

**BOARD OF DIRECTORS***Executive Directors*

CHANG Chu Fai, Johnson Francis

LIM Siang Kai

SEE Lee Seng, Reason

*Independent Non-Executive Directors*

CHUNG Koon Yan

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**

Grant Thornton

**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

We are pleased to present to the shareholders the 2004 Annual Report of Golden 21 Investment Holdings Limited (the “Company”) and its subsidiary (collectively the “Group”) for the year ended 31 December 2004.

## RESULTS

The total turnover of the Group was approximately HK\$39,599,000 (2003: HK\$57,701,000) and loss attributable to shareholders of approximately HK\$16,443,000 for the year ended 31 December 2004 (2003: HK\$13,033,000).

## DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2004 (2003: 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.

The implementation of macro economic control policy by the Central Government to cool down the China economy has adversely affected the operating environment of the business sector and led to a liquidity squeeze in the banking system. Privately owned enterprises are among the hardest hit, as a consequence, many of the small and medium enterprises in the private sector have cut back their non-essential capital spending in areas such as information technology.

Due to the above factors, 北京綜藝達軟件技術有限公司 (“北京綜藝達”) (engaged in software application) in which the Group has a 13.09% interest did not perform well. Its operating profit dropped substantially from previous year’s of approximately RMB16,944,000 to RMB967,000 in the year 2004 which is lower than the profit guarantee of RMB16,500,000 given by Jiangsu Zongyi Co., Ltd. (江蘇綜藝股份有限公司) (“Jiangsu Zongyi”). Taking into consideration the deterioration of its performance in 2004, its management’s positive view on the business prospects of new software products in the pipeline as per the business plan submitted by 北京綜藝達 and the extension of profit guarantee for two years to 2007 by Jiangsu Zongyi, the Group has decided, upon the recommendation of Golden Honour Assets Management Limited, the investment manager of the Group (the “Investment Manager”), to make a provision of HK\$2,780,000 on the Group’s investment in 北京綜藝達。

## STATEMENT FROM THE EXECUTIVE DIRECTORS

Commencement of operation of Nantong Einolda Smart Card Manufacturing Co., Ltd. (南通毅能達智能卡製造有限公司) (“Nantong Einolda”) was delayed to November 2004. According to the management of Nantong Einolda, the delay was due to the prolonged approval process for issue of import licence of a special printing machine by the Beijing Government. Based on preliminary information available to the Group, the business volume of Nantong Einolda in the first two months was significantly below the original projection although its management remains optimistic about the long term business outlook. Due to its negative performance, the Group has decided, upon recommendation of the Investment Manager, to make a provision of HK\$5,270,000 on the Group’s investment in Nantong Einolda.

The Group recorded a loss of HK\$16,443,000 for the whole 2004 largely due to provisions for impairment made in the two unlisted investments mentioned above and the unrealised holding losses on the Group’s investment in listed securities in Hong Kong of approximately HK\$2,223,000.

In view of the uncertain outlook caused by China’s macro economic control policy, the Group took a prudent approach of not to make any new direct investment in 2004.

The Group adopted a new investment policies by passing an ordinary resolution at the extraordinary general meeting held on 4 February 2005 in order to allow a greater flexibility for the Group to capture investment opportunities in both listed and unlisted companies and to invest in futures and derivative products enabling the Group to respond more effectively to the ever-changing investment environment so as to maximise the return of the Group’s investment portfolio.

The Group’s new investment portfolio consists of:

- (i) up to a maximum of 90% of the Group’s assets can be invested in:
  - (a) equity securities, convertible notes, preference shares, options, warrants or debt securities issued by listed companies;
  - (b) equity securities, convertible notes, preference shares, options, warrants or debt securities issued by unlisted companies in the Asia Pacific region, mainly Greater China, member countries of Association of Southeast Asian Nations (including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and Japan; and
  - (c) options and futures which are traded on recognised securities or futures exchanges for trading and hedging purposes.
- (ii) a maximum of 10% of the Group’s assets will be maintained in cash or cash equivalents.

The Group has initiated a cost cutting program to reduce the operating costs of the Group.

As at 31 December 2004, the Group’s portfolio of investment assets consisted of approximately 18.73% in listed investments, approximately 41.18% in unlisted investments and the remaining approximately 40.09% in cash and others.

**MANAGEMENT DISCUSSION AND ANALYSIS**

The Group recorded a loss of HK\$16,443,000 for the year ended 31 December 2004, apart from the provisions made to the Group's two unlisted investments, the loss was mainly attributable to the unrealised losses on the Group's investment in listed securities in Hong Kong of approximately HK\$2,223,000. The net asset value of the Group was approximately HK\$61,797,000 as of 31 December 2004, a decrease of approximately 21.02% as compared with the net asset value of last year.

**Investment portfolio**

Listed below are the Group's unlisted investments together with the provision made, listed investments and the respective market value/or fair value as at 31 December 2004.

*Unlisted Investments and Provision Made*

| Name of investee company           | Nature of business      | Percentage of interest held | Cost (HK\$'000) | Provision made (HK\$'000) | Fair value   | Dividend                                       | Percentage   |
|------------------------------------|-------------------------|-----------------------------|-----------------|---------------------------|--|--|--|
|                                    |                         |                             |                 |                           | estimated by the Directors as at 31 December 2004 (HK\$'000) | for the year ended 31 December 2004 (HK\$'000) | of investments attributable to the Group's net assets as at 31 December 2004 |
| Nantong Einolda<br><i>Note (i)</i> | Production of sim-cards | 24.00                       | 15,500          | 2,780                     | 10,230   | Nil  | 16.55  |
| 北京綜藝達<br><i>Note (ii)</i>          | Software application    | 13.09                       | 18,527          | 5,270                     | 15,747   | Nil  | 25.48  |

*Notes:*

- (i) Nantong Einolda is principally engaged in the production of sim-cards for use in credit cards and data storage cards. The investment in Nantong Einolda 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 Nantong Einolda.
- (ii) 北京綜藝達 is principally engaged in the research, development and manufacture of network commercial management software.

北京綜藝達 recorded a profit attributable to the shareholders of approximately RMB967,000 for 2004 which is lower than the profit guarantee of RMB16,500,000 given by Jiangsu Zongyi. In accordance with 出資轉讓協議 dated 19 December 2002 (the "Agreement"), Jiangsu Zongyi needs to compensate to the Company through the pre-determined adjustment mechanism in the amount of approximately RMB2,033,000.

The Company has conditionally agreed to waive the said compensation of RMB2,033,000 calculated pursuant to the terms of the Agreement relating to the profit guarantee provided by Jiangsu Zongyi in respect of the net profit of 北京綜藝達 for the year ended 31 December 2004 and Jiangsu Zongyi has agreed to extend the profit guarantee period covering the years ending 31 December 2005, 2006 and 2007.

## STATEMENT FROM THE EXECUTIVE DIRECTORS

*Listed Investments*

Particulars of the trading securities holding as at 31 December 2004, disclosed pursuant to Section 129 of the Hong Kong Companies Ordinance, are as follows:

| Name of investee company          | Percentage of interest held | Cost<br>(HK\$'000) | Market value                            | Dividend   | Percentage of  |
|-----------------------------------|-----------------------------|--------------------|---|--|--|
|                                   |                             |                    | as at<br>31 December 2004<br>(HK\$'000) | for the year ended<br>31 December 2004<br>(HK\$'000) | investments attributable<br>to the Group's<br>net assets as at<br>31 December 2004 |
| Jiangsu Nandasoft Company Limited | 10.84                       | 10,937             | 8,114                                   | Nil  | 13.13  |

**Liquidity and financial position**

As at 31 December 2004, the Group had cash and bank balances of approximately HK\$23,477,000. 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 Group 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 Group.

**Capital Structure**

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

**Material acquisition 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 2004, the Group had 5 employees (including 3 executive Directors). For the year ended 31 December 2004, the Group's staff costs (excluding Directors' remuneration) amounted to HK\$667,000 (2003: HK\$732,000). The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. During the year under review, the Group has not granted any share options to its employees 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 2004.

**FUTURE PROSPECTS AND APPRECIATION**

There is great uncertainty in the outlook of the financial markets in 2005 in light of high oil prices and the upward trend of interest rates. In China, there is no sign that the macro economic control measures imposed by the Central Government will be eased in the near future. The overall investment environment in 2005 is expected to be difficult and challenging to the Group. However, the Group remains optimistic on the long term prospects of China. The management will continue to look for suitable investments in companies and projects with high growth potential with a particular focus in China.

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, 25 April 2005

## 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 2004.

### 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”), Hong Kong, and other Asian countries. Details of the principal activity of the subsidiary is set out in note 9 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

### RESULTS AND APPROPRIATIONS

The Group’s loss for the year ended 31 December 2004 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 20 to 40.

The Board does not recommend the payment of a final dividend.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last two financial years 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

|                                   | <b>Year ended<br/>31 December<br/>2004<br/>HK\$’000</b> | Year ended<br>31 December<br>2003<br>HK\$’000 | Period from<br>14 May 2002<br>(date of<br>incorporation)<br>to 31 December<br>2002<br>HK\$’000 |
|-----------------------------------|---|---|--|
| TURNOVER                          | <b>39,599</b>   | 57,701  | –  |
| LOSS BEFORE TAXATION              | <b>(16,443)</b>   | (13,033)                                      | (4,546)  |
| TAXATION                          | –   | –   | –  |
| LOSS ATTRIBUTABLE TO SHAREHOLDERS | <b>(16,443)</b>   | (13,033)                                      | (4,546)  |

**SUMMARY FINANCIAL INFORMATION (Continued)****ASSETS AND LIABILITIES**

|                   | At<br>31 December<br>2004<br>HK\$'000 | At<br>31 December<br>2003<br>HK\$'000 | At<br>31 December<br>2002<br>HK\$'000 |
|-------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| TOTAL ASSETS      | <b>63,081</b>                         | 80,213                                | 96,124                                |
| TOTAL LIABILITIES | <b>(1,284)</b>                        | (1,973)                               | (1,973)                               |
|                   | <b>61,797</b>                         | 78,240                                | 94,151                                |

**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.

**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 of Hong Kong Limited (the "Stock Exchange") and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 OPTION SCHEME (Continued)**

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.

No share option has been granted since the Adoption Date.

**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 14 to the financial statements and in the consolidated statement of changes in equity, respectively.

**DISTRIBUTABLE RESERVES**

At 31 December 2004, the Company had distributable reserves of HK\$51,266,000. Under the Companies Law (2004 Revision) of the Cayman Islands, the share premium account of the Company of HK\$85,277,000 as at 31 December 2004, 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.

**DIRECTORS**

The directors of the Company during the year 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. Chung Koon Yan (appointed on 30 September 2004)

Mr. Yue Man Yiu, Matthew

Mr. Zheng Weihe

Pursuant to Article 88(1) of the Articles of Association, Mr. See Lee Seng, Reason will retire by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting of the Company ("AGM").

Pursuant to Article 87(3) of the Articles of Association, Mr. Chung Koon Yan, being director appointed after 2004 annual general meeting of the Company, shall retire and, being eligible, offers himself for re-election at the AGM.

**INDEPENDENCE CONFIRMATION**

The Company has received, from each of independent non-executive directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT****EXECUTIVE DIRECTORS**

**Mr. Chang Chu Fai, Johnson Francis**, aged 50, 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 in the provision of corporate finance advisory services.

Currently, he is also an independent non-executive director of Tian An China Investment Company Limited and Quality HealthCare Asia Limited, both companies are listed on the Stock Exchange.

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

**Mr. Lim Siang Kai**, aged 48, 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.

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 46, 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.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)****INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. Chung Koon Yan**, aged 41, appointed as an independent non-executive director of the Company since 30 September 2004. He is a practising member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Institute of Chartered Accountants in England and Wales. He graduated from The Hong Kong Polytechnic University with a Master of Professional Accounting. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and has more than 15 years experience in accounting, auditing and taxation.

**Mr. Yue Man Yiu, Matthew**, aged 43, 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 Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public 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 39, 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.

**SENIOR MANAGEMENT**

**Mr. Lee Kwok Hung**, aged 45, 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 41, 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 and has more than 10 years' experience in handling listed company secretarial and compliance related matters.

**DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming AGM 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.

**DIRECTORS' INTERESTS IN SHARES**

At 31 December 2004, 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 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 Issuers (the "Model Code"), are set out below:

**Aggregate long position in the shares, underlying shares and debentures of the Company**

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

**DIRECTORS' INTERESTS IN SHARES (Continued)****Aggregate long position in the shares, underlying shares and debentures of the Company (Continued)***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.

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.

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

Apart from those as disclosed in the section headed "Share Option Scheme" above, 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.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2004, 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                         | Type of interest                       | Number of ordinary shares held | Total no. of ordinary shares held | Percentage of the Company's issued share capital |
|---|--|--------------------------------|-----------------------------------|--|
| Ms. Zhang Yunxia ( <i>Note a</i> )          | Interest of controlled corporation     | 22,760,000                     | 22,760,000                        | 21.59  |
| Profitone Company Limited ( <i>Note a</i> ) | Beneficial owner                       | 22,760,000                     | 22,760,000                        | 21.59  |
| Mr. Lee Wing Ngai ( <i>Note b</i> )         | Beneficial owner<br>Interest of spouse | 3,690,000<br>1,970,000         | 5,660,000                         | 5.37   |
| Ms. Wong Wai ( <i>Note b</i> )              | Beneficial owner<br>Interest of spouse | 1,970,000<br>3,690,000         | 5,660,000                         | 5.37   |
| Mr. Leung Kin Keung ( <i>Note c</i> )       | Beneficial owner<br>Interest of spouse | 8,768,000<br>342,000           | 9,110,000                         | 8.64   |
| Ms. Fung Pui Ming ( <i>Note c</i> )         | Beneficial owner<br>Interest of spouse | 342,000<br>8,768,000           | 9,110,000                         | 8.64   |

*Notes:*

- 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.
- These shares are held by Mr. Lee Wing Ngai and his spouse, Ms. Wong Wai, and by virtue of the SFO, each of them is deemed to be interested in 5,660,000 shares in the Company.
- These shares are held by Mr. Leung Kin Keung and his spouse, Ms. Fung Pui Ming, and by virtue of the SFO, each of them is deemed to be interested in 9,110,000 shares in the Company.

**SUBSTANTIAL SHAREHOLDERS (Continued)****2. Aggregate short position in the shares and underlying shares of the Company**

At 31 December 2004, 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 has 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 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, and will expire on the last day of the three-year period or any of the relevant successive periods.

Under the IMA, 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 of directors 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 a surplus in the net assets value of the Company over a financial year or period.

For the year ended 31 December 2004, the investment management fee paid / payable to the Investment Manager for the services rendered amounted to HK\$1,868,000.

Mr. Chang Chu Fai, Johnson Francis and Mr. Lim Siang Kai, both being 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



**RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)**

- (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 2004.
- (ii) Pursuant to the sub-tenancy agreement dated 10 June 2003 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 of two years commencing on 1 July 2003 at HK\$8,500 per month.

The above transactions constitute connected transactions under Chapter 14A of the Listing Rules and related party transactions under the applicable accounting standard issued by the Hong Kong Institute of Certified Public Accountants. Details of these related party and connected transactions are disclosed in note 18 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 then effective Appendix 14 to the Listing Rules throughout the year ended 31 December 2004 except that the independent non-executive directors are not appointed for specific term but subject to retirement by rotation.

**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 three independent non-executive Directors of the Company, Mr. Chung Koon Yan, Mr. Yue Man Yiu, Matthew and Mr. Zheng Weihe. The Committee has reviewed the financial results of the Group for the year ended 31 December 2004. Two meetings were held during the current financial year.

**AUDITORS**

Ernst & Young resigned as auditors of the Company with effect from 7 December 2004 and Grant Thornton were appointed as auditors of the Company to fill the casual vacancy with effect from 4 February 2005. There have been no other changes of auditors in the past three years.

Grant Thornton will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

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

Hong Kong, 25 April 2005

Certified Public Accountants  
Member of Grant Thornton International

Grant Thornton   
均富會計師行

To the members of **Golden 21 Investment Holdings Limited**  
(*incorporated in the Cayman Islands with limited liability*)

We have audited the financial statements on pages 20 to 40 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 Institute of Certified Public Accountants. An audit includes 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 and the Group'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 2004 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.

**Grant Thornton**  
*Certified Public Accountants*  
Hong Kong

25 April 2005

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2004

|   | Notes | 2004<br>HK\$'000      | 2003<br>HK\$'000 |
|---|-------|-----------------------|------------------|
| <b>Turnover</b>                                 | 3     | <b>39,599</b>         | 57,701           |
| Cost of sales                                   |       | <b>(40,198)</b>       | (56,802)         |
| Gross (loss)/profit                             |       | <b>(599)</b>          | 899              |
| Other revenue                                   | 3     | <b>80</b>             | 2,186            |
| Unrealised holding losses on trading securities |       | <b>(2,223)</b>        | (8,677)          |
| Provision for impairment of trading securities  |       | –                     | (1,209)          |
| Impairment loss of investment securities        | 10    | <b>(8,050)</b>        | –                |
| Administrative expenses                         |       | <b>(5,651)</b>        | (6,232)          |
| <b>Loss before taxation</b>                     | 5     | <b>(16,443)</b>       | (13,033)         |
| Taxation  | 6     | –                     | –                |
| <b>Loss attributable to shareholders</b>        | 7     | <b>(16,443)</b>       | (13,033)         |
| <b>Loss per share</b>                           | 8     |                       |                  |
| Basic   |       | <b>HK(15.6) cents</b> | HK(12.4) cents   |
| Diluted   |       | N/A                   | N/A              |

# CONSOLIDATED BALANCE SHEET

*as at 31 December 2004*

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|  | Notes | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>ASSETS AND LIABILITIES</b>                |       |                  |                  |
| <b>Non-current assets</b>                    |       |                  |                  |
| Investment securities                        | 10    | 25,977           | 34,027           |
| Amount due from an investee                  | 10    | 1,770            | –                |
|  |       | 27,747           | 34,027           |
| <b>Current assets</b>                        |       |                  |                  |
| Trading securities                           | 11    | 11,817           | 14,584           |
| Deposits and other receivables               |       | 27               | 1,787            |
| Amount receivable from a broker              |       | 13               | 2,084            |
| Cash at banks and in hand                    |       | 23,477           | 27,731           |
|  |       | 35,334           | 46,186           |
| <b>Current liabilities</b>                   |       |                  |                  |
| Other payables and accruals                  |       | 1,284            | 1,973            |
| <b>Net current assets</b>                    |       | 34,050           | 44,213           |
| <b>Total assets less current liabilities</b> |       | 61,797           | 78,240           |
| <b>Net assets</b>                            |       | 61,797           | 78,240           |
| <b>CAPITAL AND RESERVES</b>                  |       |                  |                  |
| Share capital                                | 12    | 10,542           | 10,542           |
| Reserves                                     | 14(a) | 51,255           | 67,698           |
| <b>Shareholders' funds</b>                   |       | 61,797           | 78,240           |

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

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

## BALANCE SHEET

as at 31 December 2004

|  | Notes | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>ASSETS AND LIABILITIES</b>                |       |                  |                  |
| <b>Non-current assets</b>                    |       |                  |                  |
| Investment in a subsidiary                   | 9     | 1                | 1                |
| Investment securities                        | 10    | 25,977           | 34,027           |
| Amount due from an investee                  | 10    | 1,770            | –                |
|  |       | <b>27,748</b>    | <b>34,028</b>    |
| <b>Current assets</b>                        |       |                  |                  |
| Trading securities                           | 11    | 11,817           | 14,584           |
| Deposits and other receivables               |       | 27               | 1,787            |
| Amount receivable from a broker              |       | 13               | 2,084            |
| Amount due from a subsidiary                 | 9     | 10               | 6                |
| Cash at banks and in hand                    |       | 23,477           | 27,731           |
|  |       | <b>35,344</b>    | <b>46,192</b>    |
| <b>Current liabilities</b>                   |       |                  |                  |
| Other payables and accruals                  |       | 1,284            | 1,973            |
| <b>Net current assets</b>                    |       | <b>34,060</b>    | <b>44,219</b>    |
| <b>Total assets less current liabilities</b> |       | <b>61,808</b>    | <b>78,247</b>    |
| <b>Net assets</b>                            |       | <b>61,808</b>    | <b>78,247</b>    |
| <b>CAPITAL AND RESEVES</b>                   |       |                  |                  |
| Share capital                                | 12    | 10,542           | 10,542           |
| Reserves                                     | 14(b) | 51,266           | 67,705           |
| <b>Shareholders' funds</b>                   |       | <b>61,808</b>    | <b>78,247</b>    |

Chang Chu Fai, Johnson Francis  
Director

See Lee Seng, Reason  
Director

# CONSOLIDATED CASH FLOW STATEMENT

*for the year ended 31 December 2004*

|   | Notes | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Cash flow from operating activities</b>                        |       |                  |                  |
| Loss before taxation  |       | (16,443)         | (13,033)         |
| Adjustments for :   |       |                  |                  |
| Unrealised holding losses on trading securities                   |       | 2,223            | 8,677            |
| Provision for impairment of trading securities                    |       | –                | 1,209            |
| Impairment loss of investment securities                          |       | 8,050            | –                |
| Bank interest income  | 3     | (29)             | (222)            |
| Dividend income from trading securities                           | 3     | (51)             | (194)            |
| Dividend income from investment securities                        | 3     | –                | (1,770)          |
| Operating loss before working capital changes                     |       | (6,250)          | (5,333)          |
| Increase in deposits and other receivables                        |       | (10)             | (13)             |
| Decrease/(Increase) in an amount receivable<br>from a broker      |       | 2,071            | (2,084)          |
| Decrease/(Increase) in trading securities                         |       | 544              | (308)            |
| (Decrease)/Increase in other payables and accruals                |       | (689)            | 1,116            |
| Decrease in amounts payable to brokers                            |       | –                | (3,994)          |
| Cash used in operations   |       | (4,334)          | (10,616)         |
| Bank interest received  |       | 29               | 222              |
| Dividends received from trading securities                        |       | 51               | 194              |
| Net cash outflow from operating activities                        |       | (4,254)          | (10,200)         |
| <b>Cash flow from investing activities</b>                        |       | –                | –                |
| <b>Cash flow from financing activities</b>                        |       | –                | –                |
| <b>Net decrease in cash and cash equivalents</b>                  |       | (4,254)          | (10,200)         |
| <b>Cash and cash equivalents at 1 January</b>                     |       | 27,731           | 37,931           |
| <b>Cash and cash equivalents at 31 December</b>                   |       | 23,477           | 27,731           |
| <b>Analysis of balance of cash and cash equivalents</b>           |       |                  |                  |
| Cash and bank balances  |       | 1,017            | 5,311            |
| Time deposits with original maturity of<br>less than three months |       | 22,460           | 22,420           |
|   |       | 23,477           | 27,731           |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2004

|   | Share<br>capital<br>HK\$'000 | Share premium<br>account<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|--------------------------------------|-----------------------------------|-------------------|
| At 1 January 2003                         | 10,542                       | 85,277                               | (4,546)                           | 91,273            |
| Loss for the year                         | –                            | –                                    | (13,033)                          | (13,033)          |
| At 31 December 2003 and<br>1 January 2004 | 10,542                       | 85,277                               | (17,579)                          | 78,240            |
| Loss for the year                         | –                            | –                                    | (16,443)                          | (16,443)          |
| <b>At 31 December 2004</b>                | <b>10,542</b>                | <b>85,277*</b>                       | <b>(34,022)*</b>                  | <b>61,797</b>     |

\* These reserve accounts comprise the consolidated reserves of HK\$51,255,000 (2003: HK\$67,698,000).

## 1. GENERAL 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.

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below :

### (a) Basis of preparation

The financial statements on pages 20 to 40 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention, except for periodic remeasurement of investment securities and trading securities, as further explained in the respective accounting policies below.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary made up to 31 December each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### (c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.



**2. PRINCIPAL ACCOUNTING POLICIES (Continued)****(c) Subsidiaries (Continued)**

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

**(d) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

**(e) 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 dividends yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

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 income statement in the period in which the impairment arises.

**(f) 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 income statement in the period in which they arise.

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)****(g) Foreign currencies**

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and their income statements are translated at an average rate for the year. Gains and losses arising on exchange are dealt with as movements in reserve.

**(h) Income tax**

Income tax for the year comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)****(h) Income tax (Continued)**

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**(i) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

**(j) Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

**(i) Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)****(j) Impairment (Continued)****(ii) Reversals of impairment**

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(k) Employee benefits****(i) Employee entitlement**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

**(ii) Pension obligations**

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 income statement 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.

**(l) 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 income statement 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.

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)****(m) Recognition of revenue**

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) proceeds from disposal of trading securities are accounted for on a trade date basis;
- (b) interest income from bank deposits is recognised on a time proportion basis by reference to the principal outstanding and the rate applicable; and
- (c) dividend income is recognised when the Group's right as a shareholder to receive payment is established.

**(n) 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.

**(o) 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.

**(p) Recently issued accounting standards**

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

**3. TURNOVER AND REVENUE**

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

|  | <b>2004</b>     | 2003     |
|--|-----------------|----------|
|  | <b>HK\$'000</b> | HK\$'000 |
| Turnover                                   | <b>39,599</b>   | 57,701   |
| Bank interest income                       | <b>29</b>       | 222      |
| Dividend income from trading securities    | <b>51</b>       | 194      |
| Dividend income from investment securities | –               | 1,770    |
| Other revenue                              | <b>80</b>       | 2,186    |
| <b>Total revenue</b>                       | <b>39,679</b>   | 59,887   |

**4. SEGMENT INFORMATION**

The Group is principally engaged in investment 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 assets of the Group's geographical segments.

**Group**

|                                       | <b>Hong Kong</b> |          | <b>The PRC</b>  |          | <b>Consolidated</b> |          |
|---------------------------------------|------------------|----------|-----------------|----------|---------------------|----------|
|                                       | <b>2004</b>      | 2003     | <b>2004</b>     | 2003     | <b>2004</b>         | 2003     |
|                                       | <b>HK\$'000</b>  | HK\$'000 | <b>HK\$'000</b> | HK\$'000 | <b>HK\$'000</b>     | HK\$'000 |
| Segment revenue :                     |                  |          |                 |          |                     |          |
| Sale proceeds from trading securities | <b>39,599</b>    | 57,701   | –               | –        | <b>39,599</b>       | 57,701   |

|                             | <b>Hong Kong</b> |          | <b>The PRC</b>  |          | <b>Consolidated</b> |          |
|-----------------------------|------------------|----------|-----------------|----------|---------------------|----------|
|                             | <b>2004</b>      | 2003     | <b>2004</b>     | 2003     | <b>2004</b>         | 2003     |
|                             | <b>HK\$'000</b>  | HK\$'000 | <b>HK\$'000</b> | HK\$'000 | <b>HK\$'000</b>     | HK\$'000 |
| Other segment information : |                  |          |                 |          |                     |          |
| Segment assets              | <b>35,334</b>    | 44,416   | <b>27,747</b>   | 35,797   | <b>63,081</b>       | 80,213   |

**5. LOSS BEFORE TAXATION**

|   | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
|---|------------------|------------------|
| Loss before taxation is arrived at after charging :                 |                  |                  |
| Staff costs (excluding directors' remuneration – <i>Note 15</i> ) : |                  |                  |
| Wages, salaries and other allowances                                | 654              | 720              |
| Retirement benefits scheme contributions                            | 13               | 12               |
|   | <b>667</b>       | 732              |
| Auditors' remuneration  | 128              | 200              |
| Operating lease charges in respect of land and buildings            | 94               | 141              |

**6. TAXATION**

No provision for Hong Kong profits tax has been made in the financial statements as the companies within the Group did not derive any assessable profits for the year (2003 : Nil).

Reconciliation between tax expense and accounting loss of applicable tax rate is as follows :

|  | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
|--|------------------|------------------|
| Loss before taxation                           | 16,443           | 13,033           |
| Tax at applicable rate of 17.5% (2003 : 17.5%) | (2,878)          | (2,280)          |
| Tax effect of non-taxable income               | (14)             | (73)             |
| Tax effect of non-deductible expenses          | 1,418            | 390              |
| Tax effect on tax losses not recognised        | 1,474            | 1,963            |
| Tax charge for the year                        | –                | –                |

At 31 December 2004, the Group had deferred tax assets of approximately HK\$4,881,000 (2003 : HK\$3,407,000) arising from tax losses. The deferred tax assets are not recognised as it is uncertain whether future taxable profit will be available for utilising tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.

**7. LOSS ATTRIBUTABLE TO SHAREHOLDERS**

The loss attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK\$16,439,000 (2003 : HK\$13,026,000).

**8. LOSS PER SHARE**

The calculation of basic loss per share is based on the current year's loss attributable to shareholders of HK\$16,443,000 (2003 : HK\$13,033,000) and the 105,420,000 (2003 : 105,420,000) ordinary shares in issue during the year.

Diluted loss per share amounts were not presented because there were no potential ordinary shares in existence for both years.

**9. INVESTMENT IN A SUBSIDIARY**

|                              | <b>Company</b>  |          |
|------------------------------|-----------------|----------|
|                              | <b>2004</b>     | 2003     |
|                              | <b>HK\$'000</b> | HK\$'000 |
| Unlisted shares, at cost     | <b>1</b>        | 1        |
| Amount due from a subsidiary | <b>10</b>       | 6        |

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the subsidiary at 31 December 2004 is as follows :

| Name                    | Place of<br>incorporation<br>and operations | Particulars<br>of issued<br>share capital | Percentage of<br>issued capital<br>held by<br>the Company<br>directly | Principal activities |
|-------------------------|---|---|---|----------------------|
| Golden 21 (BVI) Limited | British Virgin Islands                      | 1 ordinary share<br>of US\$1              | 100   | Dormant              |

**10. INVESTMENT SECURITIES**

|  | <b>Group and Company</b> |          |
|--|--------------------------|----------|
|  | <b>2004</b>              | 2003     |
|  | <b>HK\$'000</b>          | HK\$'000 |
| Unlisted equity securities outside Hong Kong,<br>at acquisition cost | <b>34,027</b>            | 34,027   |
| Impairment loss  | <b>(8,050)</b>           | -        |
| Investment securities, at fair value                                 | <b>25,977</b>            | 34,027   |



## 10. INVESTMENT SECURITIES (Continued)

| Name  | Notes | Place of establishment | Particulars of equity interest held | Investment value             |   | Percentage of interest held |
|---|-------|------------------------|-------------------------------------|------------------------------|---|-----------------------------|
|   |       |                        |                                     | Acquisition cost<br>HK\$'000 | Fair value estimated by the directors<br>HK\$'000 |                             |
| Nantong Einolda Smart Card Manufacturing Co., Ltd.<br>(南通毅能達智能卡製造有限公司)<br>("Nantong Einolda") | (i)   | PRC                    | Registered capital                  | 15,500                       | 10,230  | 24.00                       |
| 北京綜藝達軟件技術有限公司<br>(「北京綜藝達」)  | (ii)  | PRC                    | Registered capital                  | 18,527                       | 15,747  | 13.09                       |

## Notes :

- (i) Nantong Einolda is principally engaged in the production of sim-cards for use in credit cards and data storage cards. The investment in Nantong Einolda 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 Nantong Einolda.
- (ii) 北京綜藝達 is principally engaged in the research, development and manufacture of network commercial management software.

As at balance sheet date, provisions for impairment loss of HK\$5,270,000 and HK\$2,780,000 were made against investment in Nantong Einolda and 北京綜藝達, respectively. The impairment provision was determined by the directors based on the estimated fair value of the investment securities after considering the past and anticipated future performance of the investment securities and discussion with the management of the investee companies.

The amount due from an investee company of approximately HK\$1,770,000 is unsecured, interest-free and is due from 北京綜藝達. During the year, the directors of the Company decided to acquire further interest in 北京綜藝達 and the related consideration would be satisfied by the amount due from 北京綜藝達. This intended acquisition and settlement of consideration had been agreed by the holding company of 北京綜藝達. Accordingly, the balance due from 北京綜藝達 is classified as a non-current asset as at 31 December 2004. As at 31 December 2003, the balance was classified as part of deposits and other receivables under current assets.

As at the date of these financial statements, the pricing and statutory registration of the aforementioned additional acquisition were in progress.

## 11. TRADING SECURITIES

|   | Group and Company |               |
|---|-------------------|---------------|
|   | 2004              | 2003          |
|   | HK\$'000          | HK\$'000      |
| Listed securities in Hong Kong, at market value | 11,817            | 15,793        |
| Provision for impairment ( <i>Note</i> )        | –                 | (1,209)       |
|   | <b>11,817</b>     | <b>14,584</b> |

*Note:*

In prior years, the Group and the Company had invested in AKuP International Holdings Limited (“AKuP”), a company incorporated in the Cayman Islands and listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange.

Trading in shares of AKuP has been suspended since 5 February 2004 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. A provision for impairment of approximately HK\$1,209,000 was made by the directors of the Company for the year ended 31 December 2003 to fully provide for the carrying value of the investment in AKuP’s shares as on that date. On 30 November 2004, the Stock Exchange proposed to exercise its rights to cancel the listing of AKuP’s shares on the Stock Exchange pursuant to Rule 9.14 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). AKuP would have a period of six months from 30 November 2004 for the submission of a valid resumption proposal and to remedy those matters that gave rise to the Stock Exchange’s proposal to cancel the listing of AKuP’s shares on the Stock Exchange.

Having regard to the aforementioned deadline and the lack of a valid resumption proposal as at the date of these financial statements, the directors of the Company consider it is appropriate to utilise the impairment provision of approximately HK\$1,209,000 to fully write off the carrying value of the investment in AKuP’s shares.

Particulars of the trading securities holding as at 31 December 2004, disclosed pursuant to Section 129 of the Hong Kong Companies Ordinance, are as follows :

| Name                                 | Place of establishment/<br>incorporation | Particular<br>of equity<br>interests held | Acquisition | Market value as        | Percentage of<br>interests held |
|--------------------------------------|--|---|-------------|------------------------|---------------------------------|
|                                      |  |   | cost        | at 31 December<br>2004 |                                 |
|                                      |  |   | HK\$'000    | HK\$'000               |                                 |
| Jiangsu Nandasoft<br>Company Limited | PRC                                      | H shares                                  | 10,937      | 8,114                  | 10.84                           |

The market value of the trading securities at the date of approval of these financial statements was approximately HK\$10,573,000.

**12. SHARE CAPITAL**

|  | 2004<br>HK\$'000 | 2003<br>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           |

**13. 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.

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 and 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

**13. SHARE OPTION SCHEME (Continued)**

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 2004 and up to the date of approval of these financial statements, no share options have been granted under the SO Scheme.

**14. RESERVES****(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 24.

**(b) Company**

|   | Share<br>premium<br>account<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|-----------------------------------|-------------------|
| At 1 January 2003                         | 85,277                                  | (4,546)                           | 80,731            |
| Loss for the year                         | –                                       | (13,026)                          | (13,026)          |
| At 31 December 2003 and<br>1 January 2004 | 85,277                                  | (17,572)                          | 67,705            |
| Loss for the year                         | –                                       | (16,439)                          | (16,439)          |
| <b>At 31 December 2004</b>                | <b>85,277</b>                           | <b>(34,011)</b>                   | <b>51,266</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.

**15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES**

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows :

|  | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
|--|------------------|------------------|
| Fees   | 105              | 95               |
| Other emoluments   |                  |                  |
| Basic salaries, housing benefits, other allowances<br>and benefits in kind | 1,470            | 1,680            |
| Retirement benefits scheme contributions                                   | 34               | 36               |
|  | <b>1,504</b>     | 1,716            |
|  | <b>1,609</b>     | 1,811            |

Fees include HK\$105,000 (2003 : HK\$95,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2003 : Nil).

The remuneration of each of the directors fell within the nil to HK\$1,000,000 band for both years.

There was no arrangement under which a director of the Group waived or agreed to waive any remuneration during the year (2003 : Nil).

The five highest paid employees during the year included three (2003 : four) directors, details of whose remuneration are disclosed above. Details of the remuneration of the remaining two (2003 : one) non-director, highest paid employees for the year, which fell within the nil to HK\$1,000,000 band (2003 : Nil to HK\$1,000,000), are as follows :

|  | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
|--|------------------|------------------|
| Basic salary, housing benefits, other allowances<br>and benefits in kind | 654              | 720              |
| Retirement benefits scheme contributions                                 | 13               | 12               |
|  | <b>667</b>       | 732              |

**15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)**

During the year, no emoluments were paid by the Group to the directors or the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2003 : Nil).

**16. CONTINGENT LIABILITIES**

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

**17. OPERATING LEASES COMMITMENTS**

At 31 December 2004, the total future minimum lease payments of the Company and the Group in respect of office premises under non-cancellable operating lease were as follows :

|   | <b>2004</b>     | 2003     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Within one year                         | <b>51</b>       | 94       |
| In the second to fifth years, inclusive | –               | 51       |
|   | <b>51</b>       | 145      |

The lease runs for an initial period of two years, without any option to renew the lease terms at the expiry date. The lease terms do not have contingent rentals.

**18. RELATED PARTY AND CONNECTED TRANSACTIONS**

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

|   | Notes | <b>2004</b>     | 2003     |
|---|-------|-----------------|----------|
|   |       | <b>HK\$'000</b> | HK\$'000 |
| Investment management fee paid/payable to Golden Honour Assets Management Limited | (i)   | <b>1,868</b>    | 2,056    |
| Rental expenses paid to Ceres Capital Limited                                     | (ii)  | <b>94</b>       | 141      |

**18. 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 month's 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 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 Chu Fai, Johnson Francis ("Mr. Chang") and Mr. Lim Siang Kai, executive directors of the Company, each have a 15% equity interest in the Investment Manager. Mr. See Lee Seng, Reason, 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.

- (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 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, with a rent free period of one month in May 2004.

The related party transactions set out above also constitute connected transactions under the Listing Rules.

**19. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements on pages 20 to 40 were approved by the board of directors on 25 April 2005.