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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

CHANG Chu Fai, Johnson Francis  
LIM Siang Kai  
SEE Lee Seng, Reason

#### *Independent Non-Executive Directors*

YUE Man Yiu, Matthew  
ZHENG Weihe

### COMPANY SECRETARY

TSE Kam Fai, *ACIS, ACS, MHKSI*

### REGISTERED OFFICE

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3308, Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

### INVESTMENT MANAGER

Golden Honour Assets Management Limited  
Suite 18A, Wing Sing Commercial Center  
12-16 Wing Lok Street  
Sheung Wan  
Hong Kong

### SOLICITORS

*As to Hong Kong law:*  
Baker & McKenzie

*As to Cayman Islands law:*  
Conyers Dill & Pearman

### AUDITORS

Ernst & Young

### CUSTODIAN

Standard Chartered Bank

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Standard Chartered Bank

### STOCK CODE

2312

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Golden 21 Investment Holdings Limited (the “Company”) will be held at Business Centre Meeting Room, PM/F., The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 25 May 2004 at 9:30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors of the Company and its subsidiary for the year ended 31 December 2003.
2. To re-elect the Director and to authorize the Directors to fix their remuneration.
3. To re-appoint Ernst & Young as Auditors and to authorize the Directors to fix their remuneration.
4. **“THAT:**
  - (a) subject to paragraph (c) below, and pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or; (ii) the exercise of subscription rights under any share option scheme of the Company; or (iii) any allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of shares of the Company upon the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities of the Company which are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution; and

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## NOTICE OF ANNUAL GENERAL MEETING

- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; or
- (iii) the date upon which the authority set out in this Resolution is revoked or varied by way of an ordinary resolution in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

As Special Business, to consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

### SPECIAL RESOLUTION

5. **“THAT** the Articles of Association of the Company be and are hereby amended:

- (a) by inserting the new following definition of “associate” in Article 2(1):

“the meaning attributed to it in rules of the Designated Stock Exchange”;

- (b) by deleting the existing definition of “clearing house” in its entirety and substituting the following

“a clearing house recognized under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) or a clearing house recognized by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.”;

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## NOTICE OF ANNUAL GENERAL MEETING

(c) Article 76:

- (1) by re-numbering existing Article 76 as Article 76(1);
- (2) by inserting the following as new Article 76(2):

“(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”;

- (d) by deleting the words “not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting” in the last sentence of Article 89 and replacing therewith the following proviso:

“provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”; and

- (e) by deleting the existing Article 104 in its entirety and replacing therewith the following new Article 104:

“(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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## NOTICE OF ANNUAL GENERAL MEETING

- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
  - (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

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## NOTICE OF ANNUAL GENERAL MEETING

- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.””

By Order of the Board  
**Tse Kam Fai**  
*Company Secretary*

Hong Kong, 28 April 2004

Notes:

1. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy or more than one proxy (for member holding two or more shares) to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's share registrar and transfer office in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting, and in default thereof the form of proxy shall not be treated as valid.

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## STATEMENT FROM THE EXECUTIVE DIRECTORS

We are pleased to present to the shareholders the 2003 Annual Report of Golden 21 Investment Holdings Limited (the “Company”) and its subsidiary (collectively the “Group”) for the year ended 31 December 2003.

### RESULTS

The total turnover of the Group was approximately HK\$57,701,000 (2002: Nil) and net loss attributable to shareholders of approximately HK\$13,033,000 for the year ended 31 December 2003 (2002: HK\$4,546,000).

### DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2003 (2002: Nil).

### BUSINESS REVIEW

During the year under review, the Group is principally engaged in investing in equity or equity related securities and/or debt securities in listed and unlisted companies. There was no change in the nature of the Group’s principal activities during the year.

In the first half of 2003, Hong Kong’s economy and its stock market suffered severely due to the outbreak of SARS and the uncertainty caused by the war in Iraq. Although there was significant improvement in the market sentiment in the second half of 2003, the Group recorded a loss of HK\$13,033,000 for the whole 2003 largely due to the unrealised losses and provision for impairment made on one of its listed investments and the investment income generated was not adequate to cover the administrative expenses.

As at 31 December 2003, the Group’s portfolio of investment assets consisted of approximately 18.18% in listed investments, approximately 42.42% in unlisted investments and the remaining approximately 39.40% in cash and others.

### MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a loss of HK\$13,033,000 for the year ended 31 December 2003, and this was mainly attributable to the unrealized losses on the Group’s investment in listed securities in Hong Kong of approximately HK\$8,677,000. The net asset value of the Company was approximately HK\$78,240,000 as of 31 December 2003, a decrease of approximately 14.28% as compared with the net asset value of last year.

## STATEMENT FROM THE EXECUTIVE DIRECTORS

**Investment portfolio**

Listed below are the Group's unlisted investments, listed investments and the respective market value as at 31 December 2003:

*Unlisted Investments*

Name of investee company	Nature of business	Percentage of interest held	Cost (HK\$'000)	Fair value	Percentage of investments	
				estimated by the Directors as at 31 December 2003 (HK\$'000)	Dividend attributable to receivable for the year ended 31 December 2003 (HK\$'000)	the Company's net assets as at 31 December 2003
南通毅能達智能卡製造有限公司 ("南通毅能達") <i>Note (i)</i>	Production of sim-cards	24.00%	15,500	15,500	Nil	19.81%
北京綜藝達軟件技術有限公司 ("北京綜藝達") <i>Note (ii)</i>	Software application	13.09%	18,527	18,527	1,770	23.68%

*Notes:*

- (i) 南通毅能達 is principally engaged in the production of sim-cards for use in credit cards and data storage cards. The investment in 南通毅能達 is not equity accounted for under SSAP 10 "Accounting for investments in associates". This is because the Directors are of the opinion that the Group is not in a position to exercise significant influence over the financial and operating policies of 南通毅能達.

The original scheduled commencement date of operations of 南通毅能達 has been delayed by about three months due to the outbreak of SARS in China in early 2003. Accordingly, the undertakings with respect to commencement of operations from the counterparties of the joint venture are to be extended to 30 June, 2004. Management will continue to monitor progress of this project closely.

- (ii) 北京綜藝達 is principally engaged in the research, development and manufacture of network commercial management software. The Group's equity interest in 北京綜藝達 has been properly registered with the relevant PRC authority on 9 June 2003.

北京綜藝達 recorded good results in 2003. Its profit increased by approximately 110.6% to RMB16,944,484.82 and a total dividend of RMB14,402,812.10 has been declared of which about RMB1,885,328 is attributable to the Group.



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## STATEMENT FROM THE EXECUTIVE DIRECTORS

### *Listed Investments*

Name of investee company	Percentage of interest held	Cost (HK\$'000)	Fair value estimated by the Directors as at 31 December 2003 (HK\$'000)	Percentage of investments	
				Dividend attributable to received the Company's for the year ended 31 December 2003 (HK\$'000)	net assets as at 31 December 2003
Jiangsu Nandasoft Company Limited	11.04%	11,146	10,466	Nil	13.38%

### **Liquidity and financial position**

As at 31 December 2003, the Group had cash and bank balances of approximately HK\$27,731,000. Most of the cash was placed in Hong Kong dollars short-term deposits with banks in Hong Kong. The Group did not have any borrowings during the year under review. The Board believes that the Group has sufficient financial resources to satisfy its working capital requirements. Since the Group's investments are mainly denominated in Hong Kong dollars and Renminbi, the Company considers the exposure to foreign exchange fluctuation in Hong Kong dollars is minimal whilst fluctuation in Renminbi may have an impact on the financial performance of the Company.

### **Capital Structure**

There was no change in the capital structure of the Company during the year.

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## STATEMENT FROM THE EXECUTIVE DIRECTORS

### **Material acquisitions and disposals of subsidiaries**

The Group has not made any material acquisition or disposal of subsidiaries during the year under review.

### **Employee benefits**

At 31 December 2003, the Group has 4 employees (including 3 executive Directors). For the year ended 31 December 2003, the Group's staff costs (excluding Directors' fees and emoluments) amounted to HK\$732,000 (2002: HK\$122,000). The remuneration policy of the Company is reviewed annually and is in line with the prevailing market practice. During the year under review, the Company has not granted any share options to its employee or Directors under the share option scheme of the Company adopted on 7 October 2002.

### **Charges on assets and contingent liabilities**

During the year, there were no charges on the Group's assets and the Group did not have contingent liabilities as at 31 December 2003.

### **FUTURE PROSPECTS AND APPRECIATION**

The financial markets are expected to remain very volatile in 2004. We continue to be bullish on the long term growth prospects of China despite signs of overheating of China's domestic economy and the impending measures by the Chinese Government to cool down the economy in the short term. The management will continue to look for suitable investments in companies and projects with high growth potential with a particular focus in China. Should suitable opportunities arise, the Group will look for ways to line up with potential strategic investors to enlarge its capital base and strengthen its profitability.

On behalf of the Board, I would like to express our appreciation and gratitude to all our fellow directors, bankers and staff for their support, hard work and dedication over the year.

On behalf of the Executive Board  
**Chang Chu Fai, Johnson Francis**  
*Executive Director*

Hong Kong, 28 April 2004

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## REPORT OF THE DIRECTORS

The Board of Directors (“Board”) of the Company is pleased to submit their report together with the audited financial statements of the Group for the year ended 31 December 2003.

### **PRINCIPAL ACTIVITIES**

The Company is principally engaged in investing in listed and unlisted companies established and/or doing business in the Asia Pacific Region, mainly the People’s Republic of China, excluding Hong Kong and Macau (the “PRC”) and Hong Kong, and other Asian countries. Details of the principal activity of the subsidiary is set out in note 11 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

### **RESULTS**

The Group’s loss for the year ended 31 December 2003 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 24 to 50.

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## REPORT OF THE DIRECTORS

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last financial year and the period from 14 May 2002 (date of incorporation) to 31 December 2002, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

### RESULTS

	2003 HK\$'000	Period from 14 May 2002 (date of incorporation) to 31 December 2002 HK\$'000
TURNOVER	57,701	–
LOSS FROM OPERATING ACTIVITIES AND BEFORE TAX	(13,033)	(4,546)
TAX	–	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(13,033)	(4,546)

### ASSETS AND LIABILITIES

	At 31 December 2003 HK\$'000	At 31 December 2002 HK\$'000
TOTAL ASSETS	80,213	96,124
TOTAL LIABILITIES	(1,973)	(4,851)
	78,240	91,273

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## REPORT OF THE DIRECTORS

### SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital and share options during the year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities during the year.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 17 to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

At 31 December 2003, the Company had distributable reserves of HK\$67,705,000. Under the Companies Law (2002 Revision) of the Cayman Islands, the share premium account of the Company of HK\$85,277,000 as at 31 December 2003, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

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## REPORT OF THE DIRECTORS

### DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

#### Executive directors

Mr. Chang Chu Fai, Johnson Francis

Mr. Lim Siang Kai

Mr. See Lee Seng, Reason

#### Independent non-executive directors

Mr. Yu Man Yiu, Matthew

Mr. Zheng Weihe

Mr. Au Yeung Shiu Kau, Peter (resigned on 31 January 2003)

In accordance with Article 88(1) of the Company's articles of association, Mr. Lim Siang Kai will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. The independent non-executive directors are currently appointed for a term of two years commencing from 4 June 2002.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

#### EXECUTIVE DIRECTORS

**Mr. Chang Chu Fai, Johnson Francis**, aged 49, has been an executive director of the Company since 16 May 2002. He graduated with an MBA degree from York University in Toronto, Canada in 1977 and also holds a bachelor's degree in commerce from Concordia University in Montreal, Canada in 1976. He is an investment adviser registered with the Securities and Futures Commission ("SFC") under the Securities Ordinance. Mr. Chang has over 25 years of experience in banking, investment and corporate finance field. Since January 2000, Mr. Chang has been the managing director of Ceres Capital Limited, an investment adviser registered with the SFC under the Securities Ordinance engaged on the provision of corporate finance advisory services.

Mr. Chang is mainly responsible for overall investment strategies, risk management and financial management of the Company.

**Mr. Lim Siang Kai**, aged 47, joined the Company as executive director since 16 May 2002. He holds a bachelor of arts degree from University of Singapore, a bachelor of social science (honours) degree from the National University of Singapore and a master of arts in economics from the University of Canterbury, New Zealand. Prior to joining the Company, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 20 years of experience in the securities, private and investment banking and fund management industries.

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## REPORT OF THE DIRECTORS

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

#### EXECUTIVE DIRECTORS (continued)

Mr. Lim is mainly responsible for identifying investment opportunities for the Company, in particular, in Greater China and investor relations.

**Mr. See Lee Seng, Reason**, aged 45, joined the Company as executive director since 16 May 2002. He has over 20 years of experience in fund and portfolio management, securities dealing and investment advisory services over the bullion, forex, units trusts, equity and commodity futures markets. He is an investment adviser and commodity trading adviser registered with the SFC under the Securities Ordinance. Mr. See has held various executive positions of the Hong Kong Securities Professionals Association since 1996 and currently is a committee member. In 1994, Mr. See founded Keen Shing Fund Manager & Consultant Limited (formerly known as Keen Shing Investment Consultants Limited) (“Keen Shing”), an investment adviser and commodity trading adviser registered with the SFC and has been its managing director since inception and he is responsible for overall management of Keen Shing. Mr. See is the managing director of Golden Honour Assets Management Limited, a SFC registered Investment Adviser and the investment manager of the Company.

Mr. See is mainly responsible for formulation of investment strategies and portfolio management of the Company.

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yue Man Yiu, Matthew**, aged 42, appointed as an independent non-executive director of the Company since 4 June 2002. He graduated from The Chinese University of Hong Kong with a bachelor’s degree of business administration in 1984. He is a fellow member of The Chartered Association of Certified Accountants, an associate member of the Hong Kong Society of Accountants and a member of the Hong Kong Securities Institute. He has over 15 years of experience in the financial control and company secretariat functions in the financial service industry. He is presently the chief financial officer of a business consultancy company.

**Mr. Zheng Weihe**, aged 38, appointed as an independent non-executive director of the Company since 4 June 2002. He graduated from Nankai University (南開大學) in Tianjin, the PRC with a bachelor of law degree in 1988 and a master degree in the law of securities in 1991. From 1991 to 1994, he was a lawyer at a Shenzhen law firm. Since 1994, he has been a partner of Shu Jin & Co., a law firm licensed to practise in the PRC. Mr. Zheng has experience in the area of securities law, corporate law and commercial law in the PRC. He has been involved in various initial public offerings of securities in the PRC as well as corporate restructuring, mergers and acquisitions. He is a lawyer authorised by the China Securities Regulatory Commission and the Ministry of Justice of the PRC and has acted as the legal consultant to more than 10 listed companies in the PRC.

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## REPORT OF THE DIRECTORS

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

#### SENIOR MANAGEMENT

**Mr. Lee Kwok Hung**, aged 44, is the general manager of the Company. He graduated from the Chinese University of Hong Kong in 1984 with Marketing as major. Mr. Lee has been in the field of China trade for over 18 years. Mr. Lee is in charge of overall administration of the Company.

**Mr. Tse Kam Fai**, aged 40, is the company secretary of the Company. Mr. Tse is an associate of The Institute of Chartered Secretaries and Administrators and of The Hong Kong Institute of Company Secretaries. He is also a member of Hong Kong Securities Institute. He is currently the company secretary of other three companies whose shares are listed on The Stock Exchange of Hong Kong Limited and has more than 10 years' experience in handling listed company secretarial and compliance related matters.

#### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of two years commencing from 1 November 2002. During their first year of service, the service contracts can be terminated by either party giving not less than six months' notice in writing to the other party or upon payment by the terminating party to the other of an amount equal to six months' salary in lieu of such notice. Thereafter, the service contracts are able to be terminated by either party giving not less than three months' notice in writing to the other party or upon payment by the terminating party to the other party of an amount equal to three months' salary in lieu of such notice.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

#### DIRECTORS' INTERESTS IN CONTRACTS

Other than the related party and connected transactions which are disclosed under the heading "RELATED PARTY AND CONNECTED TRANSACTIONS" below, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the year.



## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARES

At 31 December 2003, the interest or short positions of the directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which were 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 (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

#### 1. Aggregate long position in the shares, underlying shares and debentures of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Chang Chu Fai, Johnson Francis ( <i>Note 1</i> )	Interest of controlled corporation	1,355,000	1.3%
Mr. Lim Siang Kai ( <i>Note 2</i> )	Interest of controlled corporation	1,355,000	1.3%
Mr. See Lee Seng, Reason ( <i>Note 3</i> )	Interest of controlled corporation	1,355,000	1.3%

*Notes:*

- By virtue of the SFO, Mr. Chang Chu Fai, Johnson Francis is deemed to be interested in 1,355,000 shares in the Company. These shares are held by Megabase Developments Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability and is beneficially owned by Mr. Chang Chu Fai, Johnson Francis.
- By virtue of the SFO, Mr. Lim Siang Kai is deemed to be interested in 1,355,000 shares in the Company. These shares are held by Wise Guard Enterprises Limited, a company incorporated in the BVI with limited liability and is beneficially owned by Mr. Lim Siang Kai.
- By virtue of the SFO, Mr. See Lee Seng, Reason is deemed to be interested in 1,355,000 shares in the Company. These shares are held by Asset Home Group Limited, a company incorporated in the BVI with limited liability and is beneficially owned by Mr. See Lee Seng, Reason.

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## REPORT OF THE DIRECTORS

### **DIRECTORS' INTERESTS IN SHARES (continued)**

#### **2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations**

Save as disclosed above, none of the directors had registered an interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the year was the Company, its subsidiary or its associated companies a party to any arrangement to enable the directors (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporation.

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

Apart from those as disclosed in note 16 to the financial statements relating to the share option scheme adopted on 7 October 2002, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiary a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2003, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, are set out below:

#### 1. Aggregate long position in the shares and underlying shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Ms. Zhang Yunxia (Note)	Interest of controlled corporation	22,760,000	21.59
Profitone Company Limited (Note)	Beneficial owner	22,760,000	21.59

*Note:* By virtue of the SFO, Ms. Zhang Yunxia is deemed to be interested in 22,760,000 shares in the Company. These shares are held by Profitone Company Limited, a company incorporated in the BVI with limited liability which is beneficially owned by Ms. Zhang Yunxia.

#### 2. Aggregate short position in the shares and underlying shares of the Company

At 31 December 2003, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

### RELATED PARTY AND CONNECTED TRANSACTIONS

- (i) Pursuant to the Investment Management Agreement dated 7 October 2002 (“IMA”) entered into between the Company and Golden Honour Assets Management Limited (the “Investment Manager”), the Investment Manager agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing from 28 October 2002, the date of the commencement of the trading of the Company’s shares on the Stock Exchange. The IMA will continue for a successive period of three years, unless terminated at any time by either the Company or the Investment Manager serving not less than six months’ notice in writing to the other party, and will expire on the last day of the three-year period or any of the relevant successive period.

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## REPORT OF THE DIRECTORS

### RELATED PARTY AND CONNECTED TRANSACTIONS (continued)

Under the IMA, the Investment Manager is entitled to a monthly management fee equivalent to 2.5% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the board of directors for the purpose of calculating the net asset value of the Company), calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to an annual incentive fee equivalent to 15% of a surplus in the net asset value of the Company over a financial year or period.

For the year ended 31 December 2003, the investment management fee paid/payable to the Investment Manager for the services rendered amount to HK\$2,056,000.

Mr. Chang Chu Fai, Johnson Francis and Mr. Lim Siang Kai, both are executive directors of the Company, each have a 15% equity interest in the Investment Manager, Mr. See Lee Seng, Reason, who is also an executive director of the Company, has a 35% equity interest in the Investment Manager and is one of the directors of the Investment Manager.

In accordance with the requirements of the waiver granted by the Stock Exchange on 28 October 2002, the independent non-executive directors of the Company confirmed that:

- (a) the transaction pursuant to the IMA has been entered into in the ordinary and usual course of the business of the Company;
- (b) the transaction pursuant to the IMA has been entered into on normal commercial terms and on an arm's length basis;
- (c) the transaction pursuant to the IMA has been entered into on terms that are fair and reasonable so far as the shareholders of the Company and the Company are concerned; and
- (d) the aggregate amount of the investment management fee and the incentive fee paid/payable to the Investment Manager did not exceed 5% of the net tangible assets as disclosed in the audited financial statements of the Group for the year ended 31 December 2003.

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## REPORT OF THE DIRECTORS

### RELATED PARTY AND CONNECTED TRANSACTIONS (continued)

- (ii) Pursuant to the sub-tenancy agreement dated 30 August 2002 (as amended by a supplemental agreement dated 8 October 2002) entered into between the Company and Ceres Capital Limited (“Ceres”), the Company agreed to sublet its office premises from Ceres, which is owned as to approximately 33% by Mr. Chang Chu Fai, Johnson Francis, for a period commencing on 1 November 2002 to 2 July 2003 (both dates inclusive) at HK\$15,000 per month.

On 10 June 2003, the Company entered into a new sub-tenancy agreement with Ceres to sublet its office premises from Ceres for a period of two years commencing from 1 July 2003 at HK\$8,500 per month.

The above transactions constitute connected transactions under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and related party transactions under the applicable accounting standard issued by the Hong Kong Society of Accountants. Details of these related party and connected transactions are also disclosed in note 20 to the financial statements.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2003.

### AUDIT COMMITTEE

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises the two independent non-executive directors of the Company, Mr. Yue Man Yiu, Matthew and Mr. Zheng Weihe.

### AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board  
**Chang Chu Fai, Johnson Francis**  
*Executive Director*

Hong Kong, 28 April 2004

## REPORT OF THE AUDITORS



To the members

**Golden 21 Investment Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 24 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

28 April 2004

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2003

		<b>Year ended 31 December 2003</b>	Period from 14 May 2002 (date of incorporation) to 31 December 2002
	Notes	<b>HK\$'000</b>	HK\$'000
TURNOVER	4	<b>57,701</b>	–
Cost of sales		<b>(56,802)</b>	–
Gross profit		<b>899</b>	–
Other revenue	4	<b>2,186</b>	215
Unrealised holding losses on trading securities		<b>(8,677)</b>	(2,959)
Provision for impairment of trading securities	14	<b>(1,209)</b>	–
Administrative expenses		<b>(6,232)</b>	(1,407)
Other operating expenses		–	( 395)
<b>LOSS FROM OPERATING ACTIVITIES AND BEFORE TAX</b>	<b>6</b>	<b>(13,033)</b>	<b>(4,546)</b>
Tax	8	–	–
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>9</b>	<b>(13,033)</b>	<b>(4,546)</b>
<b>LOSS PER SHARE</b>	<b>10</b>		
– Basic		<b>HK(12.4) cents</b>	HK(13.1) cents
– Diluted		N/A	N/A

## CONSOLIDATED BALANCE SHEET

*31 December 2003*

	Notes	2003 HK\$'000	2002 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment securities	12	34,027	15,500
Deposit for the acquisition of investment securities	13	–	18,527
		<b>34,027</b>	34,027
<b>CURRENT ASSETS</b>			
Trading securities	14	14,584	24,162
Deposits and other receivables		1,787	4
Amount receivable from a broker		2,084	–
Cash and cash equivalents		27,731	37,931
		<b>46,186</b>	62,097
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,973	857
Amounts payable to brokers		–	3,994
		<b>1,973</b>	4,851
<b>NET CURRENT ASSETS</b>			
		<b>44,213</b>	57,246
		<b>78,240</b>	91,273
<b>CAPITAL AND RESERVES</b>			
Issued capital	15	10,542	10,542
Reserves	17(a)	67,698	80,731
		<b>78,240</b>	91,273



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2003

	<b>Issued share capital</b> HK\$'000	<b>Share premium account</b> HK\$'000	<b>Accumulated losses</b> HK\$'000	<b>Total</b> HK\$'000
Upon incorporation on 14 May 2002	380	–	–	380
New issue of shares prior to listing – note 17	162	1,458	–	1,620
New issue of shares upon listing – note 17	10,000	90,000	–	100,000
Share issue expenses	–	(6,181)	–	(6,181)
Net loss for the period	–	–	(4,546)	(4,546)
At 31 December 2002 and 1 January 2003	10,542	85,277	(4,546)	91,273
Net loss for the year	–	–	(13,033)	(13,033)
At 31 December 2003	10,542	85,277*	(17,579)*	78,240

\* These reserve accounts comprise the consolidated reserves of HK\$67,698,000 (period ended 31 December 2002: HK\$80,731,000).

## CONSOLIDATED CASH FLOW STATEMENT

*Year ended 31 December 2003*

		<b>Year ended 31 December 2003 HK\$'000</b>	Period from 14 May 2002 (date of incorporation) to 31 December 2002 HK\$'000
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss from operating activities and before tax		<b>(13,033)</b>	(4,546)
Adjustments for:			
Unrealised holding losses on trading securities		<b>8,677</b>	2,959
Provision for impairment of trading securities		<b>1,209</b>	–
Bank interest income	4	<b>(222)</b>	(215)
Dividend income from trading securities	4	<b>(194)</b>	–
Dividend income from investment securities	4	<b>(1,770)</b>	–
Operating loss before working capital changes		<b>(5,333)</b>	(1,802)
Increase in deposits and other receivables		<b>(13)</b>	(4)
Increase in an amount receivable from a broker		<b>(2,084)</b>	–
Increase in other payables and accruals		<b>1,116</b>	857
Increase/(decrease) in amounts payable to brokers		<b>(3,994)</b>	3,994
Increase in investment securities	12	–	(15,500)
Increase in a deposit for the acquisition of investment securities	13	–	(18,527)
Increase in trading securities		<b>(308)</b>	(27,121)
Cash used in operations		<b>(10,616)</b>	(58,103)
Bank interest received		<b>222</b>	215
Dividends received from trading securities		<b>194</b>	–
Net cash outflow from operating activities		<b>(10,200)</b>	(57,888)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares	15, 17	–	102,000
Share issue expenses	17	–	(6,181)
Net cash inflow from financing activities		–	95,819
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(10,200)</b>	37,931
Cash and cash equivalents at beginning of year/period		<b>37,931</b>	–
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>		<b>27,731</b>	37,931
<b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>5,311</b>	10,653
Time deposits with original maturity of less than three months		<b>22,420</b>	27,278
		<b>27,731</b>	37,931

**BALANCE SHEET**

31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment in a subsidiary	11	1	–
Investment securities	12	34,027	15,500
Deposit for the acquisition of investment securities	13	–	18,527
		<b>34,028</b>	<b>34,027</b>
<b>CURRENT ASSETS</b>			
Trading securities	14	14,584	24,162
Deposits and other receivables		1,787	4
Amount receivable from a broker		2,084	–
Due from a subsidiary	11	6	–
Cash and cash equivalents		27,731	37,931
		<b>46,192</b>	<b>62,097</b>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,973	857
Amounts payable to brokers		–	3,994
		<b>1,973</b>	<b>4,851</b>
<b>NET CURRENT ASSETS</b>		<b>44,219</b>	<b>57,246</b>
		<b>78,247</b>	<b>91,273</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	15	10,542	10,542
Reserves	17(b)	67,705	80,731
		<b>78,247</b>	<b>91,273</b>

**Chang Chu Fai, Johnson Francis**  
*Director*

**See Lee Seng, Reason**  
*Director*

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## NOTES TO FINANCIAL STATEMENTS

31 December 2003

### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 14 May 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 October 2002.

The principal place of business of the Company is located at Room 3308, 33rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The Company is principally engaged in investing in listed and unlisted companies established and/or doing business in the Asia Pacific Region, mainly the People’s Republic of China, excluding Hong Kong and Macau (the “PRC”) and Hong Kong, and other Asian countries. The principal activity of the subsidiary is set out in note 11 to the financial statements.

### 2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

SSAP 12 “Income taxes” is effective for the first time for the current year’s financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 8 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment securities and trading securities, as further explained in the respective accounting policies below.

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

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

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary for the year ended 31 December 2003. The results of the subsidiary acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

#### **Subsidiary**

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The result of the subsidiary is included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investment in the subsidiary is stated at cost less any impairment losses.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) income from securities trading, on a trade date basis;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (c) dividend income, when the shareholders' right to receive payment has been established.

#### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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## NOTES TO FINANCIAL STATEMENTS

31 December 2003

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

#### **Retirement benefits scheme**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### **Share option scheme**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The financial impact of share options granted under the share option scheme is not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

#### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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## NOTES TO FINANCIAL STATEMENTS

31 December 2003

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

#### **Impairment of assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### **Investment securities**

Investment securities are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. These are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases, or the projected cash flows of the securities, or comparison of price/revenue ratios, price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

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## NOTES TO FINANCIAL STATEMENTS

31 December 2003

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

#### **Investment securities (continued)**

The gains or losses arising from changes in the fair value of an investment security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises.

#### **Trading securities**

Trading securities are investments in securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



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## NOTES TO FINANCIAL STATEMENTS

31 December 2003

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

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

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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## NOTES TO FINANCIAL STATEMENTS

31 December 2003

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

#### **Foreign currencies (continued)**

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

#### **Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

### 4. TURNOVER AND REVENUE

Turnover represents the proceeds from the sale of trading securities. An analysis of turnover and other revenue is as follows:

	<b>Year ended 31 December 2003 HK\$'000</b>	Period from 14 May 2002 (date of incorporation) to 31 December 2002 HK\$'000
Turnover	57,701	–
Bank interest income	222	215
Dividend income from trading securities	194	–
Dividend income from investment securities	1,770	–
Other revenue	2,186	215
Total revenue	59,887	215

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

## 5. SEGMENT INFORMATION

The Group is principally engaged in investing in listed and unlisted companies. Accordingly, no further analysis by business segment is provided. In determining the Group's geographical segments, revenue and assets are attributed to the segments based on the location of assets.

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

**Group**

	Hong Kong		The PRC		Consolidated	
	Period from 14 May 2002 (date of incorporation)		Period from 14 May 2002 (date of incorporation)		Period from 14 May 2002 (date of incorporation)	
	Year ended 31 December 2003	to 31 December 2002	Year ended 31 December 2003	to 31 December 2002	Year ended 31 December 2003	to 31 December 2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

## Segment revenue:

Sales proceeds from trading securities	57,701	–	–	–	57,701	–
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	Hong Kong		The PRC		Consolidated	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

## Other segment

information:						
Segment assets	44,416	62,097	35,797	34,027	80,213	96,124

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

### 6. LOSS FROM OPERATING ACTIVITIES AND BEFORE TAX

The Group's loss from operating activities and before tax is arrived at after charging:

	<b>Year ended 31 December 2003 HK\$'000</b>	Period from 14 May 2002 (date of incorporation) to 31 December 2002 HK\$'000
Cost of sales	<b>56,802</b>	–
Minimum lease payments under operating leases in respect of land and buildings	<b>141</b>	30
Staff costs (excluding directors' remuneration – note 7):		
Wages, salaries and other allowances	<b>720</b>	120
Retirement benefits scheme contributions	<b>12</b>	2
	<b>732</b>	122
Depreciation	–	–
Auditors' remuneration	<b>200</b>	160

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

## 7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	<b>Year ended 31 December 2003 HK\$'000</b>	Period from 14 May 2002 (date of incorporation) to 31 December 2002 HK\$'000
Fees	<b>95</b>	25
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	<b>1,680</b>	280
Retirement benefits scheme contributions	<b>36</b>	6
	<b>1,716</b>	286
	<b>1,811</b>	311

Fees include HK\$95,000 (period ended 31 December 2002: HK\$25,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (period ended 31 December 2002: Nil).

The remuneration of each of the directors fell within the nil to HK\$1,000,000 band for the year (period ended 31 December 2002: Nil to HK\$1,000,000).

There was no arrangement under which a director of the Group waived or agreed to waive any remuneration during the year (period ended 31 December 2002: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

### 7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

The five highest paid employees during the year included four (period ended 31 December 2002: four) directors, details of whose remuneration are disclosed above. Details of the remuneration of the remaining non-director (period ended 31 December 2002: one), highest paid employee for the year, which fell within the nil to HK\$1,000,000 band (period ended 31 December 2002: Nil to HK\$1,000,000), are as follows:

	<b>Year ended</b> <b>31 December</b> <b>2003</b> <b>HK\$'000</b>	Period from 14 May 2002 (date of incorporation) to 31 December 2002 HK\$'000
Basic salary, housing benefits, other allowances and benefits in kind	720	120
Retirement benefits scheme contributions	12	2
	<b>732</b>	<b>122</b>

During the year, no emoluments were paid by the Group to the directors or the non-director, highest paid employee as an inducement to join, or upon joining the Group, or as compensation for loss of office (period ended 31 December 2002: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

**8. TAX**

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the year (period ended 31 December 2002: Nil).

A reconciliation of the tax expense applicable to the loss from operating activities and before tax using the statutory rate for the country in which the Company and its subsidiary are domiciled to the tax expense at the effective tax rates are as follows:

	<b>Year ended 31 December 2003 HK\$'000</b>	Period from 14 May 2002 (date of incorporation) to 31 December 2002 HK\$'000
Loss from operating activities and before tax	<b>(13,033)</b>	(4,546)
Tax at the statutory rate of 17.5% (2002: 16%)	<b>(2,280)</b>	(727)
Income not subject to tax	<b>(73)</b>	(34)
Expenses not deductible for tax	<b>390</b>	90
Tax losses not recognised	<b>1,963</b>	671
Tax charge at the Group's effective rate	–	–

The Group has tax losses arising in Hong Kong of HK\$14,752,000 (period ended 31 December 2002: HK\$4,196,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making.

**9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK\$13,026,000 (period ended 31 December 2002: HK\$4,546,000).



## NOTES TO FINANCIAL STATEMENTS

31 December 2003

### 10. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's net loss attributable to shareholders for the year of HK\$13,033,000 (period ended 31 December 2002: HK\$4,546,000) and the weighted average number of 105,420,000 (period ended 31 December 2002: 34,665,605) ordinary shares in issue during the year.

Diluted loss per share amounts for the year ended 31 December 2003 and for the period ended 31 December 2002 have not been disclosed as there were no potential ordinary shares in existence for the year/period.

### 11. INVESTMENT IN A SUBSIDIARY

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	1	–
Due from a subsidiary	6	–
	7	–

The amount due from a subsidiary included in the Company's current assets is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the Company's subsidiary is as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Principal activities
Golden 21 (BVI) Limited	British Virgin Islands	US\$1	100%	Dormant

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

## 12. INVESTMENT SECURITIES

	Group and Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted equity securities outside Hong Kong, at fair value	34,027	15,500

Name	Notes	Place of establishment	Particulars of equity interest held	Investment value		Percentage of interest held
				Acquisition cost	Fair value estimated by the directors	
				HK\$'000	HK\$'000	
南通毅能達智能卡製造有限公司 ("南通毅能達")	(i)	PRC	Registered capital	15,500	15,500	24.00
北京綜藝達軟件技術有限公司 ("北京綜藝達")	(ii)	PRC	Registered capital	18,527	18,527	13.09

## Notes:

- (i) 南通毅能達 is principally engaged in the production of sim-cards for use in credit cards and data storage cards. The investment in 南通毅能達 is not equity accounted for under SSAP 10 "Accounting for investments in associates". This is because the directors are of the opinion that the Group is not in a position to exercise significant influence over the financial and operating policies of 南通毅能達.
- (ii) 北京綜藝達 is principally engaged in the research, development and manufacture of network commercial management software. The Group's equity interest in 北京綜藝達 has been properly registered with the relevant PRC authority on 9 June 2003 (note 13).

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

## 13. DEPOSIT FOR THE ACQUISITION OF INVESTMENT SECURITIES

	Group and Company	
	2003	2002
	HK\$'000	HK\$'000
Deposit for the acquisition of investment securities	–	18,527

During the year, on 9 June 2003, the registration of the Company's equity interest in 北京綜藝達 with the relevant PRC authority was completed (note 12).

## 14. TRADING SECURITIES

	Group and Company	
	2003	2002
	HK\$'000	HK\$'000
Listed securities in Hong Kong, at market value	15,793	24,162
Provision for impairment	(1,209)	–
	14,584	24,162

Particulars of the trading securities holding as at 31 December 2003, disclosed pursuant to Section 129 of the Hong Kong Companies Ordinance, are as follows:

Name	Place of establishment/ incorporation	Particular of equity interests held	Acquisition cost HK\$'000	Market value as at 31 December 2003 HK\$'000	Percentage of interest held
Jiangsu Nandasoft Company Limited ("Jiangsu Nandasoft")	PRC	H shares	11,146	10,466	11.04
AKuP International Holding Limited ("AKuP")*	Cayman Islands	Ordinary shares	11,981	1,209	6.19

\* Subsequent to the balance sheet date, on 5 February 2004, trading in shares of AKuP was suspended due to the fact that the management of AKuP could not be contacted for clarification of unusual movements in price and trading volume of AKuP's shares. The market value of the listed securities of AKuP was approximately HK\$429,000 at the date of the trading suspension. Having regard to the fact that the trading of the listed securities is still suspended and the management of AKuP cannot be contacted at the date of this report, the directors consider that a full provision for impairment is necessary.

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

## 15. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	<b>300,000</b>	300,000
Issued and fully paid:		
105,420,000 ordinary shares of HK\$0.10 each	<b>10,542</b>	10,542

The following changes in the Company's authorised and issued share capital took place during the period from 14 May 2002 (date of incorporation) to 31 December 2002:

- (i) On incorporation, the authorised share capital of the Company was HK\$380,000 divided into 380,000 ordinary shares of HK\$1.00 each, all of which were allotted and issued for cash at par to Megabase Developments Limited, Asset Home Group Limited, Wise Guard Enterprises Limited and Market Concord Holdings Limited (the "Shareholders") for general working capital purposes.  
  
Megabase Developments Limited, Wise Guard Enterprises Limited and Asset Home Group Limited are beneficially owned by Mr. Chang Chu Fai, Johnson Francis ("Mr. Chang"), Mr. Lim Siang Kai ("Mr. Lim") and Mr. See Lee Seng, Reason ("Mr. See"), the executive directors of the Company, respectively. Market Concord Holdings Limited is owned by an independent third party.
- (ii) On 13 June 2002, the authorised share capital of the Company was increased from HK\$380,000 to HK\$300,000,000 by the creation of a further 299,620,000 ordinary shares of HK\$1.00 each. Each of the then issued ordinary shares in the share capital of the Company, having a par value of HK\$1.00 each, was sub-divided into 10 ordinary shares of HK\$0.10 each, ranking pari passu with the existing share capital of the Company.
- (iii) On 24 July 2002, each of the Shareholders subscribed for 405,000 shares, having a par value of HK\$0.10, for cash at the subscription price of HK\$1.00 each, for a total consideration of HK\$1,620,000. The proceeds of the shares issued were used for the Company's general working capital purposes.
- (iv) On 24 October 2002, a total of 100,000,000 ordinary shares of HK\$0.10 each were issued at a price of HK\$1.00 per share to the public for a total cash consideration, before the related issue expenses, of HK\$100,000,000. The net proceeds will be applied to purchase investments according to the investment objectives and investment policies adopted by the Company from time to time. Dealings in the shares of the Company on the Stock Exchange commenced on 28 October 2002.

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

### 15. SHARE CAPITAL (continued)

The excess of the proceeds over the par value of the shares issued was credited to the share premium account.

A summary of the above movements in the issued share capital of the Company is as follows:

	Notes	Number of shares issued	Nominal value of shares issued HK\$'000
Shares allotted and issued fully paid on incorporation	(i)	380,000	380
Sub-division of each of the shares of HK\$1.00 each of the Company into 10 shares of HK\$0.10 each	(ii)	3,800,000	380
New issue prior to listing	(iii)	1,620,000	162
New issue upon listing	(iv)	100,000,000	10,000
Share capital as at 31 December 2002 and 2003		105,420,000	10,542

### 16. SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "SO Scheme") on 7 October 2002 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, officers, agents, consultants or representatives of the Group. The SO Scheme became unconditional on 28 October 2002 upon the listing of the Company's shares on the Stock Exchange and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

**16. SHARE OPTION SCHEME (continued)**

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options shall remain open for acceptance for a period of 28 days from the date of the offer of the grant. The grant of share options is effective upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

Further details of the SO Scheme are disclosed in the prospectus of the Company dated 15 October 2002.

At 31 December 2003 and up to the date of approval of these financial statements, no share options have been granted under the SO Scheme.

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

### 17. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the current year and prior period are presented in the consolidated statement of changes in equity.

#### (b) Company

	<b>Share premium account</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
New issue of shares prior to listing – note 15	1,458	–	1,458
New issue of shares upon listing – note 15	90,000	–	90,000
Share issue expenses	(6,181)	–	(6,181)
Net loss for the period	–	(4,546)	(4,546)
At 31 December 2002	85,277	(4,546)	80,731
Net loss for the year	–	(13,026)	(13,026)
At 31 December 2003	<b>85,277</b>	<b>(17,572)</b>	<b>(67,705)</b>

In accordance with the Companies Law (2002 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

### 18. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group, nor the Company had any significant contingent liabilities.

## NOTES TO FINANCIAL STATEMENTS

31 December 2003

**19. OPERATING LEASE ARRANGEMENT**

The Group leases certain of its leasehold land and buildings as office premises under an operating lease arrangement. The lease term for this property is two years.

At 31 December 2003, the Group and the Company had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>94</b>	90
In the second to fifth years, inclusive	<b>51</b>	–
	<b>145</b>	90

**20. RELATED PARTY AND CONNECTED TRANSACTIONS**

During the year, the Group had the following significant related party and connected transactions:

		<b>Year ended</b>	Period from
	Notes	<b>31 December</b>	14 May 2002
		<b>2003</b>	(date of
		<b>HK\$'000</b>	incorporation)
			to 31 December
			2002
		<b>HK\$'000</b>	HK\$'000
Investment management fee paid/payable to Golden Honour Assets Management Limited	(i)	<b>2,056</b>	419
Rental expenses paid to Ceres Capital Limited	(ii)	<b>141</b>	30



## NOTES TO FINANCIAL STATEMENTS

31 December 2003

### 20. RELATED PARTY AND CONNECTED TRANSACTIONS (continued)

*Notes:*

- (i) Pursuant to the investment management agreement dated 7 October 2002 (the "Investment Management Agreement") entered into between the Company and Golden Honour Assets Management Limited (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing on 28 October 2002, the date of the commencement of the trading of the Company's shares on the Stock Exchange. The Investment Management Agreement will continue for successive periods of three years, unless terminated at any time by either the Company or the Investment Manager serving not less than six months' notice in writing to the other party, to expire on the last day of the three-year period or any of the relevant successive periods.

Under the Investment Management Agreement, the Investment Manager is entitled to a monthly management fee equivalent to 2.5% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the board of directors for the purpose of calculating the net asset value of the Company), calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to an annual incentive fee equivalent to 15% of the surplus in the net asset value of the Company over a financial year or period.

Mr. Chang and Mr. Lim each have a 15% equity interest in the Investment Manager. Mr. See has a 35% equity interest in the Investment Manager and is one of the directors of the Investment Manager.

- (ii) Pursuant to the sub-tenancy agreement dated 30 August 2002 (as amended by a supplemental agreement dated 8 October 2002) entered into between the Company and Ceres Capital Limited ("Ceres"), the Company agreed to sublet its office premises from Ceres, which is owned as to approximately 33% by Mr. Chang, for a period commencing from 1 November 2002 to 2 July 2003 (both dates inclusive) at HK\$15,000 per month.

On 10 June 2003, the Company entered into a new agreement with Ceres to sublet its office premises from Ceres for a period of two years commencing from 1 July 2003 at HK\$8,500 per month, with a rent free period of one month in May 2004.

- (iii) In December 2002, the Group acquired 13,326,000 shares in Jiangsu Nandasoft, a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange from a non-director, senior management employee, who is also a shareholder of the Company, at a price of HK\$0.43 per share. The consideration represented an approximate 12% discount to the then average closing market price of the shares of Jiangsu Nandasoft for the last four trading days before the date of the transaction, as quoted on the GEM of the Stock Exchange. The 13,326,000 shares acquired by the Company represented approximately 1.43% of the issued share capital of Jiangsu Nandasoft. The above transaction was approved by the board of directors, including the independent non-executive directors. The total consideration for the acquisition was approximately HK\$5,730,000 and the investment was included in the Company's and the Group's trading securities as at the balance sheet date.

The related party transactions set out in (i) and (ii) above also constitute connected transactions under the Listing Rules.

### 21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2004.