



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

Interim Report
2016

* for identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Lee Wai Tsang, Rosa (*Chairman*)

Dr. Huang Zhijian

Mr. Lee Wai Wang, Robert

Independent Non-Executive Directors

Mr. Lu Fan

Dr. Chow Yunxia, Carol

Mr. Lam Chi Wai

COMPANY SECRETARY

Ms. Wong Chui San, Susan

AUDIT COMMITTEE

Mr. Lu Fan (*Chairman*)

Mr. Lam Chi Wai

Dr. Chow Yunxia, Carol

REMUNERATION COMMITTEE

Mr. Lu Fan

Mr. Lee Wai Wang, Robert

Dr. Chow Yunxia, Carol

NOMINATION COMMITTEE

Mr. Lu Fan

Dr. Huang Zhijian

Dr. Chow Yunxia, Carol

INVESTMENT MANAGER

Grand Investment (Securities) Limited

A3, 32/F, United Centre

No. 95 Queensway

Hong Kong

CUSTODIAN

DBS Bank Ltd., Hong Kong Branch

18/F, The Center

99 Queen's Road Central

Hong Kong

AUDITORS

East Asia Sentinel Limited

22/F, Tai Yau Building

181 Johnston Road

Wanchai, Hong Kong

PRINCIPAL BANKER

OCBC 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

A301, 32/F, United Centre

No. 95 Queensway

Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

31/F, 148 Electric Road

North Point

Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law:

Michael Li & Co.

19th Floor, Prosperity Tower

No. 39 Queen's Road Central

Central

Hong Kong

As to Bermuda law:

Conyers Dill & Pearman

2901, One Exchange Square

8 Connaught Place, Central

Hong Kong

Unaudited Condensed Interim Financial Statements

RESULTS

The board (the “Board”) of directors (the “Directors”) of Grand Investment International Ltd. (the “Company”) is pleased to announce the unaudited condensed interim results of the Company for the six months ended 30 September 2016 (the “Period”) together with the comparative figures for the corresponding period in 2015. These interim financial statements have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”) and commented by independent auditors.

On behalf of the Board

Grand Investment International Ltd.

Lee Wai Tsang, Rosa

Chairman

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2016

	NOTE	For the six months ended	
		30 September 2016 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)
REVENUES	5	332	(1,452)
OTHER REVENUES	6	11	18
IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENT		(2,067)	-
ADMINISTRATIVE EXPENSES		(1,516)	(1,658)
LOSS BEFORE TAXATION	8	(3,240)	(3,092)
TAXATION	9	-	-
LOSS FOR THE PERIOD		(3,240)	(3,092)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(3,240)	(3,092)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO: Owners of the Company		(3,240)	(3,092)
INTERIM DIVIDEND	10	-	-
LOSS PER SHARE (Cents)			
- Basic	11	(1.88)	(1.79)
- Diluted	11	N/A	N/A

The notes on pages 8 to 15 form part of these unaudited condensed interim financial statements.

Condensed Statement of Financial Position

As at 30 September 2016

	<i>NOTE</i>	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Available-for-sale investments	<i>12</i>	21,542	25,456
CURRENT ASSETS			
Investments at fair value through profit or loss	<i>13</i>	3,836	3,818
Deposits, prepayments and other receivables	<i>14</i>	323	769
Cash and cash equivalents	<i>15</i>	7,344	6,309
TOTAL CURRENT ASSETS		11,503	10,896
CURRENT LIABILITIES			
Other payables and accruals	<i>16</i>	120	187
TOTAL CURRENT LIABILITIES		120	187
NET CURRENT ASSETS		11,383	10,709
TOTAL ASSETS LESS CURRENT LIABILITIES		32,925	36,165
NET ASSETS		32,925	36,165
CAPITAL AND RESERVES			
Share capital	<i>17</i>	17,280	17,280
Reserves		15,645	18,885
TOTAL EQUITY		32,925	36,165
NET ASSET VALUE PER SHARE		HK\$0.19	HK\$0.21

The notes on pages 8 to 15 form part of these unaudited condensed interim financial statements.

Condensed Statement of Changes in Equity

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2015 (Audited)	17,280	37,786	(6,979)	48,087
Loss for the period	–	–	(3,092)	(3,092)
Balance at 30 September 2015 (Unaudited)	17,280	37,786	(10,071)	44,995
Balance at 1 April 2016 (Audited)	17,280	37,786	(18,901)	36,165
Loss for the period	–	–	(3,240)	(3,240)
Balance at 30 September 2016 (Unaudited)	17,280	37,786	(22,141)	32,925

The notes on pages 8 to 15 form part of these unaudited condensed interim financial statements.

Condensed Statement of Cash Flows

For the six months ended 30 September 2016

	For the six months ended	
	30 September 2016 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(830)	6,859
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	1,865	(6,183)
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	1,035	676
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	49
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,309	7,591
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7,344	8,316
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balance	7,344	8,316

The notes on pages 8 to 15 form part of these unaudited condensed interim financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2016

1. GENERAL INFORMATION

Grand Investment International Ltd. 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 HM 11, Bermuda. The principal place of business of the Company is Unit A301, 32/F., United Centre, No. 95 Queensway, Hong Kong.

The Company is principally engaged in investing in listed and unlisted enterprises established in Hong Kong, the People’s Republic of China (the “PRC”) and the United States of America (the “US”).

2. BASIS OF PREPARATION

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

The unaudited condensed interim financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The unaudited condensed interim financial statements are presented in Hong Kong dollars (“HKD”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed financial statements have not been audited, but have been reviewed by the Audit Committee and commented by independent auditors.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report of the Company for the year ended 31 March 2016.

The accounting policies used in the unaudited condensed interim financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 March 2016 except for the adoption of new and revised standard and interpretation with effect from 1 April 2016.

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2016

4. CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Company

There are a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA that have been adopted by the Company for the first time for the financial year beginning on or after 1 April 2016:

Amendments to HKAS 1	“Disclosure Initiative”
Amendment to HKAS 16 and HKAS 38	“Clarification of Acceptable Methods of Depreciation and Amortisation”
Annual Improvements 2012-2014 Cycle	“Amendments to a number of HKFRSs”

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in the interim financial information and/or disclosures set out in the interim financial information.

(b) New standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards, amendments to standards and interpretations which are effective for periods beginning after 1 April 2016, and which have not been early adopted in preparing these financial statements. These include the followings which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 “Disclosure Initiative”	1 January 2017
Amendments to HKAS 12 “Recognition of deferred tax for unrealised losses”	1 January 2017
Amendments to HKFRS 2 “Classification and Measurement of Share-based Payment Transactions”	1 January 2018
HKFRS 15 “Revenue from contracts with customers”	1 January 2018
Amendments to HKFRS 15 “Clarifications to HKFRS 15 Revenue from contracts with customers”	1 January 2018
HKFRS 9 (2014) “Financial instruments”	1 January 2018
HKFRS 16 “Leases”	1 January 2019
Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution Assets Between an Investor and its Associate or Joint Venture”	Date To be determined

The Directors are 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 been concluded that the adoption of them is unlikely to have a significant impact on the Company’s results of operations and financial position.

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2016

5. REVENUES

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

	For the six months ended	
	30 September 2016 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)
Net realised gain/(loss) on disposal of investments at fair value through profit or loss	119	(371)
Net unrealised holding gain/(loss) on investments at fair value through profit or loss	137	(1,170)
Net realised gain on option premium	36	57
Dividend income from listed securities	39	32
	332	(1,452)

6. OTHER REVENUES

	For the six months ended	
	30 September 2016 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)
Interest income	10	18
Others	1	–
	11	18

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2016

7. 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 a single business and geographical segment.

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

	For the six months ended	
	30 September 2016 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)
Provision for auditors' remuneration	68	65
Directors' remuneration	498	471
Exchange (gain)/loss, net	(1)	137
Investment manager fee	144	144
Operating lease payments	242	194
Staff cost (excluding directors' emoluments)		
– Salaries, bonus and allowance	121	103
– Mandatory provident fund contributions	6	4

9. TAXATION

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimate average annual tax rate used is 16.5% for the Period (period ended 30 September 2015: 16.5%). No provision has been made for Hong Kong Profits Tax as there were no estimated Hong Kong assessable profits for the Period (period ended 30 September 2015: Nil).

10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (period ended 30 September 2015: Nil).

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2016

11. LOSS PER SHARE

The calculation of loss per ordinary share is based on the unaudited loss of approximately HK\$3,240,000 for the Period (period ended 30 September 2015: loss of approximately HK\$3,092,000) attributable to shareholders and the weighted average of 172,800,000 ordinary shares (period ended 30 September 2015: 172,800,000 ordinary shares) in issue during the Period.

The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 2016 and 30 September 2015; therefore, no diluted loss per share has been presented.

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Investment securities, at cost		
Equity securities, unlisted shares	15,339	17,186
Investments in limited partnerships, at cost	15,595	15,595
Less: impairment provision	(9,392)	(7,325)
	21,542	25,456

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Equity securities, at fair value		
Listed in Hong Kong	3,448	3,818
Listed outside Hong Kong	388	–
	3,836	3,818

The fair values of listed equity securities are determined based on the quoted prices available on the relevant stock exchanges at closing date.

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2016

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Deposits and other receivables	232	594
Prepayments	91	175
	323	769

15. CASH AND CASH EQUIVALENTS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Cash and bank balances	5,839	447
Short-term bank deposits	1,505	5,862
	7,344	6,309

16. OTHER PAYABLES AND ACCRUALS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Other payables and accruals	120	187

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2016

17. SHARE CAPITAL

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
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

18. RELATED PARTY TRANSACTIONS

During the Period, the Company has paid rental expenses to Grand Investment (Securities) Limited ("GIS"), in which its director, Mr. Lee Tak Lun is a close family member of Mr. Lee Wai Wang, Robert and Ms. Lee Wai Tsang, Rosa, the directors of the Company. GIS is also the investment manager of the Company and was entitled to a monthly fee of HK\$24,000 (period ended 30 September 2015: HK\$24,000) for the provision of investment management services to the Company.

Details of related party transactions for the six months ended 30 September 2016 are as below:

	30 September 2016 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)
Investment manager fee paid to a related company	144	144
Rental expenses paid to a related company	242	194

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2016

19. OPERATING LEASE COMMITMENT

At 30 September 2016, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Not later than one year	63	297
In second to fifth year inclusive	-	-
	63	297

20. APPROVAL OF THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

This unaudited condensed interim financial statement was approved by the Board on 11 November 2016.

Management Discussion and Analysis

INTERIM RESULTS

During the Period, the Company recorded a loss of approximately HK\$3,240,000 (period ended 30 September 2015: loss of approximately HK\$3,092,000). The loss is mostly attributed to the provision on CMHJ (as defined below) for the interim period of this year. Other gains are resulted from stocks and option capital gain, dividend and option premium.

The net asset value per ordinary share of HK\$0.10 of the Company was HK\$0.19 as at 30 September 2016 (31 March 2016: HK\$0.21).

BUSINESS OVERVIEW AND PROSPECTS

The past six months have been uncertain times for investors. Volatility in the global markets had just been aggravated with the result of the US presidential election. Donald Trump marginally and unexpectedly won the US election plunging global indices across the world. While some markets have recovered in a few days, overall uncertain sentiment persists given the minimum details Trump had offered regarding domestic and foreign policies. Market speculation is that US treasury yields will remain low despite high possibility of US interest rate hike at the end of the year. United States Dollars (“USD”) may stay at current level in the short term, but the greenback may not be able to sustain its current strength if US continues to issue debt. Foreign trades are also expected to reduce under the new US presidency. As such, even with GDP growth rate maintained at 6.7% for the PRC, international trade between the PRC and the US is expected to reduce substantially.

Focusing on the PRC, real estate growth remains a strong drive behind the economy with higher demand for cement, steel and other construction materials. The property boom is attributed to the gradual depreciation of Renminbi (“RMB”) as Chinese investors have few options to preserve a depreciating currency. Meanwhile, private investment remains relatively modest, but is compensated by improved infrastructure growth under the theme of “One Belt, One Road”, which intends to export some of the PRC’s infrastructure capacity and capability overseas. In addition, industrial production remains low coupled with slower demand in commodities. With more gradual growth, the commodities sectors are may be set for a potential rebound. Finally, the improving price on steel from housing and coal from the coming winter may alleviate deflation. A weaker yuan will also minimise deflation and benefit its industries and growth, relieving debt loads on companies.

We are slowly seeing some improvements in the equities market in the PRC despite earlier corrections. IPOs in Hong Kong continued to be strong. The upcoming Shenzhen-Hong Kong Stock Connect will allow overseas investors to gain access into the many technology based companies in the PRC and permit mainland Chinese investors to attain an additional investment

Management Discussion and Analysis

channel. With RMB depreciation and lack of investment options, Hong Kong is in a prime position to capture capital outflow from the PRC. As such, we are cautiously positive with Hong Kong equities and assets.

As we head into fourth quarter 2016 and first quarter next year, global markets are still on edge with the result of the US presidential election, increasing global QE in debt markets, expedited Brexit and upcoming US Federal Reserve rate hikes. Oil prices have been steadily gaining ground as global currencies precipitates the depreciation of their respective currencies. It is increasingly obvious that global monetary policies are less and less effective in fighting off slow growth. The continuous quantitative easing is unable to sustain economic prosperity and it seems the only way to support the country may be through changing method to a more fiscal policy driven program, much like the one the PRC has implemented by making investment in the government level. As we move forward into the rest of 2016 and onward to 2017, the period of uncertainty will remain. We must incorporate the current investment condition in our assessment of our portfolio companies. We will aim to find the optimal the exit strategy for our existing investments in the best interest of our shareholders and the Company.

DIRECT INVESTMENTS/FUND INVESTMENTS

In respect of our limited partnerships, our investment in CMHJ has been disappointing. The fund may not be able to meet the initial IRR forecast; as such, we have made provision on the investment to reflect its underlying value and may need to do so again if the fund performance is not improved. The disappointment on CMHJ's failure could be attributed to points mentioned earlier regarding slower growth in the PRC. Our interim provision on CMHJ is approximately HK\$2,067,000. On the other hand, we have some return of capital in the 730 Arizona project. We will continue to monitor our investments. Based our historic return, our direct investments tend to produce better results and returns than funds we have invested. Our strategy will be shifted where we will invest less with multi-assets funds and more focus on specific direct investment opportunities. We aim to seek the best risk adjusted return on our portfolio.

A brief description of the business information of our direct investments and fund investments is as follows:

DIRECT INVESTMENTS

Tianjin Yishang Friendship Holdings Co., Ltd (“Tianjin Yishang”)

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

Management Discussion and Analysis

Joyport Holdings Limited (“Joyport”)

Joyport is a limited liability company registered in the 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 game development including but not limited to Massive Multiplayer Online Role-Playing Games (“MMORPG”) and mobile games.

730 Arizona Avenue II LLC (“730 Arizona”)

730 Arizona is a limited liability company registered in the US that invests in a Delaware limited liability company which holds a 40% interest in a commercial building at 730 Arizona Avenue, Santa Monica, California 90401 (the “Property”). The Property is a four-storey office building which was constructed in 1989 with two floors of underground parking and has a total rental area of approximately 28,822 square feet. The commercial building is managed by 730 Arizona Avenue Management LLC, a limited liability company registered in California, the US.

FUND INVESTMENTS

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 the PRC.

INVESTMENT IN SECURITIES

The Company maintains a conservative approach on the equities portfolio and existing portfolio companies. We monitor our risk exposure regularly and will use option hedging strategy when appropriate. In addition, we rebalance our equities portfolios when necessary, while selectively choose those stocks with the most balanced risk and return potential.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Company was in a sound liquidity position. As at 30 September 2016, the Company had bank balances of approximately HK\$7,344,000 (31 March 2016: HK\$6,309,000). There was no borrowing or funding requirements by the Company for investment and capital expenditures. The Board believes that the Company has sufficient financial resources to meet its investment or working capital requirements.

As at 30 September 2016, the Company had net assets of approximately HK\$32,925,000 (31 March 2016: HK\$36,165,000) with no long term liabilities. The Company’s cash and cash equivalents were denominated in HKD and USD.

Management Discussion and Analysis

CHARGE ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2016, there were no charges on the Company's assets or any significant contingent liabilities (31 March 2016: Nil).

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

CAPITAL EXPENDITURES

The Company did not make any significant capital expenditure during the Period (30 September 2015: Nil).

COMMITMENTS

As at 30 September 2016, the Company had irrevocable operational leases of approximately HK\$63,000 (31 March 2016: HK\$297,000) which was to be repaid within one year.

The Company did not have any capital commitments as at 30 September 2016 (31 March 2016: Nil).

CAPITAL STRUCTURE

As at 30 September 2016, the total number of ordinary shares of HK\$0.10 each in the Company in issue was 172,800,000 (31 March 2016: 172,800,000).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (30 September 2015: Nil).

PURCHASE, SALE AND REDEMPTION

During the Period, the Company had not purchased, sold or redeemed any of its securities (30 September 2015: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company held assets and liabilities denominated in HKD, RMB and USD. The Company's cash and cash equivalents were denominated in HKD and USD. Accordingly, it is subjected to limited exposure of foreign exchange fluctuation. As it is the Company's policy to maintain relatively minimal exposure to foreign exchange risks, the Company had not used any derivatives and other instruments for currency exchange hedging purposes.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Company had 5 (31 March 2016: 6) employees, including the executive Directors of the Company.

Total staff cost for the Period amounted to HK\$619,000 (period ended 30 September 2015: HK\$574,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of the individual employees.

FOREIGN CURRENCY EXPOSURE

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

DIRECTORS' INTEREST IN CONTRACTS

No contract of significance to which the Company was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted as at 30 September 2016 or at any time during the Period under review.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' AND/OR EXECUTIVES'S INTEREST IN SHARES

As at 30 September 2016, none of the Directors or chief executive (if any) of the Company and their associates had any interest or short position 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") that was required to be 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions (the "Model Code") by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

Management Discussion and Analysis

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, as far as the Directors are aware, the Company had been notified of the following substantial shareholders' interests or short positions in the shares and underlying shares in the Company (representing 5% or more of the Company's issued share capital) which were recorded in the register maintained by the Company under Section 336 of the SFO::

Name of substantial shareholder	Capacity	Number of shares in the Company	Approximate percentage of existing shareholding (Note 5)
1. Optimize Capital Investments Limited ("Optimize Capital")	Beneficial owner	14,980,000 (long position) (Note 1)	8.67%
2. Lee Tak Lun	Interest of a controlled corporation	14,980,000 (long position) (Note 1)	8.67%
	Interest of a controlled corporation	35,180,000 (long position) (Notes 2 to 4)	20.36%
	Beneficial owner	67,380,000	38.99%
		117,540,000	68.02%
3. Grand Finance Group Company Limited ("GFG")	Beneficial owner	35,180,000 (long position) (Notes 2 to 4)	20.36%
4. Jumbo China Holdings Limited	Interest of a controlled corporation	35,180,000 (long position) (Notes 2 to 4)	20.36%
5. Billion Sky Limited	Interest of a controlled corporation	35,180,000 (long position) (Notes 2 to 4)	20.36%
6. Win Key Investments Limited	Interest of a controlled corporation	35,180,000 (long position) (Notes 2 to 4)	20.36%

Management Discussion and Analysis

Notes:

1. Optimize Capital is a company incorporated in the British Virgin Islands, and is solely owned by Mr. Lee Tak Lun. Mr. Lee Tak Lun is the father of Ms. Lee Wai Tsang, Rosa and Mr. Lee Wai Wang, Robert, both being executive Directors. Mr. Lee Tak Lun is taken to be interested in the shares of the Company held by Optimize Capital under Part XV of the SFO.
2. GFG is a company incorporated in Hong Kong, the entire issued capital of which is beneficially owned as to 58% by Jumbo China Holdings Limited, 28% by Bright Pearl Limited and 14% by Win Key Investments Limited. Jumbo China Holdings Limited is taken to be interested in the shares of the Company held by GFG under Part XV of the SFO.
3. The entire issued share capital of Jumbo China Holdings Limited is beneficially owned as to 79.31% by Billion Sky Limited. Billion Sky Limited is taken to be interested in the shares of the Company held by Jumbo China Holdings Limited under Part XV of the SFO.
4. 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 the shares of the Company held by Billion Sky Limited under Part XV of the SFO.
5. The percentage of shareholding is calculated on the basis of 172,800,000 shares in the Company in issue as at 30 September 2016.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2016.

Management Discussion and Analysis

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Since the publication of the Company's annual report for the financial year ended 31 March 2016 up to 11 November 2016 (being the date of approval of this interim report), there is no change of information of each Director that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPETITION AND CONFLICT OF INTEREST

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

CORPORATE GOVERNANCE

The Company had complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted codes of conduct regarding securities transactions by Directors set out in the Model Code contained in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors had confirmed that, in respect of the Period, they have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

AUDIT COMMITTEE

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

Management Discussion and Analysis

BOARD OF DIRECTORS

As at the date of this report, the Board comprises three executive Directors, namely Ms. Lee Wai Tsang Rosa, Dr. Huang Zhijian and Mr. Lee Wai Wang, Robert and three independent non-executive Directors, Mr. Lu Fan, Dr. Chow Yunxia, Carol and Mr. Lam Chi Wai.

SHARE OPTION SCHEME

The Company does not maintain any share option scheme during the Period.

By order of the Board

Lee Wai Tsang, Rosa

Chairman

Hong Kong, 18 November 2016