



**GOLDEN 21 INVESTMENT HOLDINGS LIMITED**

**金 豐 21 投 資 控 股 有 限 公 司**

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

*(Stock Code : 2312)*

Interim Report 2006



## INTERIM RESULTS

The board of directors (the “Board”) of Golden 21 Investment Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial results of the Company and its subsidiary (the “Group”) for the six months ended 30 June 2006 (the “Period”) together with comparative figures. The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been reviewed by the Company’s audit committee (the “Audit Committee”).

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended 30 June 2006 (Unaudited) HK\$'000</b>	<b>Six months ended 30 June 2005 (Unaudited) HK\$'000</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>364</b>	196
Fair value loss on financial assets at fair value through profit or loss		<b>(214)</b>	(2,659)
Impairment of available-for-sale financial assets		–	(9,267)
Other operating income		<b>6</b>	–
Administrative expenses		<b>(1,833)</b>	(1,992)
		<hr/>	<hr/>
<b>Loss before income tax</b>	5	<b>(1,677)</b>	(13,722)
Income tax expense	6	–	–
		<hr/>	<hr/>
<b>Loss for the period</b>		<b>(1,677)</b>	(13,722)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share attributable to equity holders of the Company</b>	7		
– Basic		<b>HK (1.59) cents</b>	HK (13.02) cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		<b>N/A</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Available-for-sale financial assets	8	<b>8,150</b>	8,150
Amount due from an investee		<b>1,770</b>	1,770
		<b>9,920</b>	9,920
<b>Current assets</b>			
Financial assets at fair value through profit or loss	9	<b>8,797</b>	6,372
Deposits and other receivables		<b>37</b>	29
Amount due from a broker		<b>57</b>	251
Cash and cash equivalents		<b>20,200</b>	23,784
		<b>29,091</b>	30,436
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	9	–	23
Other payables and accruals		<b>1,139</b>	782
Amount due to a broker		<b>999</b>	1,001
		<b>2,138</b>	1,806
<b>Net current assets</b>		<b>26,953</b>	28,630
<b>Total assets less current liabilities/net assets</b>		<b>36,873</b>	38,550
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>10,542</b>	10,542
Reserves		<b>26,331</b>	28,008
<b>Total equity</b>		<b>36,873</b>	38,550

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005 (Audited)	10,542	85,277	(34,022)	61,797
Loss for the period	—	—	(13,722)	(13,722)
At 30 June 2005 (Unaudited)	<u>10,542</u>	<u>85,277</u>	<u>(47,744)</u>	<u>48,075</u>
	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006 (Audited)	<b>10,542</b>	<b>85,277</b>	<b>(57,269)</b>	<b>38,550</b>
Loss for the period	—	—	(1,677)	(1,677)
At 30 June 2006 (Unaudited)	<u><b>10,542</b></u>	<u><b>85,277*</b></u>	<u><b>(58,946)*</b></u>	<u><b>36,873</b></u>

\* *These reserve accounts comprise the reserves of HK\$26,331,000 (31 December 2005: HK\$28,008,000) in the condensed consolidated balance sheet.*

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30 June 2006 (Unaudited) HK\$'000</b>	Six months ended 30 June 2005 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(3,584)	421
Net cash flow from investing activities	-	-
Net cash flow from financing activities	-	-
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,584)	421
Cash and cash equivalents at beginning of period	<u>23,784</u>	<u>23,477</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>20,200</u></u>	<u><u>23,898</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks	9,216	1,278
Short term bank deposits	<u>10,984</u>	<u>22,620</u>
	<u><u>20,200</u></u>	<u><u>23,898</u></u>

## INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend in respect of the six months ended 30 June 2006 (2005: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the six months ended 30 June 2006, the Group recorded a net loss of approximately HK\$1,677,000 representing a substantial decrease of approximately 87.78% as compared to a net loss of approximately HK\$13,722,000 of last corresponding period, which was mainly due to no impairment loss of available-for-sale financial assets was made in current period (2005: impairment of approximately HK\$9,267,000). The net assets value of the Group was approximately HK\$36,873,000 as of 30 June 2006 (as at 31 December 2005: HK\$38,550,000).

### Operating Review

The principal activity of the Group is investing in both listed and unlisted securities in Hong Kong as well as in the People's Republic of China (the "PRC"). There was no change in the nature of the Group's principal activities during the period ended 30 June 2006. As at 30 June 2006, the total fair value of the Group's investments was HK\$16,947,000. The fair value of listed stocks amounted to HK\$8,797,000 as at 30 June 2006 while the fair value of unlisted investment was HK\$8,150,000.

The Group recorded a revenue of HK\$364,000 for the six months ended 30 June 2006 (2005: HK\$196,000). Fair value loss on financial assets for the period was HK\$214,000 (2005: loss of HK\$2,659,000) which was mainly attributable to unrealized holding loss of the Group's investments in listed companies. However, excluding the fair value loss incurred on Jiangsu Nandasoft Company Limited (which has been held by the Group since November 2002), the Group achieved a fair value gain of HK\$927,000 in current period under review on its trading in listed equity securities in Hong Kong.

As at 30 June 2006, investments in unlisted companies represented 48.09% of the fair value of the Group's investments. The operating performance of the two investments in unlisted companies remain below expectation. However, the information submitted by the respective management of the two unlisted companies to the Company indicated that there was new product launched by 北京綜藝達軟件技術有限公司 (「北京綜藝達」) and strategic relocation of operations by Nantong Einolda Smart Card Manufacturing Co., Ltd. (南通藝能達智能卡製造有限公司 (「南通藝能達」)) to Shenzhen. Accordingly, the managements of the two unlisted companies expect improvements in the long run. The investment manager will continue to monitor and suggests not to make further provision at this stage and will review by year end whether further provision on these two investments will be required.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **Liquidity, Financial Resources and Funding**

The Group maintained cash and cash equivalents of HK\$20,200,000 as of 30 June 2006. As all cash was placed in Hong Kong dollar deposits, there was minimal exposure to exchange fluctuation.

The Group had net assets of HK\$36,873,000 (31 December 2005: HK\$38,550,000) and there were no borrowings or long-term liabilities as at 30 June 2006.

### **Capital Structure**

There was no change in the capital structure of the Group during the Period.

### **Material Acquisitions and Disposals of Subsidiaries**

The Group has not made any material acquisition or disposal of subsidiaries during the Period.

### **Employees**

As at 30 June 2006, the Group had 8 employees, including executive and independent non-executive Directors. Total salary and housing cost for the period ended 30 June 2006 was HK\$373,500 and Director's fees were HK\$75,000. The remuneration policy of the Group 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.

### **Charge on Group Assets**

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

### **Contingent Liabilities**

As at 30 June 2006, no contingent liabilities were noted by the Directors.

### **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 Central Government of China continued to tighten its macro economic control measures. Privately-owned enterprises as a whole faced a liquidity squeeze and, as a consequence, posed very difficult operating environment to our two unlisted investments, 北京綜藝達 and 南通藝能達. We will continue to monitor the performance of these two investments closely and will review by year end whether further provision on impairment of these two investments is called for.

The Board has maintained tight cost control and the administrative expenses were further reduced by 8% to HK\$1,833,000 for the six month period ended 30 June 2006.

No new direct investments were made by the Group. The Group has become more active in short term trading in the Hong Kong Stock market, which has produced positive results excluding the fair value loss incurred on Jiangsu Nandasoft Company Limited. The financial markets have been extremely volatile in the first half of 2006 and expected to remain so for the remaining months in 2006. Accordingly, the Group will continue to maintain a rather conservative short term trading policy.

Despite the difficulties the Group is facing largely due to the under performance of the two direct investments, the Board remains confident on the long term growth prospects of the China market and will continue to seek investment opportunities related to China to enhance shareholder return.

## DIRECTORS' INTERESTS IN SHARES

At 30 June 2006, the interests and short positions of the Directors and chief executive of the Company 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 ("Model Code"), are set out below:

### Interests and short positions in the shares, underlying shares and debentures of the Company

Name of Director	Type of interest	Long position/ short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Francis J. Chang Chu Fai	Beneficial interest	Long position	1,355,000	1.3%
Mr. Lim Siang Kai	Beneficial interest	Long position	1,355,000	1.3%
Mr. See Lee Seng, Reason	Beneficial interest	Long position	1,355,000	1.3%



**DIRECTORS' INTERESTS IN SHARES** *(Continued)*

Save as disclosed above, as at 30 June 2006, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2006, 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:

**Interests and short positions of substantial shareholders in the shares and underlying shares of the Company**

Name of shareholder	Type of interest	Long position/ short position	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	Long position	22,760,000	22,760,000	21.59%
Profitone Company Limited (Note a)	Beneficial owner	Long position	22,760,000	22,760,000	21.59%
Lee Wing Ngai (Note b)	Beneficial owner	Long position	3,690,000	5,660,000	5.37%
	Interest of spouse	Long position	1,970,000		
Wong Wai (Note b)	Beneficial owner	Long position	1,970,000	5,660,000	5.37%
	Interest of spouse	Long position	3,690,000		
Leung Kin Keung (Note c)	Beneficial owner	Long position	8,768,000	9,110,000	8.64%
	Interest of spouse	Long position	342,000		
Fung Pui Ming (Note c)	Beneficial owner	Long position	342,000	9,110,000	8.64%
	Interest of spouse	Long position	8,768,000		

## **SUBSTANTIAL SHAREHOLDERS** *(Continued)*

### *Notes:*

- a. 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.
- b. These shares are held by Mr. Lee Wing Ngai and his spouse, Ms. Wong Wai.
- c. These shares are held by Mr. Leung Kin Keung and his spouse, Ms. Fung Pui Ming.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2006.

## **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.

During the six months ended 30 June 2006, no share option has been granted, and as at 30 June 2006, the Company has no outstanding 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2006.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules effective on 1 January 2005 as its own code of corporate governance practices.

During the six months ended 30 June 2006, the Company was in compliance with the CG Code except the following:

<b>Deviation from the CG Code</b>	<b>Relevant CG Code provisions</b>	<b>Remedial steps have been taken to comply with the CG Code</b>
1. The Company has not appointed chairman and chief executive officer and the roles and functions of the chairman and the chief executive officer have been performed by all executive Directors collectively.	A.2.1	The Board considers this given nature of the Company is investment holding and all investment decisions are made by the Board, the present structure is appropriate for the Company and has the advantages of allowing contributions from all executive Directors with different expertise.
2. According to the then Articles of Association of the Company (the “Articles”), at each annual general meeting one-third of the directors for the time being (or, if their number is not 3 or a multiple of 3, the number nearest to but not greater than one-third) shall retire from office by rotation provided that the chairman of the Board and/or the managing director of the Company shall not be subject to retirement by rotation.	A.4.2	A special resolution was passed at the annual general meeting of the Company held on 24 May 2006 whereby the Articles was amended so that all Directors appointed to fill a casual vacancy should be subject to election by the shareholders of the Company at the first general meeting after their appointment and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

## AUDIT COMMITTEE

The Company has the Audit Committee which was established in accordance with the requirements of the CG 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 three independent non-executive Directors of the Company, Messrs. Yue Man Yiu, Matthew (as Chairman), Chung Koon Yan and Zheng Weihe.

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

Hong Kong, 25 September 2006