



大唐投資國際有限公司\*

GRAND INVESTMENT INTERNATIONAL LTD.

(incorporated in Bermuda with limited liability)

Stock Code: 1160

Positioned for  
**Growth**

*Interim Report*  
**2017**

\* for identification purpose only

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Ms. Lee Wai Tsang, Rosa

*(Chairman until her re-designation  
on 16 June 2017)*

Dr. Huang Zhijian *(resigned on 16 June 2017)*

Mr. Lee Wai Wang, Robert

*(resigned on 16 June 2017)*

#### Non-Executive Directors

Mr. He Luling *(Chairman)*

*(appointed on 16 June 2017)*

#### Independent Non-Executive Directors

Ms. Ma Yin Fan *(appointed on 16 June 2017)*

Ms. Yan Yan *(appointed on 16 June 2017)*

Mr. Xu Yanfa *(appointed on 16 June 2017)*

Dr. Chow Yunxia, Carol *(resigned on 16 June  
2017)*

Mr. Lam Chi Wai *(resigned on 16 June 2017)*

Mr. Lu Fan *(resigned on 16 June 2017)*

### COMPANY SECRETARY

Ms. Leung So Sze

*(appointed on 16 June 2017)*

Ms. Wong Chui San, Susan

*(resigned on 16 June 2017)*

### AUDIT COMMITTEE

Ms. Ma Yin Fan *(appointed on 16 June 2017)*

Mr. He Luling *(appointed on 16 June 2017)*

Ms. Yan Yan *(appointed on 16 June 2017)*

Mr. Xu Yanfa *(appointed on 16 June 2017)*

Mr. Lu Fan *(resigned on 16 June 2017)*

Mr. Lam Chi Wai *(resigned on 16 June 2017)*

Dr. Chow Yunxia, Carol

*(resigned on 16 June 2017)*

### REMUNERATION COMMITTEE

Ms. Yan Yan *(appointed on 16 June 2017)*

Mr. He Luling *(appointed on 16 June 2017)*

Ms. Ma Yin Fan *(appointed on 16 June 2017)*

Mr. Xu Yanfa *(appointed on 16 June 2017)*

Mr. Lu Fan *(resigned on 16 June 2017)*

Mr. Lee Wai Wang, Robert

*(resigned on 16 June 2017)*

Dr. Chow Yunxia, Carol

*(resigned on 16 June 2017)*

### NOMINATION COMMITTEE

Mr. He Luling *(appointed on 16 June 2017)*

Ms. Ma Yin Fan *(appointed on 16 June 2017)*

Ms. Yan Yan *(appointed on 16 June 2017)*

Mr. Xu Yanfa *(appointed on 16 June 2017)*

Mr. Lu Fan *(resigned on 16 June 2017)*

Dr. Huang Zhijian *(resigned on 16 June 2017)*

Dr. Chow Yunxia, Carol

*(resigned on 16 June 2017)*

### 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

## Corporate Information

### AUDITORS

East Asia Sentinel Limited  
22/F, Tai Yau Building  
181 Johnston Road  
Wanchai, Hong Kong

### As to Bermuda law:

Conyers Dill & Pearman  
2901, One Exchange Square  
8 Connaught Place,  
Central, Hong Kong

### PRINCIPAL BANKER

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

### WEBSITE

<http://www.irasia.com/listco/hk/grandinvestment/>

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 503, 5/F, Greenfield Tower  
Concordia Plaza, 1 Science Museum Road  
Kowloon, Hong Kong

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F, 148 Electric Road  
North Point, Hong Kong

### LEGAL ADVISERS TO THE COMPANY

#### As to Hong Kong law:

Loeb & Loeb LLP  
21st Floor, CCB Tower  
3 Connaught Road Central  
Hong Kong

# Unaudited Condensed Interim Financial Statements

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Grand Investment International Ltd. (the “Company”) is pleased to announce the unaudited condensed interim results of the Company for the six months ended 30 September 2017 (the “Period”) together with the comparative figures for the corresponding period in 2016. These condensed interim financial statements have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”) and also reviewed by independent auditors, Messrs. East Asia Sentinel Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

**Grand Investment International Ltd.**

**He Luling**

*Chairman*

# Report on Review of Condensed Interim Financial Statements



**East Asia Sentinel Limited**

**衛亞會計師事務所有限公司**

*Certified Public Accountants*

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Ref: 174184

## **TO THE BOARD OF DIRECTORS OF GRAND INVESTMENT INTERNATIONAL LTD.**

*(incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have reviewed the condensed interim financial statements set out on pages 7 to 18, which comprise the condensed statement of financial position of Grand Investment International Ltd. (the “Company”) as of 30 September 2017 and the related condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# Report on Review of Condensed Interim Financial Statements

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**East Asia Sentinel Limited**

**So Kwok Keung Keith**

Practising Certificate No. P1724

Hong Kong

27 November 2017

# Condensed Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	NOTE	For the six months ended	
		30 September 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
REVENUES	5	–	332
OTHER REVENUES	6	15	11
IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENT		(1,355)	(2,067)
ADMINISTRATIVE EXPENSES		(4,525)	(1,516)
LOSS BEFORE TAXATION	8	(5,865)	(3,240)
TAXATION	9	–	–
LOSS FOR THE PERIOD		(5,865)	(3,240)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		–	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,865)	(3,240)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		(5,865)	(3,240)
INTERIM DIVIDEND	10	–	–
LOSS PER SHARE (HK Cents)			
– Basic	11	(3.39)	(1.88)
– Diluted	11	N/A	N/A

The notes on pages 11 to 18 form part of these unaudited condensed interim financial statements.



# Condensed Statement of Financial Position

As at 30 September 2017

	<i>NOTE</i>	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Available-for-sale investments	12	–	18,561
Property, plant and equipment		<b>56</b>	–
<b>TOTAL NON-CURRENT ASSETS</b>		<b>56</b>	18,561
<b>CURRENT ASSETS</b>			
Available-for-sale investments	12	<b>17,206</b>	–
Deposits, prepayments and other receivables	13	<b>1,254</b>	3,102
Cash and cash equivalents	14	<b>6,203</b>	8,688
<b>TOTAL CURRENT ASSETS</b>		<b>24,663</b>	11,790
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	15	<b>396</b>	163
<b>TOTAL CURRENT LIABILITIES</b>		<b>396</b>	163
<b>NET CURRENT ASSETS</b>		<b>24,267</b>	11,627
<b>NET ASSETS</b>		<b>24,323</b>	30,188
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>17,280</b>	17,280
Reserves		<b>7,043</b>	12,908
<b>TOTAL EQUITY</b>		<b>24,323</b>	30,188
<b>NET ASSET VALUE PER SHARE</b>		<b>HK\$0.14</b>	HK\$0.17

The notes on pages 11 to 18 form part of these unaudited condensed interim financial statements.

## Condensed Statement of Changes in Equity

For the six months ended 30 September 2017

	Share capital	Share premium	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2016 (Audited)	17,280	37,786	(18,901)	36,165
Total comprehensive loss for the period	-	-	(3,240)	(3,240)
Balance at 30 September 2016 (Unaudited)	17,280	37,786	(22,141)	32,925
Balance at 1 April 2017 (Audited)	<b>17,280</b>	<b>37,786</b>	<b>(24,878)</b>	<b>30,188</b>
Total comprehensive loss for the period	-	-	<b>(5,865)</b>	<b>(5,865)</b>
Balance at 30 September 2017 (Unaudited)	<b>17,280</b>	<b>37,786</b>	<b>(30,743)</b>	<b>24,323</b>

The notes on pages 11 to 18 form part of these unaudited condensed interim financial statements.

## Condensed Statement of Cash Flows

For the six months ended 30 September 2017

	For the six months ended	
	30 September 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(2,439)	(830)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(46)	1,865
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(2,485)	1,035
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	8,688	6,309
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6,203	7,344
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balance	6,203	7,344

The notes on pages 11 to 18 form part of these unaudited condensed interim financial statements.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2017

## 1. GENERAL INFORMATION

Grand Investment International Ltd. is a limited liability company incorporated in Bermuda on 15 April 2003 as an exempted company. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since 2 April 2004.

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Unit 503, 5/F, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Kowloon, Hong Kong.

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

## 2. BASIS OF PREPARATION

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

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the annual report of the Company for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

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

## 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the unaudited condensed interim financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 March 2017 except for the adoption of new and revised standard and interpretation with effect from 1 April 2017.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2017

## 4. CHANGES IN ACCOUNTING POLICIES

### (a) Amended standards adopted by the Company

There are a number of revised HKFRSs issued by HKICPA that have been adopted by the Company for the first time for the financial year beginning on or after 1 April 2017:

Amendments to HKAS 7	“Disclosure Initiative”
Amendments to HKAS 12	“Recognition of deferred tax for unrealised losses”
Amendments to HKFRS 12	“Disclosure of interest in other entities”

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

### (b) New and revised standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and revised standards, and interpretations which are effective for periods beginning after 1 April 2017, and which have not been early adopted in preparing these financial statements. These include the followings which may be relevant to the Company.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 2 “Classification and Measurement of Share-based Payment Transactions”	1 January 2018
HKFRS 9 (2014) “Financial instruments”	1 January 2018
HKFRS 15 “Revenue from contracts with customers”	1 January 2018
Amendments to HKFRS 15 “Clarifications to HKFRS 15 Revenue from contracts with customers”	1 January 2018
HK (IFRIC) – Int 22 “Foreign Currency Transactions and Advance Consideration”	1 January 2018
Amendments to a number of HKFRSs “Annual Improvements 2014-2016 Cycle”	1 January 2018
HKFRS 16 “Leases”	1 January 2019
HK (IFRIC) – Int 23 “Uncertainty Over Income Tax Treatments”	1 January 2019
Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution Assets Between an Investor and its Associate or Joint Venture”	Date to be determined

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

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2017

## 5. REVENUES

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

	For the six months ended	
	30 September 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
Net realised gain on disposal of investments at fair value through profit or loss	–	156
Net unrealised gain on investments at fair value through profit or loss	–	137
Dividend income	–	39
	–	332

## 6. OTHER REVENUES

	For the six months ended	
	30 September 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
Interest income	12	10
Exchange gain	3	–
Others	–	1
	15	11

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2017

## 7. SEGMENT REPORTING

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

## 8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	For the six months ended	
	30 September 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
Provision for auditors' remuneration	75	68
Depreciation	3	–
Directors' remuneration	623	498
Investment manager fee	173	144
Legal and professional fees	1,482	91
Operating lease payments	421	242
Staff cost (excluding directors' emoluments)		
– Salaries, bonus and allowance	640	121
– Mandatory provident fund contributions	12	6

## 9. TAXATION

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimate average annual tax rate used is 16.5% for the Period (period ended 30 September 2016: 16.5%). No provision has been made for Hong Kong Profits Tax as there were no estimated Hong Kong assessable profits for the Period (period ended 30 September 2016: Nil).

## 10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (period ended 30 September 2016: Nil).

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2017

## 11. LOSS PER SHARE

The calculation of loss per ordinary share is based on the unaudited loss attributable to shareholders of approximately HK\$5,865,000 for the Period (period ended 30 September 2016: loss of approximately HK\$3,240,000) and the weighted average of 172,800,000 ordinary shares (period ended 30 September 2016: 172,800,000 ordinary shares) in issue during the Period.

The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 2017 and 30 September 2016; therefore, no diluted loss per share has been presented.

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
Investment securities, at cost		
Equity securities, unlisted shares	<b>15,340</b>	15,340
Less: provision for impairment loss	<b>(2,135)</b>	(780)
	<b>13,205</b>	14,560
Investments in limited partnerships, at cost	<b>13,393</b>	13,393
Less: provision for impairment loss	<b>(9,392)</b>	(9,392)
	<b>4,001</b>	4,001
Total available-for-sale investments	<b>17,206</b>	18,561
Less: current portion	<b>(17,206)</b>	–
Non-current portion	<b>–</b>	18,561

During the Period, the available-for-sale investments have been reclassified to current assets as the Company intends to divest these investments to raise working capital for other potential investments.



# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2017

## 13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
Deposits and other receivables	270	2,927
Prepayments	984	175
	<b>1,254</b>	3,102

## 14. CASH AND CASH EQUIVALENTS

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
Cash and bank balances	6,203	4,173
Short-term bank deposits	-	4,515
	<b>6,203</b>	8,688

## 15. OTHER PAYABLES AND ACCRUALS

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
Other payables and accruals	396	163

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2017

## 16. SHARE CAPITAL

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
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

## 17. RELATED PARTY TRANSACTIONS

During the Period, the Company has paid rental expenses to Grand Investment (Securities) Limited ("GIS"), in which its director, Mr. Lee Tak Lun is a close family member of Ms. Lee Wai Tsang, Rosa, the director of the Company. GIS is also the investment manager of the Company and was entitled to a monthly fee of HK\$28,750 (period ended 30 September 2016: a monthly fee of HK\$24,000) for the provision of investment management services to the Company. During the Period, the Company has reimbursed Grand Finance Group Limited ("GFG") on administrative expenses. Ms. Lee Wai Tsang, Rosa, the director of the Company, is also a director of GFG.

Details of related party transactions for the six months ended 30 September 2017 are as below:

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	30 September 2016 HK\$'000 (Unaudited)
Investment manager fee paid to a related company	<b>173</b>	144
Rental expenses paid to a related company	<b>233</b>	242
Sharing of administration expenses paid to a related company	<b>88</b>	–

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2017

## 18. OPERATING LEASE COMMITMENT

At 30 September 2017, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2017 HK\$'000 (Unaudited)</b>	31 March 2017 HK\$'000 (Audited)
Not later than one year	<b>663</b>	297
In second to fifth year inclusive	<b>389</b>	–
	<b>1,052</b>	297

## 19. EVENT AFTER THE REPORTING PERIOD

On 5 October 2017, the Company entered into a transfer agreement with an independent third party to dispose of the Company's 14.42% equity interests in 730 Arizona Avenue II, LLC ("730 Arizona") for a cash consideration of HK\$3,000,000. The disposal was completed in October 2017. An impairment provision for investment in 730 Arizona of approximately HK\$1,355,000 was made during the Period, no further gain or loss on disposal for this investment would be recognized in the statement of profit of loss and other comprehensive income for the financial year ending 31 March 2018.

## 20. APPROVAL OF THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

These unaudited condensed interim financial statements were approved by the Board on 27 November 2017.

# Management Discussion and Analysis

## INTERIM RESULTS

During the Period, the Company recorded a loss of approximately HK\$5,865,000 (period ended 30 September 2016: loss of approximately HK\$3,240,000). The loss was attributed mostly to the administrative expenses of approximately HK\$4,525,000 and the impairment provision for the equity interests in 730 Arizona (as defined below) of approximately HK\$1,355,000 for the interim period of this year.

The net asset value per ordinary share of HK\$0.10 of the Company was HK\$0.14 as at 30 September 2017 (31 March 2017: HK\$0.17).

## BUSINESS OVERVIEW AND PROSPECTS

In the past six months, the Company continued to integrate and carry on investment management and monitoring of existing portfolio companies. As an investment company, we seek to optimize investment and divestment opportunities, especially when holding equities of private companies. The illiquid nature of private equities presents challenges for disposal. Identifying the right acquirer or divesting our investment is often not guaranteed. The private equities market in China is changing rapidly. While healthy Chinese economic activities are leading to government projection of 6.5% growth in GDP for 2017, the investment trend is also evolving with more focus on technology and its application on daily lives as well as consumerism with cultural dimension. As such, investment environment often correlates with current market sentiment. It is the responsibility of the Company to make sure our exposure in the right sector is matched with new investment initiatives internally. Divestment is necessary to make room for new investments. We will continue to seek the balance of investing and divesting with the aim to capture the optimal risk and reward within our portfolio companies.

# Management Discussion and Analysis

## DIRECT INVESTMENTS/FUND INVESTMENTS

A brief description of the business information of our direct investments and fund investment as at 30 September 2017 is as follows:

### DIRECT INVESTMENTS

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

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

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

Joyport is a limited liability company registered in the British Virgin Islands. It is engaged in the business of online game development, distribution and operation, and other related business directly or indirectly through its subsidiaries, affiliates and associated companies in the PRC. Joyport focuses on game development including but not limited to massive multiplayer online role-playing games and mobile games.

#### **730 Arizona Avenue II, LLC (“730 Arizona”)**

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

### FUND INVESTMENT

#### **CMHJ Technology Fund II, L.P (“CMHJ”)**

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

During the Period, these direct investments and fund investment have been reclassified from non-current assets to current assets as the Company intends to divest these investments to raise working capital for other potential investments.

Save for these direct investments and fund investment, the Company has not held any investment, the value of which was over 5% of the Company’s net assets value as at 30 September 2017.

# Management Discussion and Analysis

## SIGNIFICANT EVENTS DURING THE PERIOD

On 27 March 2017, Mr. Lee Tak Lun, a former controlling shareholder of the Company, and his controlled companies, namely Grand Finance Group Company Limited and Optimize Capital Investments Limited (collectively, the “Selling Shareholders”) entered in a sale and purchase agreement (the “Agreement”) with Blue Canary Consulting Group Limited (“Blue Canary”), Renown Future Limited and Treasure Isle Global Limited (collectively, the “Concert Party Group”), to dispose of their respective equity interests in the Company, representing, in aggregate, approximately 68.02% of the entire issued share capital of the Company as at the date of the Agreement, at the total consideration of HK\$213,922,800 (the “Disposal”). The Agreement was duly completed on the same date.

Immediately after the completion of the Disposal, the Concert Party Group became interested in 117,540,000 shares of the Company (the “Shares”) in aggregate, representing approximately 68.02% of the issued share capital of the Company. Accordingly, the Concert Party Group was required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired and subscribed by the Concert Party Group and parties acting in concert with it) (the “General Offer”). Upon the completion of the General Offer on 26 May 2017, the Concert Party Group had received valid acceptances in respect of a total of 40,836,500 shares, representing approximately 23.63% of the entire issued share capital of the Company. As a result, the Concert Party Group and parties acting in concert with it became interested in an aggregate of 158,376,500 Shares, representing approximately 91.65% of the entire issued share capital of the Company. A total of 28,776,500 shares of the Company, representing approximately 16.65% of the entire issued share capital of the Company were subsequently placed to not less than six independent placees (the “Placing”) through a placing agent appointed by Blue Canary to restore the 25% minimum public float of the Shares of the Company. The Placing was completed on 7 July 2017.

## EVENT AFTER THE REPORTING PERIOD

On 5 October 2017, the Company entered into a transfer agreement with an independent third party to dispose of the Company’s 14.42% equity interests in 730 Arizona for a cash consideration of HK\$3,000,000. The disposal has been completed in October 2017. An impairment provision for the equity interests in 730 Arizona of approximately HK\$1,355,000 was made during the Period. No further gain or loss on disposal for this investment would be recognized in the statement of profit or loss and other comprehensive income for the financial year ending 31 March 2018.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Company had bank balances of approximately HK\$6,230,000 (31 March 2017: HK\$8,688,000). The Board believes that the Company has sufficient financial resources to meet its immediate investment and working capital requirements. There was no long term borrowing and calculation of gearing ratio was not applicable.

As at 30 September 2017, the Company had net assets of approximately HK\$24,323,000 (31 March 2017: HK\$30,188,000).

## CHARGE ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2017, there were no charges on the Company's assets or any significant contingent liabilities (31 March 2017: Nil).

## CAPITAL EXPENDITURES

The Company did not make any significant capital expenditure during the Period (30 September 2016: Nil).

## COMMITMENTS

The Company had no capital commitments as at 30 September 2017 (31 March 2017: Nil).

## CAPITAL STRUCTURE

As at 30 September 2017, the total number of ordinary shares of HK\$0.10 each in the Company in issue was 172,800,000 (31 March 2017: 172,800,000).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (30 September 2016: Nil).

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company had not purchased, sold or redeemed any of its securities (30 September 2016: Nil).

## **Management Discussion and Analysis**

### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

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

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2017, the Company had 4 (31 March 2017: 5) employees, including the executive Director of the Company.

Total staff cost for the Period amounted to HK\$1,275,000 (period ended 30 September 2016: HK\$619,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of the individual employees.

### **DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES**

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

### **DIRECTORS' AND/OR EXECUTIVES' INTEREST IN SHARES**

As at 30 September 2017, none of the Directors or chief executives (if any) of the Company and their associates had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions (the "Model Code") by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.



# Management Discussion and Analysis

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, as far as the Directors are aware, the Company had been notified of the following substantial shareholders' interests or short positions in the shares and underlying shares in the Company (representing 5% or more of the Company's issued share capital) which were recorded in the register maintained by the Company under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of shares in the Company	Approximate percentage of existing shareholding <i>(Note 3)</i>
1. Renown Future Limited	Beneficial owner	88,129,080 <i>(long position)</i>	51.00%
2. Treasure Isle Global Limited	Beneficial owner	25,954,878 <i>(long position)</i> <i>(Note 1)</i>	15.02%
3. Li Bohan	Interest of a controlled corporation	25,954,878 <i>(long position)</i> <i>(Note 1)</i>	15.02%
4. Zhang Jianming	Interest of a controlled corporation	25,954,878 <i>(long position)</i> <i>(Note 1)</i>	15.02%
5. Blue Canary Consulting Group Limited	Beneficial owner	15,516,042 <i>(long position)</i> <i>(Note 2)</i>	8.98%
6. Chan Man Fung	Interest of a controlled corporation	15,516,042 <i>(long position)</i> <i>(Note 2)</i>	8.98%

# Management Discussion and Analysis

## Notes:

1. Treasure Isle Global Limited is a company incorporated in the British Virgin Islands, the entire issued capital of which is beneficially owned as to 50% by Mr. Li Bohan and 50% by Mr. Zhang Jianming. Mr. Li Bohan and Mr. Zhang Jianming are taken to be interested in the shares of the Company held by Treasure Isle Global Limited under Part XV of the SFO.
2. Blue Canary Consulting Group Limited is a company incorporated in Samoa and is solely owned by Mr. Chan Man Fung. Mr. Chan Man Fung is taken to be interested in the shares of the Company held by Blue Canary Consulting Group Limited under Part XV of the SFO.
3. The percentage of shareholding is calculated on the basis of 172,800,000 shares in the Company in issue as at 30 September 2017.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2017.

## CHANGES OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES AND CHANGE OF CHIEF EXECUTIVE OFFICER

There were changes of Directors and composition of board committees and change of chief executive officer of the Company effective from 16 June 2017. Please refer to the announcement of the Company dated 15 June 2017 for further information.

## CORPORATE GOVERNANCE

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

### Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive director, Ms. Ma Yin Fan was unable to attend the annual general meeting (“AGM”) of the Company held on 21 July 2017 due to her other business engagements. This constitutes a deviation from code provision A.6.7 of the Corporate Governance Code. Despite that, all other Directors of the Company were present in the AGM.

# Management Discussion and Analysis

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## AUDIT COMMITTEE

The Audit Committee, comprising of the non-executive Director and three independent non-executive Directors, had reviewed with the management of the Company the accounting principles and practices adopted by the Company and discussed the auditing, internal control, risk management and financial reporting matters.

## REVIEW OF UNAUDITED FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 September 2017. In addition, the condensed interim financial statements for the six months ended 30 September 2017 have been reviewed by our auditors, Messrs. East Asia Sentinel Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and an unqualified review report is issued.

## SHARE OPTION SCHEME

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

By order of the Board

**He Luling**

*Chairman*

Hong Kong, 27 November 2017