



Golden 21 Investment Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 2312)

Half-year Report 2004

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 30 June 2004 (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 30 June 2004 (Audited) HK\$	Six months Ended 30 June 2003 (Unaudited) HK\$
	<i>Notes</i>		
TURNOVER	2	16,250,464	26,199,230
Cost of sales		<u>(16,482,547)</u>	<u>(26,096,869)</u>
Gross profit / (loss)		(232,083)	102,361
Other revenue		26,494	341,470
Unrealised holding gain / (loss) on trading securities		1,013,873	(7,471,637)
Administrative expenses		<u>(3,187,607)</u>	<u>(3,282,634)</u>
LOSS FROM OPERATING ACTIVITIES			
BEFORE TAX	4	(2,379,323)	(10,310,440)
Tax	5	<u>-</u>	<u>-</u>
NET LOSS FROM ORDINARY ACTIVITIES			
ATTRIBUTABLE TO SHAREHOLDERS		<u>(2,379,923)</u>	<u>(10,310,440)</u>
DIVIDEND	6	<u>Nil</u>	<u>Nil</u>
LOSS PER SHARE			
Basic	7	<u>HK(2.3) cents</u>	<u>HK(9.8) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital HK\$	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2003 (Audited)	10,542,000	85,276,749	(4,545,620)	91,273,129
Net loss for the period from 1 January 2003 to 30 June 2003	-	-	(10,310,440)	(10,310,440)
At 30 June 2003 (Unaudited)	10,542,000	85,276,749	(14,856,060)	80,962,689

	Issued capital HK\$	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2004 (Audited)	10,542,000	85,276,749	(17,578,458)	78,240,291
Net loss for the Period	-	-	(2,379,323)	(2,379,323)
At 30 June 2004 (Unaudited)	10,542,000	85,276,749	(19,957,781)	75,860,968

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2004 (Unaudited) HK\$	31 December 2003 (Audited) HK\$
NON-CURRENT ASSETS			
Investment securities	8	34,026,660	34,026,660
CURRENT ASSETS			
Trading securities	9	13,576,260	14,584,010
Deposits and other receivables		1,787,796	1,787,464
Amount receivable from a broker		-	2,083,879
Cash and cash equivalents		<u>27,770,744</u>	<u>27,730,828</u>
		<u>43,134,800</u>	<u>46,186,181</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>1,300,492</u>	<u>1,972,550</u>
NET CURRENT ASSETS			
		<u>41,834,308</u>	<u>44,213,631</u>
		<u>75,860,968</u>	<u>78,240,291</u>
CAPITAL AND RESERVES			
Issued capital		10,542,000	10,542,000
Reserves		<u>65,318,968</u>	<u>67,698,291</u>
		<u>75,860,968</u>	<u>78,240,291</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2004 (Unaudited) HK\$	Six months ended 30 June 2003 (Unaudited) HK\$
Net cash inflow/(outflow) from operating activities	39,916	(2,661,008)
Net cash flow from investing activities	-	-
Net cash flow from financing activities	-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	39,916	(2,661,008)
Cash and cash equivalents at beginning of period	<u>27,730,828</u>	<u>37,931,465</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>27,770,744</u>	<u>35,270,457</u>
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	5,350,657	4,832,967
Time deposits with original maturity of less than three months when acquired	<u>22,420,087</u>	<u>30,437,490</u>
	<u>27,770,744</u>	<u>35,270,457</u>

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 Institute of Certified Public Accountants (formerly known as ‘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 31 December 2003.

Basis of consolidation

The Interim Financial Statements include the financial statements of the Company and its subsidiary for the six months ended 30 June 2004. The results of subsidiaries acquired or disposed of during the Period 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:

	Six months ended 30 June 2004 (Unaudited) HK\$	Six months ended 30 June 2003 (Unaudited) HK\$
Turnover		
Proceeds from sales of trading securities	<u>16,250,464</u>	<u>26,199,230</u>
Other revenue		
Interest income	1,294	163,163
Dividend income from trading securities	<u>25,200</u>	<u>178,307</u>
	<u>26,494</u>	<u>341,470</u>
	<u>16,276,958</u>	<u>26,540,700</u>

3. SEGMENT INFORMATION

The Company 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 and Hong Kong.

4. LOSS FROM OPERATING ACTIVITIES BEFORE TAX

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

	Six months ended 30 June 2004 (Unaudited) HK\$	Six months ended 30 June 2003 (Unaudited) HK\$
Staff costs, excluding directors' remuneration		
Wages, salaries and other allowances	360,000	360,000
Retirement benefits scheme contributions	6,000	6,000
	<u>366,000</u>	<u>366,000</u>
 Minimum lease payments under operating leases in respect of land and buildings	 <u>45,318</u>	 <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 (2003: Nil).

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax in respect of the Period (2003: Nil).

6. DIVIDEND

The Board resolved not to declare the payment of any interim dividend in respect of the Period (2003: 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\$2,379,323 (2003: HK\$10,310,440) and the weighted average of 105,420,000 (2003:105,420,000) ordinary shares in issue during the Period.

Diluted loss per share for each of the six months ended 30 June 2004 and 30 June 2003 had not been disclosed as no diluting events existed during these periods.

8. INVESTMENT SECURITIES

	30 June 2004 (Unaudited) HK\$	31 December 2003 (Audited) HK\$
Unlisted equity securities outside Hong Kong, at fair value	<u>34,026,660</u>	<u>34,026,660</u>

Name	Notes	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 (Nantong Einolda Smart Card Manufacturing Co., Ltd.) ("南通毅能達")	(i)	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")	(ii)	PRC	Registered capital	18,526,500	18,526,500	13.09

Notes:

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

9. TRADING SECURITIES

	30 June 2004 (Unaudited) HK\$	31 December 2003 (Audited) HK\$
Listed equity securities in Hong Kong, at market value	<u>13,576,260</u>	<u>14,584,010</u>

10. CONTINGENT LIABILITIES

At 30 June 2004, the Company had no significant contingent liabilities.

11. OPERATING LEASE ARRANGEMENT

The Company 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 30 June 2004, the Company had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	30 June 2004 (Unaudited) HK\$	31 December 2003 (Audited) HK\$
Within one year	93,500	93,500
In the second to fifth years, inclusive	<u>-</u>	<u>51,000</u>
	<u>93,500</u>	<u>144,500</u>

12. RELATED PARTY AND CONNECTED TRANSACTIONS

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

		Six months ended 30 June 2004 (Unaudited) HK\$	Six months ended 30 June 2003 (Unaudited) HK\$
	Notes		
Investment management fee paid/payable to Golden Honour Assets Management Limited	(i)	974,075	1,047,377
Rental expenses paid to Ceres Capital Limited	(ii)	<u>44,318</u>	<u>90,000</u>

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 of Hong Kong Limited (the "Stock Exchange"). The Investment Management Agreement will continue for successive periods of three years unless terminated at any time by either the Company or the Investment Manager serving not less than six months' notice in writing to the other party to expire on the last day of the three-year period or any of the relevant successive periods.

Under the Investment Management Agreement, the Investment Manager is entitled to a monthly management fee equivalent to 2.5% per annum of the net asset value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the Board 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 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 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 2 years commencing on 1 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.

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend in respect of the Period (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 June 2004, the Group recorded a net loss of HK\$2,379,323, representing approximately a 77% decrease as compared to HK\$10,310,440 of last corresponding period, which was mainly attributable to the unrealised profit on the Company's investments in the listed securities in Hong Kong of HK\$1,013,873 (loss for 2003: HK\$7,471,637). The net assets value of the Group was HK\$75,860,968 as of 30 June 2004 (as at 31 December 2003: HK\$78,240,000).

Liquidity and Financial Resources

As at 30 June 2004, the Group had cash and bank balance of approximately HK\$27,770,744 (as at 31 December 2003: HK\$27,731,000). Most of the cash was placed in Hong Kong dollars short-term deposits with banks in Hong Kong. The Group did not have any borrowings during the Period. 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 or Renminbi, the Company considers the exposure to foreign exchange fluctuation in Hong Kong dollars is minimal whilst fluctuation in Renminbi may have an impact on the financial performance of the Company.

Capital Structure

There was no change in the capital structure of the Group during the period ended 30 June 2004.

Material Acquisitions and Disposals of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the period ended 30 June 2004.

Employee, Remuneration Policy and Share Option Scheme

As at 30 June 2004, the Group had 1 employee excluding directors (2003: 1). The Group's staff costs (excluding directors' fee and emoluments) amounted to HK\$366,000 (2003: HK\$366,000) for the six months ended 30 June 2004. The remuneration policy of the Company is reviewed annually and is in line with the prevailing market practice. During the Period, no share options were granted to any directors or employees of the Group under the Company's share option scheme adopted on 7 October 2002.

Charges on Group Assets

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

Contingent Liabilities

As at 30 June 2004, no contingent liabilities were noted by the directors of the Company.

Significant Investments

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, and Hong Kong and other Asian countries.

BUSINESS REVIEW AND FUTURE PROSPECTS

The economy in Hong Kong continued to improve in the first half of 2004 as a result of the influx of mainland individual travelers and strong performance of the trade sector. However, the financial markets remained very volatile. The Company's investments in the listed securities in Hong Kong recorded an unrealised gain of HK\$1,013,873.

The Group's investments portfolio as at 30 June 2004 consisted of 18.0% in listed investments, 45.1% in unlisted investments and the remaining 36.9% in cash and cash equivalent and others.

As disclosed in the announcement of the Company dated 14 June 2004, the Company looked into the possibility of divesting the Company's investment in Nantong Einolda Smart Card Manufacturing Co., Ltd. (南通毅能達智能卡制造有限公司) ("Nantong Project"). The Company had approached Smart Job International Ltd. (66% shareholder of the Nantong Project) in relation to the possible sale of the Company's interest in the Nantong Project to Smart Job. However, no agreement could be reached with Smart Job International Limited. The Company will continue to monitor the progress of the Nantong Project closely and disposal of its interest in this Nantong Project remains a possibility if the terms of such disposal are considered to be in the interests of the Company and its shareholders as a whole.

All the machineries and required licence/approval for the operations of the Nantong Project are ready and obtained, the trial run process has been completed. It is expected that the Nantong Project could commence operations soon.

The Directors will continue to closely monitor the performance of the listed and unlisted investments of the Company and to enhance its investment portfolio in order to strengthen its profitability in the late 2004.

INTERESTS OF DIRECTORS

As at 30 June 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 of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”), are set out below:

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

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

Notes:

- i. 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.
- ii. 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.
- iii. 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

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.

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 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
Zhang Yunxia (Note a)	Interest of controlled corporation	22,760,000	22,760,000	21.59
Profitone Company Limited (Note a)	Beneficial owner	22,760,000	22,760,000	21.59
Lee Wing Ngai (Note b)	Beneficial owner Interest of spouse	3,690,000 1,970,000	5,660,000	5.37
Wong Wai (Note b)	Beneficial owner Interest of spouse	1,970,000 3,690,000	5,660,000	5.37
Leung Kin Keung (Note c)	Beneficial owner Interest of spouse	8,768,000 342,000	9,110,000	8.64
Fung Pui Ming (Note c)	Beneficial owner Interest of spouse	342,000 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.
- These shares are held by Mr. Leung Kin Keung and his spouse, Ms. Fung Pui Ming.

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

As at 30 June 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.

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 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 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.

During the Period, no share option has been granted, and as at 30 June 2004, the Company has no outstanding share options.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors of the Company, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules for the Period.

AUDIT COMMITTEE

The Company has an Audit 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 Interim Financial Statements has been reviewed by the Audit Committee which comprises two independent non-executive directors of the Company, Mr. Yue Man Yiu, Matthew and Mr. Zheng Weihe.

The Board of Directors of
Golden 21 Investment Holdings Limited

Hong Kong, 10 September 2004