

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 <i>Note (i)</i>	Production of sim-cards	24.00	15,500	2,780	10,230	Nil	16.55
北京綜藝達 <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 (HK\$'000)	Market value	Dividend	Percentage of
			as at 31 December 2004 (HK\$'000)	for the year ended 31 December 2004 (HK\$'000)	investments attributable to the Group's net assets as at 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