Grand Group
高睿德

**22 December 2016**

**Grand Group Investment PLC**

("Grand Group", the "Company" or the "Group")

**Interim Results**

Grand Group Investment PLC (AIM:GIPO), a provider of expansion capital and value added services to China-based SMEs with high growth potential, today announces its interim results for the period from 1 January 2016 to 30 June 2016 (the "period").

**Financial Highlights**

- Total assets stand at RMB 316.2 million, and net assets at RMB 289.5 million (approximately £35 million and £32 million respectively). This compares to RMB 548 million and RMB 463 million at 30 June 2015.
- Of total assets, investments total RMB 251.3 million (RMB 500 million at 30 June 2015).
- The company's cash position RMB 62.7 million (approximately £7m), with net cash of RMB49.9m (£5.5m). This compares to RMB 48.4 million and RMB 35.4 million at 30 June 2015.
- There was a profit for the period of RMB 3.7 million (approximately £0.41 million). This compares to a loss of RMB 7.6 million for the same period in 2015.
- NAV per share as at 30 June 2016 stood at RMB 8.53 (vs RMB 8.42 at 31 December 2015).

*The illustrative exchange rate as at 30 June 2016 was 1 GBP: 9 RMB

Several significant macroeconomic financial events have occurred in past 12 months with an impact on Grand, and they pose both challenges and opportunities for us.

- The UK's vote for Brexit led to an approximately 10% fall in the GBP against the RMB (as of mid-December), which (1) increases the value of RMB assets in GBP terms, and (2) reduces listing and other costs for a Chinese company listed in the UK.
- On 30 September 2016 the RMB joined the IMF's Special Drawing Rights basket, thus recognising not only China's, but specifically the RMB's importance in global trade.
- Turn of the FED's interest rate cycle: although the Fed raised rates marginally in December 2015 from zero to 0.25%, events of the past year have kept those rates stable. However, another 25bp

increase was widely expected before year end, and indeed has just occurred as I write. This expected turning of the Fed cycle has had a significant impact on the Chinese investment market, causing many asset prices to return to more rational levels. This provides a great opportunity for Grand in the coming year. We had RMB 62.7 million (about £7 million) in cash on the books as of the end of the interim period, and recently contracted to sell our two existing assets, both at premiums to their purchase prices, back to their founders. Consideration for the smaller one, JXT, should be fully paid by the end of the calendar year, while the larger, Victory, is being paid in 12 equal monthly instalments. Thus, by year-end we should have a significant war chest of cash in the bank for further investments in 2017.

**Chairman's Statement**

As discussed in the recently issued annual report, 2016 has been eventful and challenging. I refer you to that report, as well as the announcement of 30 September 2016, for a detailed explanation of the events leading to the delay in issuing both the 2015 audited financials and these interims statements.

As notified on 30 September 2016, we disposed of our two investments: Victory and JXT. These disposals triggered paragraph 5.6 (sub-paragraph 2) of the AIM Note for Investing Companies, and as such we became treated as an AIM Rule 15 cash shell. In accordance with AIM Rule 15, we have 12 months from 30 September 2016, i.e. approximately 9 months from today, to implement our current investing policy or make an acquisition which would which would be a reverse takeover under the AIM Rules. If we are unable to do so we will be suspended pursuant to AIM Rule 40.

With those issues successfully managed, it is now time to look forward. We will start the new year with a virtually clean slate: Grand still had cash in the bank of RMB 62.7 million as of the end of the interim period. As of early December, proceeds from the sales of our Victory and JXT investments have been coming in on time, and cash has grown to an (unaudited) figure of RMB 103.6 million. We plan to appoint a senior finance executive soon to strengthen our finance and accounting function.

We have much to do in the new year – notably finishing collecting the proceeds from our investment exits, but most importantly developing our pipeline of investment opportunities.

**China's Economy**

In the first half of 2016, China's GDP growth rate was 6.7%, a slowdown that is a reflection of the economic and structural transformation of the country. The Chinese government has continued to carry out a series of policies in response to the economic slowdown. Firstly, the government has sought to deleverage the country through restrictions on certain types of lending and through reductions in banking leverage ratios. Secondly, investment is being "rationalised" in an effort to bolster improved income distribution, provision of public services and improvements in social security. This is in addition to the promotion of consumer spending, which remains an over-arching policy goal of the government. Thirdly, the government intends to ‘vigorously develop the new economy’ and ‘optimize the allocation of resources’. This ‘development of the new economy’ has become the embodiment of the government’s drive to manage the supply side of structural reforms. For instance, through the implementation of the "Public entrepreneurship, and the Peoples’ innovation" and "Made in China 2025" and "Internet+" strategies, the government intends to optimise the country’s industrial structure and thereby enhance the growth of China's economy in a ‘post-industrial’ world. Given Grand Group’s strategy, the company stands to benefit from this heightened focus of the PRC government. Additionally, in preparation for these structural changes and recognising the requirement to weather the same, the company has adopted a cash conservation strategy, which will well-position the firm as opportunities present themselves.

**Outlook**

As the US Federal Reserve continues to look to raise interest rates, there has been a significant impact on the Chinese investment market, causing many asset prices to return to more rational levels. This provides a great opportunity for Grand in the coming year. The sales of Victory and JXT will bolster Grand’s cash reserves for future investments in high-quality projects. Once we have regained our listing status on AIM, we will be in a better position to make those investments.

**James Newman**

Non-Executive Chairman

22 December 2016

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the six month period ended 30 June 2016**

| | *Note* | *Unaudited Period from 1 January 2016 to 30 June 2016 RMB'000* | *Unaudited Period from 1 January 2015 to 30 June 2015 RMB'000* | *Audited Year ended 31 December 2015 RMB'000* |
|---|---|---|---|---|
| Unrealised gain/ (loss) on unquoted financial assets | | 7,840 | - | (256,560) |
| Finance income | | - | - | 19,800 |
| Administrative expenses | | (2,259) | (7,659) | (9,585) |
| Financial expenses | | 39 | 64 | (13,138) |
| Profit/(Loss) before tax | | 5,620 | (7,595) | (259,483) |
| Taxation | 12 | (1,960) | - | 64,140 |
| Profit/(Loss) after tax | | 3,660 | (7,595) | (195,343) |
| Other comprehensive income | | - | - | - |
| **Total comprehensive gain/(loss) for the period** | | 3,660 | (7,595) | (195,343) |
| **Gain/(Loss) per share** | | | | |
| - **Basic** | 11 | 0.11 | (0.30) | (5.86) |
| **Diluted** | | 0.10 | (0.30) | (5.86) |

*(expressed as RMB per share)*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at 30 June 2016**

| | Note | *Unaudited 30 June 2016 RMB'000* | *Audited 31 December 2015 RMB'000* |
|---|---|---|---|
| **Assets** | | | |
| *Non-current assets:* | | | |
| Unquoted financial assets at fair value through profit or loss | 4 | 251,280 | 243,440 |
| *Current assets:* | | | |
| Accounts receivable | | 2,152 | 10 |
| Cash and cash equivalents | | 62,726 | 66,632 |
| | | 64,878 | 66,642 |
| **Total assets** | | **316,158** | **310,082** |
| **Equity and liabilities** | | | |
| *Shareholders' Equity:* | | | |
| Share capital | 6 | 14 | 14 |
| Share premium | | 66,936 | 66,936 |
| Contributed capital | 7 | 196,000 | 196,000 |
| Warrants reserve | | 13,283 | 13,283 |
| Retained earnings | | 13,292 | 9,632 |
| Equity attributable to owners of the Company | | 289,525 | 285,865 |
| Non controlling interest | | 10 | 10 |
| **Total equity** | | 289,535 | 285,875 |
| *Non-current liabilities:* | | | |
| Deferred tax liability | 12 | 8,820 | 6,860 |
| | | 8,820 | 6,860 |
| *Current liabilities:* | | | |
| Other payable and accruals | | 4,963 | 4,299 |
| Amounts due to shareholders | 5 | 12,840 | 13,048 |
| | | 17,803 | 17,347 |
| **Total liabilities** | | 26,623 | 24,207 |
| **Total equity and liabilities** | | **316,158** | **310,082** |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the six month period ended 30 June 2016**

| | Share capital RMB'000 | Share premium RMB'000 | Retained earnings RMB'000 | Contributed capital RMB'000 | Warrants reserve RMB'000 | Sub-Total RMB'000 | Non-controlling Interest RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **1 January 2015** | 10 | | 204,975 | 196,000 | - | 400,985 | - | 400,985 |
| Issued share capital | 4 | 66,936 | - | - | - | 66,940 | - | 66,940 |
| Issued warrants | - | - | - | - | 13,283 | 13,283 | - | 13,283 |
| Total comprehensive loss for the period | - | - | (195,343) | - | - | (195,343) | - | (195,343) |
| Non-controlling interest | - | - | - | - | - | - | **10** | **10** |
| **31 December 2015** | **14** | **66,936** | **9,632** | **196,000** | **13,283** | **285,865** | **10** | **285,875** |

| | Share capital RMB'000 | Share premium RMB'000 | Retained earnings RMB'000 | Contributed capital RMB'000 | Warrants reserve RMB'000 | Sub-Total RMB'000 | Non-controlling Interest RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **1 January 2016** | 14 | 66,936 | 9,632 | 196,000 | 13,283 | 285,865 | 10 | 285,875 |
| Total comprehensive profit for the period | - | - | 3,660 | - | - | 3,660 | - | 3,660 |
| **30 June 2016** | **14** | **66,936** | **13,292** | **196,000** | **13,283** | **289,525** | **10** | **289,535** |

**CONSOLIDATED CASH FLOW STATEMENT**
**For the six month period ended 30 June 2016**

| | *Period from 1 January 2016 to 30 June 2016 RMB'000* | *Period from 1 January 2015 to 30 June 2015 RMB'000* |
|---|---|---|
| *Cash flows from operating activities* | | |
| Profit/(Loss) before tax | 5,620 | (7,595) |
| Adjustments: | | |
| Unrealised (gain) on unquoted financial assets | (7,840) | - |
| Increase in other payables and accruals | 664 | - |
| Decrease in other payables and accruals | (363) | (337) |
| **Net cash outflow from operating activities** | **(1,919)** | **(7,932)** |
| *Cash flows from financing activities* | | |
| Cash proceeds from issue of shares | (1,781) | 70,035 |
| Loan from shareholders | (206) | 6,333 |
| **Net cash inflow from financing activities** | **(1,987)** | **76,368** |
| *Cash flows from investing activities* | | |
| Invest to other company | **-** | (20,000) |
| **Net cash inflow from investing activities** | **-** | (20,000) |
| **Net (decrease)/increase in cash and cash equivalents** | **(3,906)** | **48,436** |
| Cash and cash equivalents at the beginning of period | 66,632 | 10 |
| **Cash and cash equivalents at the end of period** | **62,726** | **48,446** |

**NOTES TO THE FINANCIAL INFORMATION**
**For the six month period ended 30 June 2016**

## 1. GENERAL INFORMATION

The financial information set out herein is in respect of Grand Group Investment PLC ("Grand Group" or the "Company") for the period from 1 January 2016 to 30 June 2016 and has been prepared by the directors of the Company (the "Directors").

The Company was incorporated on 4 March 2014 and is domiciled in the British Cayman Islands and its registered office is at 89 Nexus Way, Camana Bay, KY1-9007, British Cayman Islands. The principal place of business is Room 2023, South Building, Lihu Technology Innovation Center, No.11, Wuhu Road, Wuxi City, Jiangsu Province, PRC.

On 4 September 2014, it was resolved by the shareholders that the Company change its name from Grand Group Investment Limited to Grand Group Investment PLC.

## 2. PRINCIPAL ACTIVITIES

The Company is a value-added and technology innovation private equity investment vehicle, which principally focuses on investing in small and medium-sized enterprises in the People's Republic of China.

## 3. BASIS OF PREPARATION

The unaudited financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (“IFRS”) as endorsed by the European Union with the exception of International Accounting Standard ('IAS') 34 - Interim Financial Reporting. Accordingly, the interim financial statements do not include all the information or disclosures required in the annual financial statements and should be read in conjunction with the Company’s 2015 annual financial statements.

The same accounting policies, presentation and method of computation are followed in this financial information as was applied in the Company's latest annual audited financial statements and using accounting policies that are expected to be applied for the financial year ending 31 December 2016. Practice is continuing to evolve on the application and interpretations of IFRS. Further standards may be issued by the International Accounting Standards (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by International Financial Reporting Interpretations Committee. The financial information is presented in Renminbi (“RMB”), rounded to the nearest thousand, unless otherwise stated.

Preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial information are in the following areas:

*Valuation of unquoted investments*

In estimating the fair value for an investment, the Company applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable market-data. Carrying values are dealt with in Note 4.

The Company has adopted the "multiple methodology" prescribed in the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines to value its investments at fair value through profit or loss.

## 4. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | *Note* | *RMB'000* |
|---|---|---|
| At 1 January 2015 | | 480,000 |
| Additions | | 20,000 |
| Recognised in Statement of Comprehensive Income | | (256,560) |
| At 31 December 2015 | *(a)* | 243,440 |
| Additions | *(b)* | - |
| Fair value change through profit or loss | | 7,840 |
| At 30 June 2016 | | 251,280 |

**(a) Wuxi Victory Media & Culture Co. Ltd. ("Victory China")**

During the period, the Company held an indirect, non-controlling, 33% interest in Wuxi Victory Media and Cultural Co. Limited ("Victory China") which was acquired on 3 June 2014. Victory China's principal activity is the production of video course ware for the vocational training of migrant workers in China.

The Company is outside the scope of IAS28 “Investments in Associates” on the basis that it is a private equity investment vehicle. The Company has, therefore, elected to measure the investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments”.

As PRC law and regulations prohibit foreign control of companies involved in internet content, the Company is unable to take a direct equity interest in Victory China. As a result:

i. The Company's 33% interest in Victory China is held via Weirui Culture Development (Wuxi) Company Limited ("Victory WFOE"), a company incorporated in the PRC in which the Company in directly owns 33% of the equity (as described below);

ii. Victory WFOE holds an effective 100% interest in Victory China through a series of contractual arrangements referred to as Variable Interest Entities Agreements dated 3 June 2014 (the "VIE Agreements"). These agreements are explained in detail below.

The equity interests of Victory WFOE are legally held directly or indirectly by the shareholders of the Company via intermediary holding companies as follows:

*Victory Education Investment Limited*

The Company has a 33% equity interest in Victory Education Investment Limited ("Victory Cayman", a company incorporated in the Cayman Islands) under a subscription agreement dated 21 April 2014. This company is a non-trading holding company.

*Victory Education Investment Holding Limited*

Victory Cayman owns 100% of the equity of Victory Education Investment Holding Limited ("Victory Hong Kong", a company incorporated in Hong Kong). Victory Hong Kong owns 100% of the equity of Victory WFOE.

*VIE agreements*

Whilst Victory WFOE does not hold the equity in Victory China, it has effective control and beneficial ownership of Victory China via the VIE agreements. The risks inherent in the nature of the Company's investment in Victory China are disclosed in Note 9.

In April 2014, Shenzhen Grand Culture and Technology Development Co. Ltd ("Shenzhen Grand", a related party by virtue of the fact that it has a common shareholder structure, see Note 8) was issued 33% of the equity of Victory China for a total consideration of RMB196m. In June 2014, Shenzhen Grand, together with the other shareholders of Victory China entered into the VIE agreements to transfer their interests in Victory China (as described below) to Victory WFOE.

The VIE agreements include an Exclusive Business Cooperation Agreement, an Exclusive Option Agreement, a Loan Agreement, a series of Equity Pledge Agreements, a Spouse Consent Letter, and a Power of Attorney.

Victory WFOE does not enjoy direct equity ownership of Victory China. Instead, the VIE agreements enable Victory WFOE to:

- Receive substantially all of the economic benefits and residual returns from Victory China as if it were a wholly owned subsidiary;
- Exercise effective control over Victory China; and
- Have an exclusive option to acquire all of the equity interests in Victory China.

**Fair value**

Based on the events after the reporting period, the Group valued its investments at fair value through profit or loss. With reference to the gain on disposal, which was calculated at 8% per annum over the 30-months holding period from April 2014 to September 2016, the Group recognised part of the gain from 1 January 2016 to 30 June 2016, being the cumulative change in the fair value.

**(b) Wuxi Jin Xun Tong Technology Ltd ("JinXunTong")**

The Company holds an indirect, non-controlling 15% interest in Wuxi Jin Xun Tong Technology Ltd ("Jin Xun Tong" or "JXT") which was acquired on 18 May 2015. JinXunTong is an online learning solutions provider to China's urban and rural vocational education industry that was incorporated in 2010 in WuXi City, China.

The Company is outside the scope of IAS 28 "Investments in Associates" on the basis it is a private equity investment vehicle. The Company has therefore elected to measure the investment at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments".

**Fair value**

The Company has adopted the "recent investment methodology" prescribed in the IPEVCV guidelines to value its investment at fair value through profit or loss. Applying this methodology, and due to the proximity to the period end of the purchase of 15% of the equity of JinXunTong (in May 2015), the Company used RMB20m, the purchase consideration paid for shares in JinXunTong, as the basis to estimate the fair value of the investment. The Directors consider that there has been no subsequent investment events which would result in a fair value change and no impairment in the value of the investment in the period since acquisition.

## 5. AMOUNTS DUE TO SHAREHOLDERS

| | *Unaudited* *30 June 2016* *RMB'000* | *Audited* *31 December 2016* *RMB'000* |
|---|---|---|
| Shareholders' loan | 12,840 | 13,048 |

The shareholders' loan for all periods discussed herein, was unsecured, interest-free and repayable on demand and was repaid after the period end.

## 6. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 4 March 2014 and is authorised to issue 25,000 shares of £1.00 (approximately RMB 10) each.

On 4 September 2014, it was resolved to subdivide the Company's share capital by a ratio of 1:25,000. The resulting authorized and issued share capital amounts to 625,000,000 shares and 25,000,000 shares respectively.

The issued shares have a nominal value £0.00004 per share and are fully paid at par. There are no restrictions on the distribution of dividends and the repayment of capital.

On 27 January 2015, the Company raised £7.1 million (before expenses) by placing 8,952,631 ordinary shares with institutional and other investors at a placing price of 80 pence per ordinary share on the AIM market of the London Stock Exchange. This amounted to RMB 70 million. Monies received were deposited in the bank account of Wuxi Cultural Development Limited, the Company's wholly owned PRC based subsidiary.

WFOE status, through its new 100% intermediary Hong Kong based holding company Great International Wealth and Wisdom, was confirmed as the creation of this entity in April 2014, with effective ownership having been transferred to the Company on 14 January 2015.

## 7. CONTRIBUTED CAPITAL

The capital reserve arose as a result of capital contributions made by the shareholders of the Company in transferring effective control and beneficial ownership of their interests in Victory China under the VIE Agreements as disclosed at Note 4 and made by placing ordinary shares with institutional and other investors at a placing price of 80 pence per ordinary share on the AIM market of the London Stock Exchange at Note 6.

| | *Unaudited* *30 June 2016* *RMB'000* | *Audited* *31 December 2016* *RMB'000* |
|---|---|---|
| Capital reserve | 196,000 | 196,000 |

**8. RELATED PARTY TRANSACTIONS**

a) Remuneration was accrued, but none paid to key management personnel during the period.

b) Shenzhen Grand Culture and Technology Development Co. Ltd. ("Shenzhen Grand"), is a related party by virtue of the fact that the Company and Shenzhen Grand are subject to the same ownership structure. The Company has a ten year Strategic Cooperation Agreement (dated 24 November 2014) with Shenzhen Grand whereby the Company is required to pay a 0.5% finder's fee for any investment introduced.

c)

| | *30 June 2016* *&* *31 December 2016* *RMB'000* |
|---|---|
| Victory China finder's fee payable per the Strategic Cooperation Agreement (includes a non-compete clause in relation to investment activities). | - |

**9. FINANCIAL INSTRUMENTS**

**VIE agreement risk**

As PRC law and regulations prohibit foreign control of companies involved in internet content, the Company is unable to take a direct equity interest in its two underlying investments, Victory China and JinXunTong. Currently, the Company has an indirect interest in both Victory China and JinXunTong through a series of contractual arrangements (the VIE Agreements) entered into, respectively, between Victory WFOE, Victory China and its shareholders (as detailed in Note 4) and the JinXunTong WFOE, JingXunTong China and its shareholders.

In the opinion of the Company's management, the VIE Agreements provide the Company with the ability to control both investments and the entitlement to substantially all the economic benefits from the underlying businesses in China. Therefore, indirectly, the VIE Agreements provide the Company with a 33% investment in Victory China, and a 15% interest in JinXunTong.

Furthermore, in the opinion of the Company's PRC legal counsel, the VIE Agreements do not violate any current applicable PRC laws, rules and regulations.

However, due to the uncertain ties regarding the interpretation and enforcement of PRC laws, rules and regulations, including but not limited to the laws, rules and regulations with respect to the validity and enforcement of the VIE Agreements or the contractual arrangements, the risk of being challenged by PRC regulatory authorities may not be completely ruled out.

If the Company's ownership structure and the VIE Agreements were found to be in violation of any existing or future PRC laws or regulations by the relevant regulatory authorities, the Company may be subject to penalties, which may include but not be limited to, revocation of the business licenses or operating licenses of its PRC associates or that of Victory China, being required to restructure the Company's operations or discontinue the Company's operating activities. If any of these penalties result in its inability to receive economic benefit from Victory China, the Company's investment in Victory China may be impaired.

In addition, if Victory China or its shareholders fail to perform their obligations under the VIE Agreements, the Company and its investee companies may have to incur substantial costs and expend resources to enforce the Company's rights under the contracts. The Company and its associates may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. All these VIE Agreements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in other jurisdictions, such as the United Kingdom. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these VIE Agreements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event the Company and its associates are unable to enforce these VIE Agreements, the Company may not be able to receive economic benefit from Victory China and its investment in Victory China may be impaired.

**Valuation risks**

While investments in companies whose business operations are based in China may offer the opportunity for significant capital gains, such investments also involve a degree of business and financial risk, in particularly for unquoted investments. Generally, the Company expects to hold unquoted investments in the mid to long term, especially if the investee company is not in a position for an admission to trading on a stock exchange. Sales of securities in unquoted investments maybe made at a discount to the book value.

The Company has policies and procedures in place to ensure that investments are made in accordance with the Company's investment policy and its objectives. The Company expects to work closely with potential investee companies for a period of 6 months to 18 months prior to making an investment, therefore increasing the level of information and understanding available to make investment decisions. All investment decisions are made with the benefit of third party due diligence and on a majority decision of the Board.

## 10. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the balance between debt and equity.

The capital structure of the Company at 30 June 2016 consisted of shareholders' loans of RMB 13m (Note 5) bank balances and cash of RMB 63m and equity attributable to the equity holders of the Company, comprising capital contributions/share premium of RMB 263m, paid in capital of RMB 14,000 and retained earnings/warrant reserve of RMB 27m (disclosed in the statement of changes in equity).

The Company reviews the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through the payment of dividends, new share issuances and the issue of new debt or the repayment of existing debt.

The Company monitors capital using the net debt-to-capital ratio, details of which as at 30 June 2016 and 31 December 2015 were as follows:

| | | *Unaudited* | *Audited* |
|---|---|---|---|
| | | *30 June 2016* | *31 December 2015* |
| | *Note* | *RMB'000* | *RMB'000* |
| Amounts due to shareholders | 5 | (12,840) | (13,048) |

| | | |
|---|---|---|
| Bank balances and cash | 62,726 | 66,632 |
| **Net cash** | **49,886** | **53,586** |
| **Equity** | **283,646** | **285,865** |

## 11. EARNINGS PER SHARE

| | *Unaudited 30 June 2016* | *Unaudited 30 June 2015* |
|---|---|---|
| Profit/(Loss) attributable to owners of the Group | 3,660,000 | (7,595,000) |
| Weighted average number of shares in issue | 33,952,631 | 25,000,000 |
| Earnings/(Loss) per share *(expressed as RMB per share)* | 0.11 | (0.30) |

## 12. TAXATION

Under current British Cayman Island law, the Company is not obligated to pay any taxes in the British Cayman Islands on either income, profits or capital gains. The Company has received a certificate undertaking as to a tax concession issued by the Cabinet Office of the British Cayman Islands dated 25 March 2014.

According to the PRC Enterprise Income Tax Law and its Detailed Implementing Rules, a foreign company established out of China where management is located inside China, will be regarded as a Tax Resident Enterprise in China and subject to tax in China. Management is defined as the management and control on the overall production / business operation, personnel, books and records, and assets of the company. Accordingly, Grand Group Investment Plc is likely to be considered a Tax Resident Enterprise in China.

Under PRC Enterprise Income Tax Law unrealised gains on investment fair value reflected through profit or loss are not taxable in China. However, if Grand Group Investment Plc would be regarded as a Tax Resident Enterprise in China, it will have PRC tax exposure on the gains realised at transfer of shares in the future. The deferred tax liability is based on the tax rate and tax base that are consistent with the manner of recovery or settlement of the asset (i.e. through sale), and has been determined based on a PRC corporate income tax rate of 25%.

| | *RMB'000* |
|---|---|
| At 1 January 2015 | 71,000 |
| Credit to statement of comprehensive income | (64,140) |
| At 31 December 2015 | 6,860 |
| Charge to statement of comprehensive income | 1,960 |
| At 30 June 2016 | 8,820 |

## 13. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors there is no ultimate controlling party.

## 14. LEGAL REPRESENTATIVE

Every business established in China, whether domestic or foreign, is required to have a legal representative. He/she is the main principal of the company and is the employee with the legal power to represent – and enter into binding obligations on behalf of – the company in accordance with the law or articles of association of the company. The legal representative is authorised to perform all acts regarding the general administration of a company according to the company's aims and objectives, which includes:

- Acting to conserve the company's assets;
- Executing powers of attorney on the company's behalf;
- Authorizing legal representation of and litigation by the company; and
- Executing any legal transactions that are within the nature and scope of that company's business.

*Chops (Company Seal)*

In China, every company is required to have a "chop", or company seal, which will be in the custody of the legal representative. Control of the chop is important in order to minimise risks. The legal representative's chop is required on numerous company documents and is regarded as a signature. The legal representative can, by using the chop, bind the company.

If a legal representative is to be changed, such a change has to be chopped and approved by the outgoing legal representative. The Company's legal representative in China is Mr. Wu Xiaoyong.

Mr. Wu Xiaoyong was a businessman in the media industry. Mr. Yang Xiao hired him to work at Grand Group in 2014. Mr. Wu is responsible for the administration of Grand Group.

## 15. RECENT ACCOUNTING PRONOUNCEMENTS

(a) New interpretations and revised standards effective for the period ended 31 December 2015 and the period ended 30 June 2016

The Company has adopted new interpretations and revised standards effective at 4 March 2014 and for the period ended 31 December 2014 and the period ended 30 June 2015.

(b) Standards and interpretations issued but not yet effective

A number of new standards and amendments to existing accounting standards (IFRS) have been published which are mandatory, but are not effective for the period ended 30June 2015. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9: Financial Instruments

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and de-recognition of financial assets. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit and loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the Company will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant reclassifications.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset.

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit or loss, for example derivative financial instruments, with changes in the liabilities' credit risk recognised in other comprehensive income.

The standard is effective for periods beginning on or after 1 January 2018.

**About Grand Group**

Grand Group was founded in 2014 by Mr Yang Xiao and other founding shareholders. The Company has been established for the purpose of identifying, acquiring and investing in small to medium-sized companies with high growth potential, principally operating in the People's Republic of China ("PRC").

Grand Group is a late stage incubator which focusses on investing in established businesses with either technology or intellectual property which the Board believes will benefit from Grand Group's university-based research resources and Grand Group financial backing.

**Partnerships**

Through its partnership with the TKK Society, the Group has fostered and maintained a broad network of contacts with individuals at local and international higher education institutions, including: Jiangnan University; Xiamen University; Jimei University; Nanyang Technological University (China); University of California Berkeley (Tan Kah Kee Hall); National University of Singapore; University of Hong Kong; Oxford Brookes University; Keuka College (New York State); and the University of Greenwich.

Amongst these universities, Grand Group has already established effective relationships with Jiangnan University and Jimei University for its current projects and the Directors believe that similar relationships can be developed with other universities. The ability to bring these educational resources to bear in conjunction with the firm's management oversight of investees and financial resources provide the Group with a significant competitive advantage in the China market.

**For further information:**


**Grand Group Investment PLC**

James Newman, Non-Executive Chairman — Tel: +86 (0) 510 8329 1718
Yang Xiao, Executive Director — www.grandgroupplc.com

**ZAI Corporate Finance Limited**
Ray Zimmerman / Ruby Qu (Nomad) — Tel: +44 (0) 20 7060 2220
Andrew Wilson (Broker) — www.zaicf.com