

STATEMENT FROM THE EXECUTIVE DIRECTORS

We are pleased to present to the Shareholders the first annual report of Golden 21 Investment Holdings Limited (the “Company”) for the period from 14 May 2002 (date of incorporation) to 31 December 2002.

PLACING AND PUBLIC OFFER OF SHARES

The Company was incorporated in the Cayman Islands on 14 May 2002 and was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 October 2002 following a placing of 90,000,000 shares and an issue of 10,000,000 new shares at an issue price of HK\$1.00 per share (“Initial Public Offering”).

USE OF PROCEEDS FROM THE COMPANY’S INITIAL PUBLIC OFFERING

The proceeds from the Initial Public Offering, after deduction of related issuance expenses, amounted to approximately HK\$94,000,000.

These proceeds were partially applied during the period ended 31 December 2002 as follows:

- (a) as to approximately HK\$24,000,000 to listed investments; and
- (b) as to approximately HK\$34,000,000 to unlisted investments.

The balance of the proceeds of approximately HK\$36,000,000 was placed on short term deposits with financial institutions in Hong Kong as at 31 December 2002.

The actual and intended applications of the net proceeds are consistent with the plans set out in the Company’s prospectus dated 15 October 2002.

BUSINESS REVIEW

The Company is an investment company with the principal investment objective of achieving short to medium term (i.e. less than one year to five years) capital appreciation by mainly investing in a diversified portfolio of investments in listed and unlisted companies in Hong Kong, the PRC and other Asian countries. Since the listing of the Company’s shares on the Stock Exchange, there has been no change in the Company’s investment objectives and policies as stated in the Company’s prospectus dated 15 October 2002.

The Company’s investments will normally be made in the form of equity or equity related securities and/or debt securities in listed and unlisted companies engaged in different industries including but not limited to information technology, manufacturing, life sciences and environmental services, telecommunications, infrastructure, pharmaceuticals and property sectors.

As at 31 December 2002, the Company’s portfolio of investment assets consisted of approximately 25.14% in listed investments, approximately 35.40% in unlisted investments and the remaining approximately 39.46% in cash and others.

STATEMENT FROM THE EXECUTIVE DIRECTORS

In December 2002, the Company has made two investments in the PRC. The first one is the acquisition of approximately 13.09% equity interests in a hi-tech enterprise specialized in the research, development and sale of network commercial management software. The other one is the formation of a joint venture with experienced strategic partners. The principal business of the joint venture is the manufacture and sale of various kinds of smart cards. In the opinion of the Executive Directors, the high growth potential of the two investments above is in line with the investment strategy of the Company. The Directors expect such investments will bring satisfactory return to the Company in the medium term.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company recorded a loss of HK\$4,545,620 for the period from 14 May 2002 (date of incorporation) to 31 December 2002, and this was mainly attributable to the unrealized losses on the Company's investments in listed securities in Hong Kong of approximately HK\$2,959,000. The net assets value of the Company was approximately HK\$91,273,000 as of 31 December 2002, a slight decrease of approximately 4.7% as compared with the net assets value upon the listing of the Company's shares on 28 October 2002.

Investment portfolio

Listed below are the Company's unlisted investments, listed investments and the respective market value as at 31 December 2002:

Unlisted Investments

Name of investee company	Nature of business	Percentage of interest held	Cost (HK\$)	Fair value estimated by the Directors as at 31 December 2002 (HK\$)	Dividend/ interest received	Percentage of investments attributable to the Company's net assets as at 31 December 2002
Beijing Zongyida Software Co., Ltd.*	Software application	13.09	18,526,500	18,526,500	—	20.30
南通毅能達智能卡製造有限公司	Production of smart cards	24.00	15,500,160	15,500,160	—	16.98

* The investment in Beijing Zongyida Software Co., Ltd. was treated as a deposit payment in the audited financial statements of the Company for the period ended 31 December 2002 pending for the completion of the registration of the change of shareholders with the authorities concerned in the PRC.

STATEMENT FROM THE EXECUTIVE DIRECTORS

Listed Investments

Name of investee company	Percentage of interest held	Cost (HK\$)	Market value as at 31 December 2002 (HK\$)	Dividend/ interest received	Percentage of investments attributable to the Company's net assets as at 31 December 2002
Jiangsu Nandasoft Company Limited	2.77	11,146,160	13,179,420	—	14.44
AKuP International Holding Limited	6.19	11,981,183	7,020,000	—	7.69
China Mobile (Hong Kong) Limited	less than 0.01	2,002,974	1,984,850	—	2.17
HSBC Holdings plc	less than 0.01	1,990,979	1,977,800	—	2.17

Liquidity and financial position

As at 31 December 2002, the Company had cash and bank balances of approximately HK\$37,931,000. Most of the cash was placed in Hong Kong dollars short-term deposits with banks in Hong Kong. The Company did not have any borrowings during the period under review. The Board believes that the Company has sufficient financial resources to satisfy its working capital requirements. Since the Company'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

Details of movement in the share capital of the Company during the period are set out in note 12 to the financial statements.

Employee Benefits

For the period up to 31 December 2002, the Company's staff costs amounted to HK\$122,000. The remuneration policy of the Company is reviewed annually and is in line with the prevailing market practice. During the period 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 period, there were no charges on the Company's assets and the Company did not have contingent liabilities as at 31 December 2002.

STATEMENT FROM THE EXECUTIVE DIRECTORS

FUTURE PROSPECTS

In the forthcoming year, the management anticipates the global and Hong Kong equity market conditions will remain difficult. The management will continue to look for suitable investments in companies and projects with high growth potential in line with the Company's investment policy. The Directors believe that the PRC's accession to the World Trade Organization will generate enormous investment opportunities. In this regard, the Company is positioning itself to benefit from the growth in and liberalization of the PRC investment markets.

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

Hong Kong, 23 April 2003