Power Assets Holdings Limited (“Power Assets”)**

Power Assets is primarily engaged in generation and supply of electricity.

The profit attributable to shareholders of Power Assets for the year ended 31 December 2011 was approximately HK\$9,075,000,000. As at 31 December 2011, the net asset value of Power Assets was approximately HK\$57,873,000,000.

During the year, the Company received cash dividends of HK\$9,188 from Power Assets.

#### **Tencent Holdings Limited (“Tencent”)**

Tencent is primarily engaged in provision of internet value-added services, mobile and telecommunications value-added services and online advertising services.

The profit attributable to shareholders of Tencent for the year ended 31 December 2011 was approximately RMB10,203,083,000. As at 31 December 2011, the net asset value of Tencent was approximately RMB28,463,834,000.

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

# Notes to the Financial Statements

(For the year ended 31 March 2012)

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

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

#### 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 2011 was approximately HK\$8,067,000,000. As at 31 December 2011, the net asset value of Xinhua A50 was approximately HK\$42,755,000,000.

During the year, the Company received cash dividends of HK\$13,546 from Xinhua A50.

#### Yanzhou Coal Mining Company Limited (“Yanzhou Coal”)

Yanzhou Coal is primarily engaged in underground and open-cut mining, preparation and sales of coal and potash mineral exploration, provision of railway transportation services, production and sales of methanol and electricity and related heat supply services.

The profit attributable to shareholders of Yanzhou Coal for the year ended 31 December 2011 was approximately RMB8,928,102,000. As at 31 December 2011, the net asset value of Yanzhou Coal was approximately RMB42,634,490,000.

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

### (b) Investment in straight bond

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

## 12. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

|                                | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| Deposits and other receivables | 1,010            | 171              |
| Prepayments                    | 187              | 183              |
|                                | <b>1,197</b>     | <b>354</b>       |

The carrying amounts of deposits and other receivables approximate their fair values as at 31 March 2012 and 2011. The Company does not hold any collateral over these balances.

The 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.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 13. CASH AND CASH EQUIVALENTS

|                                 | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Cash and bank balances          | 308              | 2,438            |
| Short-term bank deposits        | 1,976            | 2,544            |
|                                 | 2,284            | 4,982            |
| Maximum exposure to credit risk | 2,284            | 4,982            |

The effective interest rate of the short-term deposits of the Company with original maturities within three months at 31 March 2012 was 0.15% per annum.

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

|                       | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|-----------------------|------------------|------------------|
| Hong Kong dollars     | 2,038            | 2,619            |
| United States dollars | 246              | 2,363            |
|                       | 2,284            | 4,982            |

## 14. OTHER PAYABLES AND ACCRUALS

|                             | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|-----------------------------|------------------|------------------|
| Other payables and accruals | 171              | 198              |

The carrying amounts of other payables and accruals approximate their fair values as at 31 March 2012 and 2011 and are denominated in Hong Kong dollars.

## 15. SHARE CAPITAL

|  | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|--|------------------|------------------|
| Authorised:                                    |                  |                  |
| 1,000,000,000 ordinary shares of HK\$0.10 each | 100,000          | 100,000          |
| Issued and fully paid:                         |                  |                  |
| 172,800,000 ordinary shares of HK\$0.10 each   | 17,280           | 17,280           |

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 16. RESERVES

|                          | Share<br>premium<br>HK\$'000 | (Accumulated<br>losses)/<br>retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------|------------------------------|---|-------------------|
| At 1 April 2010          | 37,786                       | 885   | 38,671            |
| Total comprehensive loss |                              |   |                   |
| Net loss for the year    | —                            | (1,182)   | (1,182)           |
| At 31 March 2011         | 37,786                       | (297)   | 37,489            |
| Total comprehensive loss |                              |   |                   |
| Net loss for the year    | —                            | (1,648)   | (1,648)           |
| At 31 March 2012         | 37,786                       | (1,945)   | 35,841            |

### (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.

## 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2012 and 31 March 2011.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 18. COMMITMENTS

### (a) Operating lease commitments

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

|                                    | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| Not later than one year            | 664              | 664              |
| In second to fifth years inclusive | —                | —                |
|                                    | <b>664</b>       | <b>664</b>       |

### (b) Capital commitment

The Company's capital commitment at the end of the reporting period is as follows:

|   | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|---|------------------|------------------|
| Contracted but not provided for<br>Capital contributed to a limited partnership | —                | 3,906            |

## 19. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK\$53,121,000 at 31 March 2012 (2011: HK\$54,769,000) and the 172,800,000 ordinary shares in issue as at 31 March 2012 (2011: 172,800,000 ordinary shares).

## 20. DIVIDENDS

The directors of the Company ("Directors") do not recommend the payment of a dividend for the year ended 31 March 2012 (2011: Nil).

## 21. LOSS PER SHARE

The calculation of loss per share is based on the net loss attributable to the shareholders for the year ended 31 March 2012 of HK\$1,648,000 (2011: a net loss of HK\$1,182,000) and the weighted average of 172,800,000 ordinary shares in issue during the year ended 31 March 2012 (2011: weighted average of 172,800,000 ordinary shares in issue). The Company has no potential dilutive ordinary shares that were outstanding during the year.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 22. RELATED PARTY TRANSACTIONS

During the year, saved for those parties referred to the connected transactions in the report of the directors and disclosed elsewhere in notes to the financial statement, the Company traded listed securities through a securities account maintained with a related company, GIS, in which the director, Mr. Lee Woo Sing has beneficial interests. The Company also paid rental expenses to a related company, Moral Rich Corporation Limited (“MRC”), in which the director, Mr. Lee Woo Sing has beneficial interests.

Details of related party transactions as below:

|  | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|--|------------------|------------------|
| Investment manager fee paid to a related company | 288              | 96               |
| Rental expenses paid to a related company        | 678              | 508              |

GIS and MRC are regarded as connected persons 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 amounts transacted under the transactions did not exceed the de-minimis threshold under Rule 14A.33 of the Listing Rules. As such, the transactions were exempted from the disclosure and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 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/or 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”).

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 23. SHARE OPTION SCHEME *(continued)*

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

- (c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon the exercise of all options to be granted under the share option scheme and any other share option scheme(s) of the Company must not exceed 10 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.

### (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 2012)

## 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 announced pursuant to the requirement of the Listing Rules.

#### (vii) Period of the share option scheme

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

#### (viii) Adjustments to the subscription price

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

#### (ix) Termination of the share option scheme

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

#### (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 2012)

## 24. FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets as at 31 March 2012

|                                | Investments<br>at fair value<br>through profit<br>or loss<br>HK\$'000 | Loans and<br>receivables<br>HK\$'000 | Available-<br>for-sale<br>financial<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------|---|--------------------------------------|---|-------------------|
| Unlisted equity investments    | —   | —                                    | 46,078  | 46,078            |
| Listed equity investments      | 3,733   | —                                    | —   | 3,733             |
| Deposits and other receivables | —   | 1,010                                | —   | 1,010             |
| Cash and cash equivalents      | —   | 2,284                                | —   | 2,284             |
|                                | 3,733   | 3,294                                | 46,078  | 53,105            |

### Financial assets as at 31 March 2011

|                                | Investments<br>at fair value<br>through profit<br>or loss<br>HK\$'000 | Loans and<br>receivables<br>HK\$'000 | Available-<br>for-sale<br>financial<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------|---|--------------------------------------|---|-------------------|
| Unlisted equity investments    | —   | —                                    | 42,177  | 42,177            |
| Listed equity investments      | 7,454   | —                                    | —   | 7,454             |
| Deposits and other receivables | —   | 171                                  | —   | 171               |
| Cash and cash equivalents      | —   | 4,982                                | —   | 4,982             |
|                                | 7,454   | 5,153                                | 42,177  | 54,784            |

### Financial liabilities as at 31 March 2012

|                             | Financial<br>liabilities<br>at amortised<br>cost<br>HK\$'000 |
|-----------------------------|--|
| Other payables and accruals | 171  |

### Financial liabilities as at 31 March 2011

|                             | Financial<br>liabilities<br>at amortised<br>cost<br>HK\$'000 |
|-----------------------------|--|
| Other payables and accruals | 198  |

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 25. FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments are credit risks, foreign exchange risks, liquidity risk, equity price risk and interest rate risk. 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. 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 deposits and other receivables, cash and cash equivalents, available-for-sale financial asset and investments 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.

In order to minimise the credit risk, the management of the Company reviews the recoverable amount of each individual debt investments at each reporting period 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.

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.

### (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 are 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. Further, of the view that portfolio in listed and unlisted securities, only one investment in a non-listed security uses Renminbi as its functional currency. The directors of the Company are of the opinion that the Company has minimal exposure to foreign currency exchange rate risk. Accordingly, no sensitivity analysis is performed.

### (iii) Interest rate risk

The interest rate risk mainly arises from interest-bearing bank deposits. Other than the cash at banks which carry interest at prevailing market interest rates, the Company has no other significant interest-bearing assets or liabilities, therefore the Company's exposure to the interest rate risk is considered to be minimal.

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 25. FINANCIAL RISK MANAGEMENT (continued)

### (iv) 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 directors are of the opinion that the Company does not have significant liquidity risk.

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.

|                               | 2012<br>HK\$'000 | 2011<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Less than one year            |                  |                  |
| — Other payables and accruals | 171              | 198              |

### (v) 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 investments at fair value through profit or loss (note 11) as at 31 March 2012. The Company's listed investments are listed on the Hong Kong Stock Exchange, and are valued at quoted market price as of the end of reporting period.

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

|                             | 31 March<br>2012 | High/low<br>2012  | 31 March<br>2011 | High/low<br>2011  |
|-----------------------------|------------------|-------------------|------------------|-------------------|
| Hong Kong — Hang Seng Index | 20,556           | 24,469/<br>16,170 | 23,527           | 24,946/<br>18,985 |

The following table demonstrates the sensitivity to every 5% (2011: 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 as at 31 March 2012.

|  | Carrying<br>amount<br>of equity<br>investments<br>HK\$'000 | Increase/<br>decrease<br>in equity<br>in equity<br>HK\$'000 |
|--|--|---|
| <b>2012</b>  |  |   |
| Investment listed in:  |  |   |
| — Hong Kong — Investments at fair value through profit or loss | 3,733  | 187   |
| <b>2011</b>  |  |   |
| Investment listed in:  |  |   |
| — Hong Kong — Investments at fair value through profit or loss | 7,454  | 373   |

# Notes to the Financial Statements

(For the year ended 31 March 2012)

## 26. FAIR VALUE ESTIMATION

The carrying values of cash and cash equivalents, deposits and other receivables, and other payables and accruals are a reasonable approximation of their fair values. Given these terms, it is not meaningful to disclose the fair value of such balances.

The fair values of listed investments are based on quoted market price.

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 categorised 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 values measured using valuation techniques in which any significant input is not based on observable market data

|  | <i>Notes</i> | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------|---------------------|---------------------|---------------------|-------------------|
| Investments at fair value through profit or loss | <i>11</i>    | 3,733               | —                   | —                   | 3,733             |

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer in or out of Level 3 (2011: Nil).

## 27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of Directors on 22 June 2012.

# Financial Summary

(For the year ended 31 March 2012)

|  | 2012<br>HK'000  | 2011<br>HK'000 | 2010<br>HK'000 | 2009<br>HK'000 | 2008<br>HK'000 |
|--|-----------------|----------------|----------------|----------------|----------------|
| <b>RESULTS</b>   |                 |                |                |                |                |
| Gain/(loss) on investments                                     | 250             | 44             | 6,133          | (15,703)       | 10,593         |
| (Loss)/profit before taxation                                  | (1,648)         | (1,182)        | 2,380          | (18,821)       | 7,496          |
| Taxation   | —               | —              | 1,378          | 25             | (1,403)        |
| (Loss)/profit attributable to equity holders<br>of the Company | (1,648)         | (1,182)        | 3,758          | (18,796)       | 6,093          |
| <b>ASSETS AND LIABILITIES</b>                                  |                 |                |                |                |                |
| Total assets   | 53,292          | 54,967         | 58,347         | 54,079         | 76,326         |
| Total liabilities  | (171)           | (198)          | (2,396)        | (158)          | (3,609)        |
| Equity attributable to equity holders<br>of the Company        | 53,121          | 54,769         | 55,951         | 53,921         | 72,717         |
| <b>NET ASSET VALUE PER SHARE</b>                               | <b>HK\$0.31</b> | HK\$0.32       | HK\$0.32       | HK\$0.31       | HK\$0.42       |