



大唐投資國際有限公司\*

GRAND INVESTMENT INTERNATIONAL LTD.

(incorporated in Bermuda with limited liability)

Stock Code: 1160

Annual Report 2014/15

Positioned for  
**GROWTH**

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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

Dr. Chow Yunxia, Carol

Mr. Lam Chi Wai

Mr. Lu Fan

## COMPANY SECRETARY

Ms. Wong Chui San, Susan

## AUDIT COMMITTEE

Mr. Lu Fan

Mr. Lam Chi Wai

Dr. Chow Yunxia, Carol

## REMUNERATION COMMITTEE

Mr. Lu Fan

Mr. Lee Wai Wang, Robert

Dr. Chow Yunxia, Carol

## NOMINATION COMMITTEE

Dr. Huang Zhijian

Mr. Lu Fan

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:

Chiu & Partners

40/F, 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

For the year 2014, China's GDP (gross domestic product) rose by 7.4% indicating steady, but slower growth. The decelerating production was reflected in the economy. While policy-driven fundamentals facilitated the support of the A-shares rally, China's economy expanded the slowest since 2009 with industrial activities and the housing market being the most sluggish over the past year. Nevertheless, China is committed to an accommodative and loose monetary policy with PBOC (People's Bank of China) reduction; 50bps (basis point) interest rate cut and 150bps RRR (reserves requirement ratio) cut so far in 2015. Further rate cuts are not implausible. Meanwhile, the lowered oil price facilitated consumption in many countries. Eurozone faced event risks as lenders refuse to consider haircut on Greek debt; Greece default seems only a matter of time as hard-line German leaders stated they can sustain a Greek exit. Equities markets from both Eurozone and Japan had been rallying from their respective QE (quantitative easing) policy, yet selective corporate earnings and businesses were still struggling revealing some fundamental flaws in the equities run up.

Over the past few months, China Securities Regulatory Commission (CSRC) had relaxed Chinese mutual funds restriction to invest in Hong Kong stocks via Shanghai Hong Kong Connect, and China Insurance Regulatory Commission (CIRC) also liberalized investment rules for Chinese insurance funds to invest in Hong Kong Growth Enterprise Market (GEM) to expand their investment scope and diversify their investment portfolios. These moves helped support short rallies on the Hang Seng Index. The Chinese Central Government policy on state-owned-enterprises and capital market reforms remain a driving force for many current market activities. These activities will inevitably create opportunities for investors to participate via direct investment or equity markets. The A share and H share price arbitrage with high quality blue chip stocks will also benefit from the southbound fund flow. The attractive valuation on H shares with current PE (price-to-earnings) of 11.1x and forward PE of 12.9x offers steep discount not only to A-shares, but also all other global indices.

As we move forward to the second half of 2015, we are getting close to an imminent rate hike decided by US FOMC (Federal Open Market Committee). It is difficult to predict if a hike interest rate will add pressure to the US economy. There is certainly a factor of unpredictability especially when the HKD is pegged to the USD. Equities in China and HK can potentially have wider volatility as China move from its existing approval-based IPO system to a registration system. But our portfolios of direct investments in China will not have the same exposure as in equities. We want to take the opportunity to thank our investors for your unwavering trust. Going forward, we will continue to do our best to seek the most optimal return on our investments.

**Lee Wai Tsang, Rosa**

*Chairman*

Hong Kong, 19 June 2015

# Management Discussion and Analysis

## OPERATING RESULTS

During the year ended 31 March 2015 (the “Year”), Grand Investment International Ltd. (the “Company”) recorded an overall gain on its investment portfolios of approximately HK\$117,000 (2014: HK\$155,000), comprising a net realised gain on disposal on investments of approximately HK\$124,000 (2014: HK\$100,000) and a net unrealised loss of investments of approximately HK\$7,000 (2014: HK\$233,000). The Group also recorded other revenues of approximately HK\$1,976,000 (2014: HK\$2,002,000), including, among others, a distribution income of HK\$476,000 (2014: HK\$2,001,000) from an unlisted limited partnership invested by the Group.

## PROSPECTS

Momentum of the market slowed as uncertainty looms over China’s stance on loose monetary policy, new MERS virus, MSCI exclusion of A-shares into the index and the imminent US interest rate hike. Only a month ago, the Hang Seng Index (HSI) was under influence by strong market catalysts, including China’s accelerated capital market and state owned enterprises reforms, liberalised investment policies and relaxed mutual funds restriction under the Shanghai-Hong Kong Stock Connect Program. There had been a significant increase in Chinese capital outflows and an expansion of cross border investment activities during the Year.

In view of the market climate, we are seeing reduced valuation gap between A and H shares as share price converges. Simultaneously, investors had been flooding into the already competitive direct investment and equity markets, which render the seizing of sound and potential investment projects with attractive valuations more challenging.

With funds returned from our exited investments, we are closely monitoring new investment opportunities as well as existing ones. We will seek new ventures and projects through direct investments or investment funds focused in China and abroad. We aim to target opportunities with the most optimal risk return dynamic for our shareholders.

## DIVIDENDS

The directors of the Company (“Directors”, each a “Director”) do not recommend the payment of a dividend for the Year (2014: Nil). During the Year, the Company did not have any arrangement under which a shareholder had waived or agreed to waive any dividends.

## LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2015, the Company had bank balances of approximately HK\$235,000 (2014: HK\$2,058,000).

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 (2014: N/A). For more details on the Company’s financial risks management policies, please refer to note 25 to the financial statements.

The Company had net assets of approximately HK\$48,087,000 (2014: HK\$46,956,000).

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company held assets and liabilities denominated in Hong Kong Dollars, Renminbi (“RMB”) and US Dollars (“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

## CHARGE ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2015, there were no charges on the Company's assets or any significant contingent liabilities (2014: Nil).

## CAPITAL EXPENDITURES AND COMMITMENTS

The Company had no capital commitments as at 31 March 2015 (2014: N/A).

## CAPITAL STRUCTURE

As at 31 March 2015, the total number of ordinary shares of HK\$0.10 each in the Company (the "Shares") in issue was 172,800,000 (2014: 172,800,000).

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2015, the Company had 8 employees (2014: 9), including the executive and independent non-executive Directors. Total staff cost for the Year was HK\$1,377,000 (2014: HK\$1,267,000). 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

I would like to thank our Directors for their continuous commitment and dedication to their roles.

**Lee Wai Tsang, Rosa**

*Chairman*

Hong Kong SAR, 19 June 2015

# Corporate Governance Report

Grand Investment International Ltd. (the “Company”) is committed to the practice and high standards of corporate governance with a view to enhancing transparency, accountability and protecting the interest of the stakeholders.

During the year ended 31 March 2015 (the “Year”), the Company complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## BOARD OF DIRECTORS

### Composition

As at 31 March 2015, the board (the “Board”) of directors (the “Directors”) of the Company comprises six directors of the Company, of which three are executive Directors, namely Ms. Lee Wai Tsang, Rosa (Chairman), Dr. Huang Zhijian and Mr. Lee Wai Wang, Robert, and three are independent non-executive Directors (“INEDs”), namely Dr. Chow Yunxia, Carol, Mr. Lam Chi Wai and Mr. Lu Fan. Biographical details of each Director are set out on pages 15 to 16 of this Annual Report. All INEDs of the Company have complied with the provisions set out in Rule 3.13 of the Listing Rule. The Board is satisfied that the independence of INEDs up to the date of this Annual Report is in accordance with the Listing Rules.

### Responsibilities of Directors

The Board is accountable to the shareholders of the Company (the “Shareholders”) for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses by directing and supervising the Company’s affairs. The Board is responsible for development of strategies and monitoring business performance of the Company. It has formalized the functions reserved to the Board to achieve a clear division of the responsibilities of the Board and the management. The Board delegated its responsibilities to the executive Directors to deal with day-to-day operations and reviewed those arrangements on a periodic basis. Every Director is kept informed of his responsibilities as a director of the Company under the laws of Hong Kong and the Listing Rules and of the conduct, business activities and development of the Company. All Directors have access to the advice and relevant information from the Company Secretary to ensure that procedures of the Board functions and all applicable rules and regulations are followed. All INEDs also have independent access to the executive Directors in respects of operating issues.

A Director’s Handbook setting out the guidelines on the conduct which directors of a listed company should follow is issued to every Director. This handbook also outlines the regulatory requirements of disclosing any relevant personal interest, change in personal particulars and potential conflict of interest to the Company and regulatory bodies including 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.

### Relationship between Board Members

Ms. Lee Wai Tsang, Rosa (the chairman of the Board and an executive Director) is the sister of Mr. Lee Wai Wang, Robert (an executive Director). Save as disclosed above, there is no relationship (including financial, business, family or other material relationship) between the Board members.

# Corporate Governance Report

## Board and general meetings

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

Upon convening a Board meeting, drafts of agenda and relevant documents are sent to 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 Directors and/or dissenting views expressed. The meeting minutes are circulated to relevant Directors or committee members within reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings and are open for inspection at any reasonable time on reasonable notice by any Director. According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. Individual is required to disclose the conflict of interest and will abstain from voting on such matter in the final deliberation or decision. During the Year, 4 Board meetings were held in total.

The following is the attendance record of these 4 Board meetings:

Name of Director	No. of Meetings	
	Attended/Held	Attendance Rate
<i>Executive Directors</i>		
Ms. Lee Wai Tsang, Rosa	4/4	100%
Dr. Huang Zhijian	4/4	100%
Mr. Lee Wai Wang, Robert	4/4	100%
<i>Independent Non-Executive Directors</i>		
Mr. Lu Fan	4/4	100%
Dr. Chow Yunxia, Carol	4/4	100%
Mr. Lam Chi Wai	4/4	100%
Dr. Zhang Hongru (resigned on 1 September 2014)	2/2 <sup>#</sup>	100%

<sup>#</sup> Two Board meetings were held during the period from 1 April 2014 up to the date of resignation of Dr. Zhang Hongru.

# Corporate Governance Report

The Company held its annual general meeting for the year ended 31 March 2014 (the “2014 AGM”) on 18 July 2014 and no further general meetings were held by the Company during the Year. Due to overseas business engagement, some of the Directors attended the 2014 AGM through video conferencing. Ms. Lee Wai Tsang, Rosa, the chairman of the Board, hosted the 2014 AGM to ensure effective communication with the Shareholders. The following is the Directors’ attendance record of the 2014 AGM:

	<b>No. of Meeting(s) Attended/Held</b>	<b>Attendance Rate</b>
<i>Executive Director</i>		
Dr. Huang Zhijian	1/1	100%
Ms. Lee Wai Tsang, Rosa	1/1	100%
Mr. Lee Wai Wang, Robert	1/1	100%
<i>Independent Non-Executive Directors</i>		
Mr. Lu Fan	1/1	100%
Dr. Chow Yunxia, Carol	1/1	100%
Mr. Lam Chi Wai	1/1	100%
Dr. Zhang Hongru (resigned on 1 September 2014)	1/1	100%

## CORPORATE GOVERNANCE

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 for providing such indemnity has been arranged.

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

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

# Corporate Governance Report

The Board is also responsible for performing and had performed, during the Year, the corporate governance functions and duties of the Company to ensure compliance with the Listing Rules including:

1. formulating, developing and reviewing the Company's policies and practices on corporate governance;
2. reviewing the Director's Handbook distributed to the directors and monitoring the adequacy of the training and continuous professional development of the Directors; and
3. reviewing the Company's compliance with the Listing Rules and disclosure in this corporate governance report.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility 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 enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable futures and have prepared the financial statements on a going concern accordingly.

## AUDIT COMMITTEE

The Company has established with written terms of reference an Audit Committee whose members are Mr. Lu Fan, Dr. Chow Yunxia, Carol and Mr. Lam Chi Wai, all being INEDs. Mr. Lu Fan is the chairman of the Audit Committee. The terms of reference of the Audit Committee are consistent with the relevant provisions of 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 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	
	Attended/Held	Attendance Rate
Mr. Lu Fan ( <i>Chairman</i> )	2/2	100%
Dr. Chow Yunxia, Carol	2/2	100%
Mr. Lam Chi Wai	2/2	100%
Dr. Zhang Hongru (resigned on 1 September 2014)	1/1 <sup>#</sup>	100%

<sup>#</sup> One meeting of the Audit Committee was held during the period from 1 April 2014 up to the date of resignation of Dr. Zhang Hongru.

# Corporate Governance Report

The duties performed by the Audit Committee during the Year are set out below:

1. reviewing and approving financial statements and auditors' reports regarding the Company's annual and interim results for the Board's approval;
2. reviewing with the management and considering the accounting policies and practices adopted by the Company;
3. reviewing with the management the auditing, internal control and financial reporting matters of the Company; and
4. reviewing the work of the external auditors of the Company, 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 together with the Report of the Directors and the Independent Auditors' Report before the announcement of the Company's annual results; and
2. to propose in the forthcoming annual general meeting for re-appointing East Asia Sentinel Limited ("Auditors") as Auditors of the Company for the ensuing year and to hold office until conclusion of the annual general meeting for the year ending 31 March 2016 at a fee to be agreed with the Directors

The Audit Committee does not include a former partner of the existing Auditors of the Company. During the financial year under review, the amount of remuneration paid to the Auditor was as below:

<b>Nature of Services</b>	HK\$'000
Audit services	170
Other advisory services	–

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

## REMUNERATION COMMITTEE

The Company has set up with written terms of reference a Remuneration Committee whose members are Mr. Lee Wai Wang, Robert, being an executive Director, and Mr. Lu Fan and Dr. Chow Yunxia, Carol, both being INEDs. Mr. Lu Fan is the chairman at the Remuneration Committee. The terms of reference of the Remuneration Committee are consistent with relevant provisions of the CG Code.

The major role and functions of the Remuneration Committee are to formulate, review and deliberate on the remuneration policy and related matters of the Company. The Company's remuneration policy is in line with the prevailing market practices and is determined primarily on the basis of performance and experience of each Director.

# Corporate Governance Report

The Remuneration Committee held 2 meetings in the 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	
	Attended/Held	Attendance Rate
Mr. Lu Fan ( <i>Chairman</i> )	2/2	100%
Mr. Lee Wai Wang, Robert	2/2	100%
Dr. Chow Yunxia, Carol	2/2	100%

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

1. 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
2. considered and dealt with the matters of appointment, retirement and re-election of the Directors.

## NOMINATION COMMITTEE

The Company has set up with written terms of reference a Nomination Committee whose members are Dr. Huang Zhijian, being an executive Director, Mr. Lu Fan and Dr Chow Yunxia, Carol, both being INEDs. Dr. Huang Zhijian is the chairman of the Nomination Committee. 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 one meeting in the Year. The following is the attendance record of the meetings held by the Nomination Committee for the Year:

Name of Committee Members	No. of Meetings	
	Attended/Held	Attendance Rate
Dr. Huang Zhijian ( <i>Chairman</i> )	1/1	100%
Mr. Lu Fan	1/1	100%
Dr. Chow Yunxia, Carol	1/1	100%

During the Year, the Nomination Committee had, among others, undertaken the following tasks:

1. reviewed the structure, composition and diversity of the Board;
2. considered the re-election of the retiring Directors by the Shareholders at the forthcoming annual general meeting of the Company; and
3. considered the independence of the INEDs.

# Corporate Governance Report

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

The terms of reference of each of the above Board committees, which define the role, authority and function delegated to them by the Board, are 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 Transaction by Directors of Listed Issuers” (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors, the Directors confirmed that they had complied with the required standards laid down in the Model Code throughout the Year.

## **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 25 to 26 of this Report.

## **INTERNAL CONTROL**

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

## **INVESTMENT COMMITTEE**

On investment subjects, the investment committee (the “Investment Committee”) established by the Board is responsible for making routine decisions. Corporate decisions are made collectively by the Board including the INEDs.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Ms. Lee Wai Tsang, Rosa succeeded as the chairman of the Board. The Company has not appointed any chief executive officer since its inception. Given the current size and structure of the Company, the Board considers that such appointment is not required as the existing structure has a well-balanced of authorities, responsibilities and accountability among the members of the Board (which comprises experienced and high caliber individuals who meet regularly to discuss issues and affairs affecting the operations of the Company), the management and the investment manager of the Company.

## **CONSTITUTIONAL DOCUMENTS**

During the Year, there was no significant change in the Company’s constitutional documents.

# Corporate Governance Report

## TRAINING FOR DIRECTORS

The Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. The Company provides internal trainings and in-house briefings to the Directors to ensure awareness of best corporate governance practices. The Company also periodically circulates reading materials relating to the general business, investment, or director's duties and responsibility to all the Directors. We had held 2 sessions of corporate governance training during the Year, which were both attended by Ms. Lee Wai Tsang, Rosa (Chairman), Dr. Huang Zhijian, Mr. Lee Wai Wang, Robert, Dr. Chow Yunxia, Carol, Mr. Lam Chi Wai and Mr. Lu Fan.

## COMPANY SECRETARY

Our company secretary, Ms. Wong Chui San, Susan, fulfilled the hours of training required under Rule 3.29 of the Listing Rules to perform the duties required.

## NON-EXECUTIVE DIRECTORS

The term of appointment of each non-executive Director is for a period for three years.

## SHAREHOLDER'S RIGHTS

### Convening of Special General Meeting (SGM) on Requisition

The following procedures are subject to the Company's bye-laws (the "Bye-laws"), the Bermuda Companies Act 1981 (the "CA") and applicable legislation and regulation.

1. Members of the Company (the "Members") holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM11 Bermuda, for the attention of the company secretary of the Company (the "Company Secretary"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.
2. The written requisition must state the purposes of the general meeting, signed by the Member(s) concerned and may consist of several documents in like form, each signed by one or more of those Members.
3. If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements and the Bye-laws to all the registered Members. If the requisition is invalid, the Members concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.
4. The notice period to be given to all the registered Members for consideration of the proposal raised by the Member(s) concerned at a SGM varies according to the nature of the proposal, as follows: at least twenty-one (21) clear days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended (other than a mere clerical amendment to correct a patent error); and at least fourteen (14) clear days' in writing if the proposal constitutes an ordinary resolution of the Company.

# Corporate Governance Report

## Enquiries to the Board

Shareholders have been provided with contact details of the Company on the Company's website, including its telephone number, fax number, email address and postal address, in order to enable them to make any enquiries that they may have with respect to the Company. They can also send their enquiries to the Board using these means. In addition, shareholders can contact Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

## Putting Forward Proposals at General Meetings

1. The Company is required to hold an annual general meeting ("AGM") every year, and may hold a general meeting known as a special general meeting whenever necessary.
2. Shareholders of the Company holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting of the Company; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at an AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.
3. The written request/statements must be signed by the Shareholders concerned and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM11 Bermuda, for the attention the Company Secretary, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.
4. If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholders concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Shareholders. If the written request is invalid or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

# Biographical Details of Directors

## EXECUTIVE DIRECTORS

### Ms. Lee Wai Tsang, Rosa

Ms. Lee Wai Tsang, Rosa, aged 37, has been an executive Director since 1 June 2005 and appointed as chairman of the Company since 1 May 2013. 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 Securities and Futures Ordinance (“SFO”). Ms. Lee is a director of Grand Finance Group Company Ltd (“GFG”, and its subsidiaries, the “GFG Group”) and its subsidiary, a director of Tianjin Yishang Friendship Holdings Company Ltd and an independent non-executive Director of Zhejiang Expressway Company Ltd. (stock code: 0576).

Ms. Lee is the sister of Mr. Lee Wai Wang, Robert, an executive Director and the daughter of Mr. Lee Tak Lun, a controlling shareholder of the Company.

### Dr. Huang Zhijian

Dr. Huang Zhijian, aged 69, has been an executive Director since 1 January 2007. Dr. Huang graduated from Tsinghua University in Beijing, the PRC. He received a Master of Science degree and a Doctor of Philosophy degree from the Institute of Science and Technology of the University of Manchester, and he had been lecturer at Tsinghua University during the period from 1984 to 1986. Dr. Huang had held senior executive and managerial positions in various companies since 1986 including China Resources Development and Investment Company Ltd. Dr. Huang served as a non-executive director of China Resources Peoples Telephone Company Limited, an executive director of Cosmos Machinery Enterprises Limited (stock code: 0118) and is currently an independent non-executive director of Pine Technology Holdings Limited (stock code: 1079).

### Mr. Lee Wai Wang, Robert

Mr. Lee Wai Wang, Robert, aged 35, became an executive Director since 2 September 2013. He also serves as a member of the remuneration committee of the Board. Mr. Robert Lee has over ten years of international financial industry experience and is currently the Senior Vice President of the GFG Group with primarily responsibilities for managing the company’s brokerage and asset management businesses. He holds a Bachelor of Arts Degree from Bard College and a Master of Science Degree from University of Pennsylvania. He is also a director of the Hong Kong Securities Association, an executive committee member of the Chinese Gold and Silver Exchange Society, a member of the SFC Process Review Panel and a committee member of The Chinese General Chamber of Commerce.

Mr. Lee is the brother of Ms. Lee Wai Tsang, Rosa, the current Chairman of the Company and an executive Director, and the son of Mr. Lee Tak Lun, a controlling shareholder of the Company.

# Biographical Details of Directors

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Lu Fan

Mr. Lu Fan, aged 59, 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. He had also been the chief economist of the Zhejiang Huating Group Co., Ltd. since 2004.

### Dr Chow Yunxia, Carol

Dr. Chow Yunxia, aged 36, has been an independent non-executive Director since 1 June 2009. Dr. Chow 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. Chow was 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 ten 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.

### Mr. Lam Chi Wai, Gavin

Mr. Lam Chi Wai, aged 48, became an independent non-executive Director on 2 September 2013. Mr. Lam holds a degree in Law from the Peking University and a master degree in accounting from the Jinan University in PRC. He is an accountant and a certified taxation adviser. Mr. Lam has been the managing partner of a firm of certified public accountants in Hong Kong since 1996. He is a member and a practicing member of the Hong Kong Institute of Certified Public Accountants (HKICPA), a fellow member of The Association of Chartered Certified Accountants, a member of The Society of Chinese Accountants and Auditors and a fellow member of the Taxation Institute of Hong Kong. He has over 20 years' experience in auditing, finance, taxation and accounting.

# Report of the Directors

The directors of the Company (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 2015 (the “Year”), which were approved by the board of directors (the “Board”) of the Company on 19 June 2015.

## 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, Macau and the United States with potential for earnings growth and capital appreciation. The Company’s revenue for the year ended 31 March 2015 comprised of gains or loss from investments and other sources.

## FINANCIAL RESULTS

The profit and cash flows of the Company for the year ended 31 March 2015 and the state of affairs of the Company as at 31 March 2015 are set out in the financial statements on pages 27 to 30.

## DIVIDENDS

The Directors do not recommend the payment of a dividend for the Year (2014: Nil).

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 30 July 2015.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Company for the latest five financial years is set out on page 66. This summary does not form part of the audited financial statements.

## RESERVES

Details of movements in the reserves of the Company during the Year are set out in note 16 to the financial statements and in the statement of changes in equity set out on page 29.

## TAX RELIEF AND EXEMPTION

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

## SHARE CAPITAL

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

## DONATIONS

The Company did not make any donations for charitable or other purposes during the Year.

## 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 2015, 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

The share option scheme adopted by the Company on 2 April 2004 expired on 1 April 2014. During the Year, there were no share options granted under the share option scheme. Details of the share option scheme are set out in note 23 to the financial statements.

## DIRECTORS

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

### Executive Directors

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

Dr. Huang Zhijian

Mr. Lee Wai Wang, Robert

### Independent Non-executive Directors

Dr. Chow Yunxia, Carol

Mr. Lam Chi Wai

Mr. Lu Fan

Dr. Zhang Hongru (resigned on 1 September 2014)

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, Ms. Lee Wai Tsang, Rosa and Mr. Lu Fan will retire at the forthcoming Annual General Meeting. Each of them, being eligible, offer himself or herself for re-election at the forthcoming Annual General Meeting.

The Company has received the confirmations of independence from Mr. Lu Fan, Dr. Chow Yunxia, Carol and Mr. Lam Chi Wai pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and in the opinions of the Directors having regard to the Company's Nomination Committee's assessment of their independence, they remain to be considered as independent.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts 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

## DIRECTORS' AND/OR EXECUTIVE'S INTEREST IN SHARES

As at 31 March 2015, 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 The Stock Exchange of Hong Kong Limited (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 Issuers as contained in the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2015, 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	Approximate percentage of existing shareholding
1. Optimize Capital Investments Limited ("Optimize Capital") (Note 1)	Beneficial owner	14,980,000 (long position) (Note 1)	8.67%
2. Lee Tak Lun	Interest of a controlled corporation	14,980,000 (long position) (Note 1)	8.67%
	Interest of a controlled corporation	35,180,000 (long position) (Notes 2 to 4)	20.36%
	Beneficial owner	57,088,000	33.04%
		107,248,000	62.07%
3. Grand Finance Group Company Limited ("GFG")	Registered and beneficial owner	35,180,000 (long position) (Notes 2 to 4)	20.36%

# Report of the Directors

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

*Notes:*

- 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 are executive Directors. 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.
- The percentage of shareholding is calculated on the basis of 172,800,000 shares in the Company in issue as at 31 March 2015.

Save as disclosed above, as far as the Directors are aware, the Company had not been notified by any other persons, and none of the other Directors or chief executive (if any) of the Company, 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 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 2015.

# 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 Agreement

Pursuant to the investment management agreement dated 1 December 2010 (“Investment Management Agreement”), the Company appointed Grand Investment (Securities) Limited (“GIS”) as the Company’s investment manager to provide the Company with investment management services for an initial term of two years commencing on 1 December 2010 subject to renewal, at the investment management fee of HK\$288,000 per annum.

GIS is regarded as a connected person of the Company under Rule 14A.08 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. Since each of the applicable percentage ratios under Rules 14.07 of the Listing Rules (as appropriate) on an annual basis is less than 0.1%, the transaction contemplated under the Investment Management Agreement was not subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### Tenancy Agreement

Pursuant to a tenancy agreement dated 13 November 2014 entered into between GIS as landlord and the Company as tenant (the “Tenancy Agreement”), GIS had leased the office premises located on A301, 32/F, United Center, No. 95, Queensway, Hong Kong to the Company at a monthly rent of HK\$30,916.67 (exclusive of operating charges, rates and other outgoings) for a term of 1 years commencing on 19 November 2015 subject to renewal.

As aforementioned, GIS is a connected person of the Company. Accordingly, the Tenancy Agreement constitutes a continuing connected transaction of the Company. During the Year, the aggregate amount of rent paid to GIS under the Tenancy Agreement amounted to HK\$340,715. Since each of the applicable percentage ratios under Rule 14.07 of the Listing Rules (as appropriate) on an annual basis is less than 0.1%, the transaction contemplated under the Tenancy Agreement was not subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

# Report of the Directors

## Custodian Agreement

The Company appointed DBS Bank Ltd, ("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 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.

DBS is regarded as a connected person of the Company under Rule 14A.08 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\$46,800 since each of the applicable percentage ratios under Rules 14.07 of the Listing Rules (as appropriate) on an annual basis is less than 0.1%, the transaction contemplated under the Custodian Agreement was not subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors had reviewed the above continuing connected transactions respectively contemplated under the aforementioned Investment Management Agreement, the Tenancy Agreement and the Custodian Agreement (each a "Transaction" and collectively, the "Transactions") for the Year and confirmed that each of the Transactions have been entered into:

- (i) in the ordinary and usual course of the Company's business;
- (ii) on normal commercial terms;
- (iii) (as regards the Investment Management Agreement) in accordance with the Investment Management Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole;
- (iv) (as regards the Tenancy Agreement) in accordance with the Tenancy Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole; and
- (v) (as regards the Custodian Agreement) in accordance with the Custodian Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

# Report of the Directors

The auditors of the Company also confirmed that:

- (i) each of the Transactions was approved by the Board;
- (ii) the Transaction contemplated under the Investment Management Agreement was entered into in accordance with the terms of the Investment Management Agreement;
- (iii) the Transaction contemplated under each of the Tenancy Agreement was entered into in accordance with the respective terms of the Tenancy Agreement;
- (iv) the Transaction contemplated under each of the Custodian Agreement was entered into in accordance with the respective terms of the Custodian Agreement;
- (v) the total investment manager fees paid by the Company in relation to the Investment Management Agreement during the Year do not exceed HK\$288,000;
- (vi) the total rent paid by the Company in relation to the Tenancy Agreement during the Year does not exceed HK\$340,715; and
- (vii) the total custody fee paid by the Company in relation to the Custodian Agreement during the Year does not exceed HK\$46,800.

To the extent that the “Related Party Transactions” as disclosed in note 22 to the financial statements for the Year constituted connected transaction as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

## 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. There is no information necessary to enable Shareholders to obtain any relief from taxation to which they are entitled by reason of being the Company’s shareholder.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed level of public float under the Listing Rules on Stock Exchange during the Year and at any time up to the date of this Report.

## AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with Rule 3.21 of the Listing Rules for the purpose of, among other duties, reviewing and providing supervision over the Company’s financial reporting procedures and internal control system. The Audit Committee, comprising all three independent non-executive Directors, had reviewed with the management of the Company the audited financial statements of the Company for the Year.

# Report of the Directors

## EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the Year and as at the date of this Annual 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 will retire 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.

By Order of the Board  
**Lee Wai Tsang, Rosa**  
*Chairman*

Hong Kong, 19 June 2015

# 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

Tel : +852 2521 2328  
Fax : +852 2525 9890  
Email : [letters@EastAsiaSentinel.com](mailto:letters@EastAsiaSentinel.com)  
[www.EastAsiaSentinel.com](http://www.EastAsiaSentinel.com)  
Ref.: 126106

### 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 27 to 30, which comprise the statement of financial position as at 31 March 2015 and the statement of comprehensive income, the statement of changes in equity and the 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 of the Company 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 the 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 2015 and of the Company's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**East Asia Sentinel Limited**

**Yim Wing Yee**

*Director*

Practising Certificate No. P05906

Hong Kong

Date: 19 June 2015

# Statement of Comprehensive Income

For the year ended 31 March 2015

	<i>NOTE</i>	<b>2015 HK\$'000</b>	2014 HK\$'000
GAIN ON INVESTMENTS	<i>6</i>	<b>117</b>	155
OTHER REVENUES	<i>6</i>	<b>11,976</b>	2,002
IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS	<i>10</i>	<b>(7,802)</b>	(2,349)
ADMINISTRATIVE EXPENSES		<b>(3,160)</b>	(3,684)
PROFIT/(LOSS) BEFORE TAXATION	<i>7</i>	<b>1,131</b>	(3,876)
TAXATION	<i>8(d)</i>	-	-
PROFIT/(LOSS) FOR THE YEAR		<b>1,131</b>	(3,876)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<b>1,131</b>	(3,876)
DIVIDEND	<i>20</i>	-	-
PROFIT/(LOSS) PER SHARE	<i>21</i>		
Basic:			
For profit/(loss) for the year		<b>HK\$0.01</b>	(HK\$0.02)
Diluted:			
For profit/(loss) for the year		<b>N/A</b>	N/A

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

# Statement of Financial Position

As at 31 March 2015

	<i>NOTE</i>	<b>2015 HK\$'000</b>	2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Available-for-sale investments	<i>10</i>	<b>26,580</b>	43,729
<b>CURRENT ASSETS</b>			
Investments at fair value through profit or loss	<i>11</i>	<b>517</b>	634
Deposits, other receivables and prepayments	<i>12</i>	<b>13,562</b>	454
Cash and cash equivalents	<i>13</i>	<b>7,591</b>	2,288
<b>TOTAL CURRENT ASSETS</b>		<b>21,670</b>	3,376
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	<i>14</i>	<b>163</b>	149
<b>TOTAL CURRENT LIABILITIES</b>		<b>163</b>	149
<b>NET CURRENT ASSETS</b>		<b>21,507</b>	3,227
<b>NET ASSETS</b>		<b>48,087</b>	46,956
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>15</i>	<b>17,280</b>	17,280
Reserves	<i>16</i>	<b>30,807</b>	29,676
<b>TOTAL EQUITY</b>		<b>48,087</b>	46,956
<b>NET ASSET VALUE PER SHARE</b>	<i>19</i>	<b>HK\$0.28</b>	HK\$0.27

**Lee Wai Tsang, Rosa**  
*Director*

**Huang Zhijian**  
*Director*

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

# Statement of Changes in Equity

For the year ended 31 March 2015

	<b>Share capital</b>	<b>Share premium</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>YEAR ENDED 31 MARCH 2014</b>				
At 1 April 2013	17,280	37,786	(4,234)	50,832
<b>Total comprehensive loss</b>				
Loss for the year	–	–	(3,876)	(3,876)
At 31 March 2014	17,280	37,786	(8,110)	46,956
<b>YEAR ENDED 31 MARCH 2015</b>				
At 1 April 2014	<b>17,280</b>	<b>37,786</b>	<b>(8,110)</b>	<b>46,956</b>
<b>Total comprehensive income</b>				
Profit for the year	–	–	<b>1,131</b>	<b>1,131</b>
At 31 March 2015	<b>17,280</b>	<b>37,786</b>	<b>(6,979)</b>	<b>48,087</b>

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

# Statement of Cash Flows

For the year ended 31 March 2015

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	<b>1,131</b>	(3,876)
Adjustments for:		
Interest income	<b>(79)</b>	–
Unrealised loss of investments at fair value through profit or loss	<b>7</b>	233
Impairment losses on an available-for-sale investment	<b>7,802</b>	2,349
Operating profit/(loss) before changes in working capital	<b>8,861</b>	(1,294)
Change in fair value of investments at fair value through profit or loss	<b>110</b>	2,121
(Increase) in deposits, other receivables and prepayments	<b>(13,108)</b>	(74)
Increase/(Decrease) in other payables and accruals	<b>14</b>	(35)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(4,123)</b>	718
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposals of available-for-sales investment	<b>9,347</b>	–
Interest received	<b>79</b>	–
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>9,426</b>	–
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,303</b>	718
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>2,288</b>	1,570
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>7,591</b>	2,288
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>235</b>	2,058
Short-term deposit with original maturity within three months	<b>7,356</b>	230
	<b>7,591</b>	2,288

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

# Notes to the Financial Statements

For the year ended 31 March 2015

## 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 A301, 32/F., United Centre, 95 Queensway, Hong Kong.

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

## 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.

These financial statements have been prepared under the historical cost convention, except that available-for-sale investments 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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

### (a) New standards and amendments to standards relevant to and adopted by the Company

In current year, a number of new and revised HKFRS issued by HKICPA that are mandatorily effective for the Company's current reporting period.

HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosure for non-financial assets
HK(IFRIC) 21	Levies

None of these developments have been a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

### (b) New 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 2015, and which have not been adopted in preparing these financial statements. These include the following new standards which may be relevant to the Company.

	<b>Effective for accounting periods beginning on or after</b>
HKFRS 15 "Revenue from contracts with customers"	1 January 2017
HKFRS 9 "Financial instruments"	1 January 2018

The Company is in the process of making an assessment of what the impact of these new standards 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.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the Company's various lines of business and geographical locations.

### (b) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of the Company 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.

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.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

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

#### (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 investments

Available-for-sale investments are non-derivatives investments in unlisted equity securities and investments in limited partnerships 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 investments 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.

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.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

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

#### (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.

#### (iv) Fair value

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

### (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.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

### (f) Payables

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the 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.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

### (i) Employee benefits

The Company operates a defined contribution 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. The Company has no further payment obligation once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### (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 the 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.

### (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.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

### (l) Related parties *(continued)*

- (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 2015

## 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) Estimation of realisability of deferred tax assets

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences arising from depreciation of fixed assets. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

As at 31 March 2015, the Company has unrecognised deferred tax asset of HK\$4,717,180 (2014: HK\$4,215,201) arising from accumulative tax losses carried forward which management consider that it is not probable to utilise the deferred tax benefit in the foreseeable future.

### (ii) Impairment of available-for-sale investments

The Company follows the guidance of HKAS 39 when determining whether an investment in available-for-sale investments 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 a single business and geographical segment.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 6. GAIN ON INVESTMENTS AND OTHER REVENUES

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

	2015 HK\$'000	2014 HK\$'000
<b>GAIN ON INVESTMENTS</b>		
Net unrealised (loss) on investments at fair value through profit or loss	(7)	(233)
Net realised gain on disposal on investments at fair value through profit or loss	124	100
Dividend income	–	288
	<b>117</b>	155
<b>OTHER REVENUES</b>		
Bank interest income	79	–
Distribution income from unlisted partnership	476	2,001
Distribution income from an available-for-sales investment	11,421	–
Sundry income	–	1
	<b>11,976</b>	2,002
<b>Total gain on investments and other revenues</b>	<b>12,093</b>	2,157

## 7. PROFIT/(LOSS) BEFORE TAXATION

The Company's profit/(loss) before taxation is stated after charging the following:–

	2015 HK\$'000	2014 HK\$'000
Auditors' remuneration		
– Current year	170	165
Impairment losses on an available-for-sale investment	7,802	2,349
Investment manager fee	288	288
Exchange loss, net	1	9
Legal and professional fee	218	418
Operating lease payments	341	686
Staff costs (excluding directors' emoluments)		
– Salaries, bonus and allowances	319	286
– Mandatory provident fund contributions	14	13

There is no exceptional items identified for the years ended 31 March 2015 and 2014.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 8. TAXATION

- (a) No provision for Hong Kong Profits Tax has been made in these financial statements as the Company has no assessable profits derived from its operation in Hong Kong during the year (2014: Nil).
- (b) No provision for overseas tax has been made in these financial statements, as the Company has no profit derived from overseas.
- (c) The Company had an unrecognised deferred tax asset as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Unrecognised deferred tax asset	<b>4,717</b>	4,215

The deferred tax asset mainly represents the full tax effect of timing differences arising from cumulative tax losses carried forward. This deferred tax asset has not been recognised in the financial statements as, in the opinion of directors, it is not probable to determine that this deferred tax asset can be utilised in the foreseeable future. These unused tax losses have no expiry date.

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

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Profit/(Loss) before taxation	<b>1,131</b>	(3,876)
Tax at the applicable rate of 16.5% (2014: 16.5%)	<b>187</b>	(640)
Tax effect of non-taxable income	<b>(1,976)</b>	(48)
Tax effect of non-deductible expenses	<b>1,287</b>	388
Tax effect of tax loss not recognised	<b>502</b>	300
Total income tax	<b>-</b>	-

# Notes to the Financial Statements

For the year ended 31 March 2015

## 9. DIRECTORS' EMOLUMENTS

(a) Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:-

	2015 HK\$'000	2014 HK\$'000
Fee:		
Executive Directors	38	20
Independent Non-executive Directors	130	125
Other emolument:		
Executive Directors:		
– Salaries and benefits in kind	890	836
– Retirement benefit scheme contributions	18	15
	<b>1,076</b>	<b>996</b>

The emoluments of each director, on a named basis, for the year ended 31 March 2015 are set out below:

	Directors' fees HK\$'000	Salaries and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<i>Executive Directors</i>				
Lee Wai Tsang, Rosa	–	732	18	750
Huang Zhijian	–	158	–	158
Lee Wai Wang, Robert	38	–	–	38
<i>Independent Non-executive Directors</i>				
Lu Fan	38	–	–	38
Zhang Hongru (resigned on 1 September 2014)	16	–	–	16
Chow Yunxia, Carol	38	–	–	38
Lam Chi Wai	38	–	–	38
	<b>168</b>	<b>890</b>	<b>18</b>	<b>1,076</b>

# Notes to the Financial Statements

For the year ended 31 March 2015

## 9. DIRECTORS' EMOLUMENTS *(continued)*

- (a) Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:– *(continued)*

The emoluments of each director, on a named basis, for the year ended 31 March 2014 are set out below:

	Directors' fees HK\$'000	Salaries and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<i>Executive Directors</i>				
Lee Wai Tsang, Rosa	–	692	15	707
Huang Zhijian	–	144	–	144
Lee Wai Wang, Robert	20	–	–	20
<i>Independent Non-executive Directors</i>				
Lu Fan	35	–	–	35
Zhang Hongru	35	–	–	35
Chow Yunxia, Carol	35	–	–	35
Lam Chi Wai	20	–	–	20
	145	836	15	996

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 (2014: Nil).

## (b) Highest paid individuals

Of the individuals with the highest remuneration in the Company, the numbers of directors and individuals are as follows:–

	2015	2014
Number of directors	4	3
Number of individuals	1	2
	5	5

The emoluments of the above directors are included in the disclosure in note 9(a).

# Notes to the Financial Statements

For the year ended 31 March 2015

## 9. DIRECTORS' EMOLUMENTS *(continued)*

### (b) Highest paid individuals *(continued)*

The emoluments of the above individuals are as follows:–

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Salaries, allowances and benefits in kind	<b>299</b>	286
Retirement benefit scheme contributions	<b>14</b>	13
	<b>313</b>	299

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:–

	<b>2015</b> <b>Number of</b> <b>employees</b>	2014 Number of employees
Nil to HK\$500,000	<b>1</b>	2
HK\$500,001 to HK\$1,000,000	<b>–</b>	–
	<b>1</b>	2

During the year, there was no arrangement under which an individual waived or agreed to waive any remuneration. No emoluments were paid by the Company to any of the individuals as an inducement to join or upon joining the Company or as compensation for loss of office (2014: Nil).

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.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 10. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Investment securities, at cost:		
Equity securities, unlisted shares ( <i>note (a)</i> )	18,787	18,787
Less: impairment loss	(7,802)	–
	<b>10,985</b>	18,787
Investments in limited partnerships, at cost ( <i>note (b)</i> )	15,595	27,291
Less: impairment loss	–	(2,349)
	<b>15,595</b>	24,942
Total	<b>26,580</b>	43,729

### (a) Equity securities

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

There is no active market for these equity securities as the companies are privately held. The fair values 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 other than the investment in Lot Software Systems International Limited ("Lot Software"), there have not been any material changes to the equity securities that would lead to a change in the fair values of these available-for-sale investments from the dates of their acquisition to 31 March 2015. There is therefore no revaluation difference to be recognised in these financial statements as at 31 March 2015. Impairment losses on these investments were recognised in statement of comprehensive income in accordance with the policy set out in note 3(c).

# Notes to the Financial Statements

For the year ended 31 March 2015

## 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 (%)	Net asset attributable to the investment (%)	2015 Cost less impairment HK\$'000	2014 Cost less impairment HK\$'000
Tianjin Yishang Friendship Holdings Company Limited <i>(Note (i))</i>	Operation of department stores and home retail shops	8,711,965 (2014: 8,711,965)	3.955% (2014: 3.955%)	20% (2014: 20%)	9,434	9,434
Joyport Holdings Limited <i>(Note (ii))</i>	Online game development, distribution and operation	1,231,600 (2014: 1,231,600)	5.00% (2014: 5.00%)	3% (2014: 3%)	1,551	1,551
MBP Software Group Holdings Limited <i>(Note (iii))</i>	Provision of services on application software project developer and product research	Nil (2014: 1,832,500)	Nil (2014: 7.33%)	Nil (2014: 17%)	-	7,802
Lot Software Systems International Limited <i>(Note (iv))</i>	Provision of services on application software project developer and product research	1,429 (2014: Nil)	9.77% (2014: Nil)	Nil (2014: Nil)	-	-
					<b>10,985</b>	18,787
					<b>2015 HK\$'000</b>	2014 HK\$'000
Equity securities, at cost					<b>18,787</b>	18,787
Provision for impairment loss					<b>(7,802)</b>	-
					<b>10,985</b>	18,787

# Notes to the Financial Statements

For the year ended 31 March 2015

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

### (a) Equity securities *(continued)*

The movements on the provision for impairment of equity securities are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	–	–
Impairment loss on available-for-sale investments	<b>(7,802)</b>	–
At end of the year	<b>(7,802)</b>	–

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

### (i) 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, was converted into Tianjin Yishang. The business activities of Tianjin Yishang and its subsidiaries and branches are to operate department stores in the PRC.

The financial information of Tianjin Yishang was approximately as follows:

	For the year ended 31/12/2014 HK\$'000 (Unaudited)	For the year ended 31/12/2013 HK\$'000 (Audited)
Profit/(loss) for the year	<b>1,814</b>	(30,313)
Net asset value	<b>523,158</b>	916,734

During the year, the Company did not receive any cash dividend from Tianjin Yishang (2014: Nil).

# Notes to the Financial Statements

For the year ended 31 March 2015

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

### (a) Equity securities *(continued)*

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

The unaudited financial information of Joyport was approximately as follows:

	<b>For the year ended 31/12/2014 HK\$'000</b>	For the year ended 31/12/2013 HK\$'000
(Loss)/Profit for the year	<b>(20,843)</b>	25,457
Net asset value	<b>67,957</b>	91,458

During the year, the Company did not receive any received cash dividend from Joyport (2014: HK\$241,222).

#### (iii) MBP Software Group Holdings Limited (“MBP Software”)

MBP Software is a limited liability company incorporated under the laws of the Cayman Islands. It focuses on software outsourcing business in Japan and Mainland 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 2015

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

### (a) Equity securities *(continued)*

#### (iii) MBP Software Group Holdings Limited (“MBP Software”) *(continued)*

On 28 March 2013, MBP Software entered into a reorganisation agreement (“the Agreement”) with Lot Software Systems International Limited (“Lot Software”) a limited liability company incorporated under the laws of the British Virgin Islands which held the entire shares of MBP Software. Pursuant to the Agreement, Lot Software was to transfer its shares in MBP Software to its existing shareholders. As a result, the Company held direct interest in MBP Software at the end of 31 March 2013 and 2014.

The reorganization was reversed subsequently whereby the Company’s interest in MBP Software was reversed back to Lot Software.

During the year, the Company did not receive any dividend from MBP Software (2014: Nil).

#### (iv) 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 Mainland 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.

As a result of the reorganisation as set out in note 10(a)(iii) above, the Company holds 1,429 shares of Lot Software as at the end of the reporting period.

During the year, another company called MBP Software Group Holdings Limited (“MBP HK”), a direct subsidiary of Lot Software which incorporated in Hong Kong, has entered into an agreement with a third party buyer under which MBP HK has agreed to dispose of its entire interest in its subsidiaries at a consideration of RMB149,200,000 (“the disposal”). As a result of the disposal, the Company is entitled to a cash distribution of HK\$11,421,000, which has been recognised as “distribution income from available-for-sales investments” in other revenue during the year. The transfer of shares has been completed on 15 April 2015.

After the disposal, Lot Software and MBP HK no longer hold major asset of value. In light of this indicator, the Company has provided provision for impairment against its interest in Lot Software amounting to HK\$7,802,000 during the year, which is also the original cost of the investment.

During the year, the Company received distribution of HK\$11,421,000 from Lot Software (2014: Nil).

# Notes to the Financial Statements

For the year ended 31 March 2015

## 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, and the prospective growth of the value of the investments. On account of such analysis, the directors consider that the carrying amounts of the limited partnerships stated fairly to their fair values as at 31 March 2015.

Particulars of the limited partnerships are as follows:–

Name of limited partnerships	Nature of business	Percentage of interest held (%)	Net assets attributable to the investment (%)	2015 Cost less impairment HK\$'000	2014 Cost less impairment HK\$'000
CMHJ Technology Fund II, L.P. ("CMHJ") <i>(Note (i))</i>	Investing in equity securities of privately held companies in the technologies enabled services and products industries	2.8% (2014: 2.8%)	32% (2014: 33%)	15,595	15,595
Project Carmel L.P. ("Project Carmel") <i>(Note (ii))</i>	Investing in real estate in Macau	Nil (2014: 1.94%)	Nil (2014: 23%)	–	9,347
				<b>15,595</b>	<b>24,942</b>

	2015 HK\$'000	2014 HK\$'000
Investments in limited partnerships, at cost		
At beginning of the year	27,291	27,291
Disposal of the investment in Project Carmel	(11,696)	–
At end of the year	15,595	27,291
Provision for impairment loss	–	(2,349)
	<b>15,595</b>	<b>24,942</b>

# Notes to the Financial Statements

For the year ended 31 March 2015

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

### (b) Investments in limited partnerships *(continued)*

The movements on the provision for impairment of investments in limited partnerships are as follows:

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	(2,349)	–
Written back on disposal of available-for-sale investment	2,349	–
Impairment loss on available-for-sale investments	–	(2,349)
At end of the year	–	(2,349)

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

#### (i) 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.

The audited net assets attributable to shareholders of CMHJ were approximately as follows:

	As at 31/3/2015 HK\$'000	As at 31/3/2014 HK\$'000
Net asset value attributable to shareholders	526,644	547,261

During the year, the Company received distribution income of HK\$476,151 from CMHJ (2014: HK\$2,001,388).

- (ii) On 15 April 2014, the Company disposed of its entire interests in Project Carmel to an independent third party at a total consideration of HK\$9,346,834. The carrying value as at the disposal date was HK\$9,346,834. Original cost of the investment was HK\$7,814,000.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong, at fair value (note (a))	517	634

The Company's investments in listed securities designated as investments at fair value through profit or loss with fair value amounting to HK\$309,960 (2014: Nil) were pledged as collateral to a related company, Grand Investment (Securities) Limited ("GIS"), to obtain marginal facilities 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 market value of the listed equity securities held by the Company as at 31 March 2015 was approximately HK\$525,000.

Notes:

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

Particulars of the equity securities are as follows:-

**At 31 March 2015**

Name of invested company	Place of incorporation	Number of shares	Percentage of interest held (%)	Net assets attributable to the investment (%)	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) arising on revaluation HK\$'000
China Pacific Insurance (Group) Co., Ltd	The People's Republic of China	14,000	Less than 0.1%	1.07%	524	517	(7)

Particulars of the equity securities are as follows:-

**At 31 March 2014**

Name of invested company	Place of incorporation	Number of shares	Percentage of interest held (%)	Net assets attributable to the investment (%)	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) arising on revaluation HK\$'000
ChinaAMC CSI 300 Index ETF	The People's Republic of China	16,000	Less than 0.1%	0.93%	511	200	(311)
Yanzhou Coal Mining Company Limited	The People's Republic of China	34,000	Less than 0.1%	0.43%	573	434	(139)
					1,084	634	(450)

# Notes to the Financial Statements

For the year ended 31 March 2015

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

Notes: (continued)

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

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

**China Pacific Insurance (Group) Co., Ltd (“CPIC”)**

CPIC is primarily engaged in property and casualty businesses, life insurance businesses, pension and annuity businesses, as well as asset management, etc.

The audited financial information of CPIC was approximately as follows:–

	For the year ended 31/12/2014 HK\$'000	For the year ended 31/12/2013 HK\$'000
Profit attributable to shareholder of CPIC	27,468,000	7,563,000
Net asset value	150,269,000	127,320,000

## 12. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Deposits and other receivables (Note (i))	1,964	281
Distribution income receivables (Note (ii))	11,421	–
Prepayments	177	173
	13,562	454

Notes:

- (i) The other receivables included receivables from GIS, which is the broker of the Company, amounting HK\$334,609 (2014: HK\$117,510). GIS is a related company of the Company (Note 22).
- (ii) The distribution income receivables represent distribution income from an available-for-sales investments as set out in Note 10(a)(iv). The proceeds were fully settled on 6 May 2015.

The carrying amounts of deposits and other receivables approximated their fair values as at 31 March 2015 and 2014. The Company does not hold any collateral over these balances.

The deposits and other receivables do not contain impaired assets.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 12. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

The carrying amounts of deposits, other receivables and prepayments were denominated in the following currencies:–

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Hong Kong dollars	<b>2,141</b>	454
United States dollars	<b>11,421</b>	–
	<b>13,562</b>	454

## 13. CASH AND CASH EQUIVALENTS

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Cash and bank balances	<b>235</b>	2,058
Short-term bank deposits	<b>7,356</b>	230
	<b>7,591</b>	2,288

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

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Hong Kong dollars	<b>5,130</b>	271
United States dollars	<b>2,461</b>	2,017
	<b>7,591</b>	2,288

## 14. OTHER PAYABLES AND ACCRUALS

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Other payables and accruals	<b>163</b>	149

The carrying amounts of other payables and accruals approximated their fair values as at 31 March 2015 and 2014 and were denominated in Hong Kong dollars.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 15. SHARE CAPITAL

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
172,800,000 ordinary shares of HK\$0.10 each	<b>17,280</b>	17,280

## 16. RESERVES

	<b>Share premium</b> HK\$'000	<b>Accumulated losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2013	37,786	(4,234)	33,552
Total comprehensive loss			
Net loss for the year	–	(3,876)	(3,876)
At 31 March 2014	37,786	(8,110)	29,676
Total comprehensive loss			
Net profit for the year	–	1,131	1,131
<b>At 31 March 2015</b>	<b>37,786</b>	<b>(6,979)</b>	<b>30,807</b>

### (i) Share premium reserve

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

# Notes to the Financial Statements

For the year ended 31 March 2015

## 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 subject 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 2015 and 2014.

## 18. OPERATING LEASE COMMITMENT

The Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:-

	<b>As at 31/3/2015 HK\$'000</b>	As at 31/3/2014 HK\$'000
Not later than one year	<b>236</b>	236

## 19. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the following information:

	<b>2015</b>	2014
Net assets (HK\$'000)	<b>48,087</b>	46,956
Number of ordinary share in issue ('000)	<b>172,800</b>	172,800

## 20. DIVIDENDS

The directors of the Company do not recommend the payment of dividend for the year ended 31 March 2015 (2014: Nil).

# Notes to the Financial Statements

For the year ended 31 March 2015

## 21. PROFIT/(LOSS) PER SHARE

The calculation of profit/(loss) per share is based on the following information:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Net profit/(loss) attributable to shareholders	<b>1,131</b>	(3,876)
	<b>2015</b>	2014
Number of weighted average of ordinary shares in issue ('000)	<b>172,800</b>	172,800

The Company has no potential dilutive ordinary shares that were outstanding during the year.

## 22. RELATED PARTY TRANSACTIONS

During the year, save for those parties referred to as connected transactions in the report of the directors and disclosed elsewhere in notes to the financial information, the Company paid rental expenses and traded listed securities through a securities account maintained with a related company, 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 was also the investment manager of the Company and was entitled to a monthly fee of HK\$24,000 (2014: HK\$24,000) for the provision of investment management services to the Company.

Details of related party transactions as below:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Investment manager fee paid to a related company	<b>288</b>	288
Rental expenses paid to a related company	<b>340</b>	686

GIS is regarded as connected person of the Company under Rule 14A.08 of the Listing Rules. Accordingly, the transactions also constitute continuing connected transactions for the Company.

# Notes to the Financial Statements

For the year ended 31 March 2015

## 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 schemes of the Company must not in aggregate exceed 10 percent of the shares in issue ("General Scheme Limit").
- (c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon the exercise of all options to be granted under the share option scheme and any other share option scheme(s) of the Company must not exceed 10 percent of the shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the share option scheme and any other share option scheme(s) of the Company) previously granted under the share option scheme and any other share option scheme(s) of the Company will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate approval of the shareholders in general meeting to grant options under the share option scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

#### (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.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

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

(d) *(continued)*

#### (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.

#### (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.

# Notes to the Financial Statements

For the year ended 31 March 2015

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

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

(d) *(continued)*

#### *(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 2015

## 24. FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets as at 31 March 2015

	Investments at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial investments HK\$'000	Total HK\$'000
Unlisted equity investments	-	-	26,580	26,580
Listed equity investments	517	-	-	517
Deposits and other receivables	-	13,385	-	13,385
Cash and cash equivalents	-	7,591	-	7,591
	<b>517</b>	<b>20,976</b>	<b>26,580</b>	<b>48,073</b>

### Financial assets as at 31 March 2014

	Investments at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial investments HK\$'000	Total HK\$'000
Unlisted equity investments	-	-	43,729	43,729
Listed equity investments	634	-	-	634
Deposits and other receivables	-	281	-	281
Cash and cash equivalents	-	2,288	-	2,288
	<b>634</b>	<b>2,569</b>	<b>43,729</b>	<b>46,932</b>

### Financial liabilities as at 31 March 2015

	Financial liabilities at amortised cost HK\$'000
Other payables and accruals	163

### Financial liabilities as at 31 March 2014

	Financial liabilities at amortised cost HK\$'000
Other payables and accruals	149

# Notes to the Financial Statements

For the year ended 31 March 2015

## 25. FINANCIAL RISKS MANAGEMENT

The main risks arising from the Company's financial instruments are credit risks, foreign exchange risks, interest rate risk, liquidity risk and equity price 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 investments 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 the end of 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.

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.

### (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 2015

## 25. FINANCIAL RISKS 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.

	2015 HK\$'000	2014 HK\$'000
Less than one year		
– Other payables and accruals	163	149

### (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 2015. 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 the 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 2015	High/low 2015	31 March 2014	High/low 2014
Hong Kong – Hang Seng Index	24,901	25,363/ 21,680	22,151	24,112/ 19,426

# Notes to the Financial Statements

For the year ended 31 March 2015

## 25. FINANCIAL RISKS MANAGEMENT *(continued)*

### (v) Equity price risk *(continued)*

The following table demonstrates the sensitivity to every 8% (2014: 12%) 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 2015.

	<b>Carrying amount of equity investments</b>	<b>Increase/ decrease in equity</b>
	HK\$'000	HK\$'000
<b>2015</b>		
Investments listed in:		
Hong Kong – Investments at fair value through profit or loss	<b>517</b>	44
<b>2014</b>		
Investments listed in:		
Hong Kong – Investments at fair value through profit or loss	634	76

## 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 table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair values measured using the inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

# Notes to the Financial Statements

For the year ended 31 March 2015

## 26. FAIR VALUE ESTIMATION *(continued)*

- Level 3: fair values measured using the inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	<i>Note</i>	<b>Level 1</b> HK\$'000	<b>Level 2</b> HK\$'000	<b>Level 3</b> HK\$'000	<b>Total</b> HK\$'000
<b>As at 31 March 2015</b>					
Investments at fair value through profit or loss	11	517	–	–	517
<b>As at 31 March 2014</b>					
Investments at fair value through profit or loss	11	634	–	–	634

During the year, the Company did not have any level 2 or level 3 financial instruments (2014: Nil).

### Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These financial instruments are included in level 1. Instruments included in level 1 comprise primarily HSI and HHI equity investments classified as trading securities.

## 27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19 June 2015.

# Five-Year Financial Summary

For the year ended 31 March 2015

	<b>2015 HK'000</b>	2014 HK'000	2013 HK'000	2012 HK'000	2011 HK'000
<b>RESULTS</b>					
Gain on investments	<b>117</b>	155	1,003	250	44
Profit/(Loss) before taxation	<b>1,131</b>	(3,876)	(2,289)	(1,648)	(1,182)
Taxation	<b>-</b>	-	-	-	-
Profit/(Loss) attributable to equity holders of the Company	<b>1,131</b>	(3,876)	(2,289)	(1,648)	(1,182)
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>48,250</b>	47,105	51,016	53,292	54,967
Total liabilities	<b>(163)</b>	(149)	(184)	(171)	(198)
Equity attributable to equity holders of the Company	<b>48,087</b>	46,956	50,832	53,121	54,769
<b>NET ASSET VALUE PER SHARE</b>	<b>HK\$0.28</b>	HK\$0.27	HK\$0.29	HK\$0.31	HK\$0.32