

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Directors") of China Golden Development Holdings Limited (the "Company"), I am pleased to present the audited results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2005.

BUSINESS REVIEW

For the financial year ended 30 June 2005, the Group's consolidated turnover decreased by approximately 48.2% to HK\$70.9 million as compared to HK\$136.9 million in last financial year. The significant drop is mainly due to the cessation of service for several months of the cruise ship for carrying out maintenance and decoration works and change in route of the cruise ship and change in mode of operations of the Group. The decrease in turnover also give rise to decrease in the Group's consolidated net profit by approximately 90.5% to HK\$2.2 million as compared to HK\$22.8 million in last financial year.

The Group's income derived mainly from the operation of its cruise ship (the "Ming Fai Princess") before February 2005. Then the cruise ship sailed from Haikou, the PRC, via Beihai in Guangxi Province, the PRC to Halong Bay in Vietnam. In October 2004, Vietnam government made changes in visa arrangement for Chinese citizens visiting Vietnam, which requires Chinese citizens to possess 60 days' rather than 7 days' visas. Uncertainties in the regulatory requirements brought down the number of on-board passengers and resulted in the cessation of the route from Haikou to Halong Bay. The service of the cruise ship has been suspended for several months for regular maintenance and decoration works. The Group has granted a licence to a third party at a licence fee for two years commencing in June 2005 in respect of the whole operations of the cruise ship at new route in Hong Kong waters and the international waters nearby Hong Kong. The licensee, not the Group, is responsible for the administration of, and the expenses and costs arising from, daily operations of the cruise ship. The licensee is also entitled to receive all the income derived from operations of the cruise ship.

On 28 December 2004, the Group which was then in charge of the daily operations of the cruise ship, entered into an agreement with the operator of the gaming facility on board of the ship to share 20% of the net profits of such gaming facility for a period of 5 years commencing on 1 January 2005. As the cruise ship is currently licensed to a business partner and the Group now does not have any control of the business of the cruise ship nor have any direct information of the daily operations of the cruise ship, the Group entered into a supplemental agreement with the operator to the aforesaid profits sharing agreement with the operator in October 2005, whereby the Group is now entitled to receive a regular fixed payment instead of the share of profits.

In July 2005, the Group has planned to diversify into travel related business by entering into an agreement to purchase a company with such business. But the agreement was terminated in September 2005 due to inconsistency in management styles of the management of the target company and that of the Group.

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FUTURE PLAN AND PROSPECT

The licence of the cruise ship will provide steady income to the Group in the coming year. The Company will continue to explore other business opportunities so as to diversify its business interests. With the steady growth of the China's economy in the next year, the Board will utilize our expertise in China business in pursuing further investment opportunities in China to enhance return to our shareholders.

Finally, I, on behalf of the Board of Directors, would like to take this opportunity to extend my heartfelt gratitude to our staff for their dedication and hard work and to the shareholders for their continuous support.

Wu Yijian

Chairman

Hong Kong, 25 October 2005