

## INTERIM RESULTS

The board of directors (the “Board”) of Golden 21 Investment Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiary (the “Group”) for the six months ended 30th June 2003 (the “Period”). The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee (the “Audit Committee”).

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30th June 2003 (Unaudited) HK\$	Period from 14th May 2002 (date of incorporation) to 30th June 2002 (Unaudited) HK\$
	<i>Notes</i>		
TURNOVER	2	26,199,230	–
Cost of sales		(26,096,869)	–
Gross profit		102,361	–
Other revenue	2	341,470	–
Unrealised holding loss on trading securities		(7,471,637)	–
Administrative expenses		(3,282,634)	–
Other operating expenses		–	–
LOSS FROM OPERATING ACTIVITIES BEFORE TAX	4	(10,310,440)	–
Tax	5	–	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(10,310,440)	–
DIVIDEND	6	Nil	Nil
LOSS PER SHARE	7		
Basic		HK(9.8) cents	–
Diluted		N/A	N/A



**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>30th June</b>	31st December
		<b>2003</b>	2002
		<b>(Unaudited)</b>	(Audited)
<i>Notes</i>		<b>HK\$</b>	HK\$
<b>NON-CURRENT ASSETS</b>			
Investment securities	8	<b>34,026,660</b>	15,500,160
Deposit for the acquisition of investment securities	9	–	18,526,500
		<b>34,026,660</b>	34,026,660
<b>CURRENT ASSETS</b>			
Trading securities	10	<b>12,696,480</b>	24,162,070
Deposits and other receivables		<b>143,680</b>	3,587
Cash and cash equivalents		<b>35,270,457</b>	37,931,465
		<b>48,110,617</b>	62,097,122
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>1,174,588</b>	856,700
Amounts payable to brokers		–	3,993,953
		<b>1,174,588</b>	4,850,653
<b>NET CURRENT ASSETS</b>			
		<b>46,936,029</b>	57,246,469
		<b>80,962,689</b>	91,273,129
<b>CAPITAL AND RESERVES</b>			
Issued capital		<b>10,542,000</b>	10,542,000
Reserves		<b>70,420,689</b>	80,731,129
		<b>80,962,689</b>	91,273,129

**CONDENSED CONSOLIDATED CASHFLOW STATEMENT**

	<b>Six months ended 30th June 2003 (Unaudited) HK\$</b>	Period from 14th May 2002 (date of incorporation) to 30th June 2002 (Unaudited) HK\$
Net cash inflow/(outflow) from operating activities	<b>(2,661,008)</b>	2,000
Net cash flow from investing activities	-	-
Net cash inflow from financing activities	-	380,000
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,661,008)</b>	382,000
Cash and cash equivalents at beginning of period	<b>37,931,465</b>	-
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>35,270,457</b>	382,000
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	<b>4,832,967</b>	382,000
Time deposits with original maturity of less than three months when acquired	<b>30,437,490</b>	-
	<b>35,270,457</b>	382,000

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements of the Group for the Period have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The accounting policies adopted in the preparation of these Interim Financial Statements are consistent with those used in the Company’s audited financial statements for the year ended 31st December 2002 except for the adoption of SSAP 12 (Revised) “Income taxes” which is effective for the first time for the accounting period commencing on or after 1st January 2003.

The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

#### **Basis of consolidation**

The Interim Financial Statements include the financial statements of the Company and its subsidiary for the six months ended 30th June 2003. The results of subsidiaries 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.

## 2. TURNOVER AND REVENUE

The Group is principally engaged in the investment in listed and unlisted companies. An analysis of turnover and other revenue is as follows:

	<b>Six months ended 30th June 2003 (Unaudited) HK\$</b>	Period from 14th May 2002 (date of incorporation) to 30th June 2002 (Unaudited) HK\$
Turnover		
Proceeds from sale of trading securities	<b>26,199,230</b>	–
Other revenue		
Interest income	<b>163,163</b>	–
Dividend income from trading securities	<b>178,307</b>	–
	<b>341,470</b>	–
	<b>26,540,700</b>	–

## 3. SEGMENT INFORMATION

The Group is principally engaged in investing in listed and unlisted companies. Accordingly, no further analysis by business segment is provided. No geographical analysis is presented as none of the Group's turnover, contribution to operating loss, assets or liabilities is attributable to locations other than the People's Republic of China (the "PRC") and Hong Kong.

#### 4. LOSS FROM OPERATING ACTIVITIES BEFORE TAX

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

	Six months ended 30th June 2003 (Unaudited) HK\$	Period from 14th May 2002 (date of incorporation) to 30th June 2002 (Unaudited) HK\$
Staff costs, excluding directors' remuneration		
Wages, salaries and other allowances	360,000	-
Retirement benefits scheme contributions	6,000	-
	<u>366,000</u>	-
Minimum lease payments under operating leases in respect of land and buildings	<u>90,000</u>	-

#### 5. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the Period (2002: 16%).

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax in respect of the Period (2002: Nil).

#### 6. DIVIDEND

The Board resolved not to declare the payment of any interim dividend in respect of the Period (2002: Nil).

#### 7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the Period of HK\$10,310,440 (2002: Nil) and the weighted average of 105,420,000 (2002: 3,800,000) ordinary shares in issue during the Period.

Diluted loss per share for the six months ended 30th June 2003 and period ended 30th June 2002 had not been disclosed as no diluting events existed during these periods.

## 8. INVESTMENT SECURITIES

	<b>30th June 2003 (Unaudited) HK\$</b>	31st December 2002 (Audited) HK\$
Unlisted equity securities outside Hong Kong, at fair value	<b>34,026,660</b>	15,500,160

Name	Place of establishment	Particulars of equity interest held	Investment value		Percentage of interest held
			Acquisition cost HK\$	Fair value estimated by the directors HK\$	
南通毅能達智能卡製造 有限公司 ("南通毅能達")*	PRC	Registered capital	15,500,160	15,500,160	24.00
北京綜藝達軟件技術 有限公司 ("北京綜藝達")#	PRC	Registered capital	18,526,500	18,526,500	13.09

\* 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 of the Company (the "Directors") are of the opinion that the Company is not in a position to exercise significant influence over the financial and operating policies of 南通毅能達.

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



**9. DEPOSIT FOR THE ACQUISITION OF INVESTMENT SECURITIES**

	<b>30th June 2003</b>	31st December 2002
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$</b>	HK\$
Deposit for the acquisition of investment securities	–	18,526,500

In December 2002, the Company entered into a sale and purchase agreement with a PRC company with A shares listed on the Shanghai Stock Exchange (the “Vendor”) for the acquisition of a 13.09% equity interest (the “Interest”) in 北京綜藝達, a company established in the PRC at a consideration of HK\$17,900,000 (the “Agreement”). As part of the terms of the Agreement, the Company has been granted a put option which confers on the Company a right to request the Vendor to buy back the Interest at the original acquisition cost of HK\$17,900,000 plus annual interest based on the PRC bank lending rate within three years after the completion of the transaction, in the case of any reasons affecting the legal status of the Interest or the inability of the Company to remit the dividends distributed by 北京綜藝達 out of the PRC. Further, the Vendor has also guaranteed that the profit after tax of 北京綜藝達 will not be less than RMB16,500,000 for each of the three years ending 31st December 2003, 2004 and 2005. Any shortfall will be compensated to the Company through the pre-determined adjustment mechanism stipulated in the Agreement governing the Interest acquired by the Company. 北京綜藝達 is principally engaged in the research, development and sale of network commercial management software.

During the Period, on 9th June 2003, the registration of the Company’s equity interest in 北京綜藝達 with the relevant PRC authority is completed.

**10. TRADING SECURITIES**

	<b>30th June 2003</b>	31st December 2002
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$</b>	HK\$
Listed equity securities in Hong Kong, at market value	<b>12,696,480</b>	24,162,070

**11. CONTINGENT LIABILITIES**

At 30th June 2003, the Group had no significant contingent liabilities.

## 12. 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 2 years.

At 30th June 2003, the Group had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	<b>30th June 2003 (Unaudited) HK\$</b>	31st December 2002 (Audited) HK\$
Within one year	<b>93,500</b>	90,000
In the second to fifth year, inclusive	<b>102,000</b>	–
	<b>195,500</b>	90,000

## 13. RELATED PARTY AND CONNECTED TRANSACTIONS

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

	<i>Notes</i>	<b>Six months ended 30th June 2003 (Unaudited) HK\$</b>	Period from 14th May 2002 (date of incorporation) to 30th June 2002 (Unaudited) HK\$
Investment management fee paid/payable to Golden Honour Assets Management Limited	(i)	<b>1,047,377</b>	–
Rental expenses paid to Ceres Capital Limited	(ii)	<b>90,000</b>	–

*Notes:*

- (i) Pursuant to an investment management agreement dated 7th October 2002 (the “IM 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 28th October 2002, the date of the commencement of the trading of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The IM 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 IM Agreement, the Investment Manager is entitled to a monthly management fee equivalent to 2.5% per annum of the net assets 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 for the purpose of calculating the net assets 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 assets value of the Company over a financial year or period.

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

- (ii) Pursuant to a sub-tenancy agreement dated 30th August 2002 (as amended by a supplemental agreement dated 8th 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 1st November 2002 to 2nd July 2003 (both dates inclusive) at HK\$15,000 per month.

On 10th June 2003, the Company entered into a new sub-tenancy agreement with Ceres to sublet its office premises from Ceres for a period of 2 years commencing from 1st July 2003 at HK\$8,500 per month.

The related party transactions set out above also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The IM Agreement is covered by the waiver granted by the Stock Exchange dated 28th October 2002. The sub-tenancy agreement falls under Rule 14.24(5) of the Listing Rules which does not require any disclosure or shareholders approval.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

The Group recorded a net loss of HK\$10,310,440 for the six months ended 30th June 2003, which was mainly attributable to the unrealised loss on the Company's investments in the listed securities in Hong Kong of HK\$7,471,637. The net assets value of the Group was HK\$80,962,689 as of 30th June 2003.

### **Liquidity and Financial Resources**

As at 30th June 2003, the Group had cash and bank balance of HK\$35,270,457. Most of the cash was placed in Hong Kong dollars short-term deposits in Hong Kong. The Group did not have any borrowings during the Period under review. The Board believes that the Group has sufficient financial resources to satisfy its working capital requirements. The Company's investments are mainly denominated in Hong Kong dollars or Renminbi. The Directors consider that the exposure to foreign exchange fluctuation in Hong Kong dollars is minimal whilst that in Renminbi may have an impact on the financial performance of the Group.

### **Capital Structure**

There was no change in the capital structure of the Group during the period ended 30th June 2003.

### **Employee, Remuneration Policy and Share Option Scheme**

As at 30th June 2003, the Group had 1 employee and the total staff costs excluding directors' remuneration amounted to HK\$366,000 for the six months ended 30th June 2003. Remuneration was reviewed annually in accordance with market situations and performance of individual staff.

During the Period under review, no share options were granted to any directors or employees of the Group under the Company's share option scheme adopted on 7th October 2002.

### **Charges on Group Assets**

During the Period under review, there were no charges on the Group's assets.

### **Contingent Liabilities**

As at 30th June 2003, no contingent liabilities were noted by the Directors.

## BUSINESS REVIEW

Due to the unfavourable business environment during the first half year of 2003 caused by the outbreak of SARS in Hong Kong, the Company's investments in listed securities in Hong Kong recorded an unrealised loss of HK\$7,471,637.

The Group's investments portfolio as at 30th June 2003 consisted of 15.46% in listed investments, 41.43% in unlisted investments and the remaining 43.11% in cash and cash equivalent and others.

The Directors will continue to closely monitor the performance of the listed and unlisted investments of the Company and to explore suitable investment opportunities in line with the investment strategies of the Company to strengthen the investment portfolio and income base of the Company.

## INTERESTS OF DIRECTORS

As at 30th June 2003, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register required to be kept under 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, are set out below:

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

Name of Director	Capacity	Number of ordinary shares held
Mr. Chang Chu Fai, Johnson Francis (Note 1)	Interest of controlled corporation	1,355,000
Mr. Lim Siang Kai (Note 2)	Interest of controlled corporation	1,355,000
Mr. See Lee Seng, Reason (Note 3)	Interest of controlled corporation	1,355,000

*Notes:*

1. 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.
2. 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.
3. 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.

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

None of the Directors had interests in shares, underlying shares or debentures of the Company and its associated corporation.

At no time during the Period was the Company, its subsidiaries 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.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June 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 shareholding
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 and is beneficially owned by Ms. Zhang Yunxia.

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

As at 30th June 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.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiary has purchased or sold any of the Company's securities.

## AUDIT COMMITTEE

The Company established an Audit Committee on 7th October 2002 in accordance with the requirements of Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The interim report has been reviewed by the Audit Committee which comprises two independent non-executive Directors of the Company.

**CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the Period under review, in compliance with the Code.

The Board of Directors of  
**Golden 21 Investment Holdings Limited**

Hong Kong, 25th September 2003