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## STATEMENT FROM THE EXECUTIVE DIRECTORS

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

### RESULTS

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

### DIVIDEND

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

### BUSINESS REVIEW

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

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

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

### MANAGEMENT DISCUSSION AND ANALYSIS

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

## STATEMENT FROM THE EXECUTIVE DIRECTORS

**Investment portfolio**

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

*Unlisted Investments*

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

*Notes:*

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

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

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

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

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## STATEMENT FROM THE EXECUTIVE DIRECTORS

### *Listed Investments*

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

### **Liquidity and financial position**

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

### **Capital Structure**

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

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## STATEMENT FROM THE EXECUTIVE DIRECTORS

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

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

### **Employee benefits**

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

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

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

### **FUTURE PROSPECTS AND APPRECIATION**

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

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

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

Hong Kong, 28 April 2004