

STATEMENT FROM THE EXECUTIVE DIRECTORS

We are pleased to present to the shareholders the 2005 Annual Report of Golden 21 Investment Holdings Limited (the “Company”) and its subsidiary (collectively the “Group”) for the year ended 31 December 2005.

RESULTS

The total revenue of the Group was approximately HK\$468,000 (2004: HK\$80,000) and the total sales proceeds from the disposals of listed equity investment was approximately HK\$35,467,000 (2004: HK\$39,599,000). Loss attributable to equity holders of the Company during the year was approximately HK\$23,247,000 (2004: HK\$16,443,000).

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2005 (2004: Nil).

BUSINESS REVIEW

The principal activities of the Group are 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 under review.

While the China economy as a whole remains robust, the privately-owned enterprises sector continues to face a liquidity squeeze due to the Central Government’s macro economic control policy. As a result, the clients of our two unlisted investee companies in China, namely, 北京綜藝達軟件技術有限公司 (“北京綜藝達”) and 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”) experienced tight liquidity and the performance of these two investee companies was adversely affected accordingly.

Unlisted Investments

北京綜藝達

The operating performance of 北京綜藝達 for the year 2005 was below expectation. Golden Honour Assets Management Limited (the “Investment Manager”), after taking into consideration of the estimated future cash flows of 北京綜藝達, has recommended to make a provision of HK\$11,511,000 on the Group’s investment in 北京綜藝達 during the year.

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南通藝能達

The operating performance of 南通藝能達 for the year 2005 was below expectation and has incurred an operating loss of approximately RMB2,200,000. The Investment Manager, after taking into consideration of the estimated future cash flows of 南通藝能達, has recommended to make a provision of HK\$6,316,000 on the Group's investment in 南通藝能達 during the year. In order to improve the performance of 南通藝能達, its management has decided to open a new marketing office in Shenzhen so as to enhance its position to solicit orders from its target clients. Its management remained hopeful that its performance would improve in 2006.

The Group will continue to monitor the performance of these two investee companies closely and hold further discussions with their management to seek ways to improve their business performance.

Listed Investments

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 gains of HK\$1,097,000 in 2005 on its trading activities in listed equity securities in Hong Kong. The Group will continue to seek investment returns from the HK stock market, in particular, H & Red chip shares and yet will maintain a conservative policy in light of the extremely high market volatility.

In view of the Group's operating losses, the Board has implemented a cost cutting exercise, which has reduced the administrative expenses of the Group by approximately 35% from HK\$5.65 million to HK\$3.66 million in 2005. The Group will continue to exercise tight cost control.

As of 31 December 2005, the Group's portfolio of investment assets constitute approximately 20.20% of unlisted equity securities, 15.78% of listed equity securities and the remaining of approximately 64.02% in cash and others.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2005, the total value of the Group's listed and unlisted investments were approximately HK\$14,522,000 (2004: HK\$37,794,000). The fair value of listed equity securities amounted to approximately HK\$6,372,000 as at 31 December 2005 while the carrying value of unlisted equity securities was approximately HK\$8,150,000.

The Group recorded sales proceeds from disposals of listed equity securities of approximately HK\$35,467,000 for the year ended 31 December 2005 which is approximately 10.4% below that of the previous year. Loss for the year was approximately HK\$23,247,000 (2004: HK\$16,443,000) which was mainly attributable to the impairment losses of the Group's direct investments in two unlisted companies in the PRC.

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Investment Portfolio

Listed below are the Group's unlisted investments together with the impairment made, listed investments and the respective fair value or market value as at 31 December 2005.

Unlisted Investments

Name of investee company	Nature of business	Percentage of interest held	Cost (HK\$'000)	Fair value estimated by the Directors as at 31 December 2005 (HK\$'000)	Dividend received for the year ended 31 December 2005 (HK\$'000)	Percentage of investments attributable to the Group's net assets as at 31 December 2005
南通藝能達 <i>Note (i)</i>	Production of sim-cards	24.00%	15,500	3,914	Nil	10.15%
北京綜藝達 <i>Note (ii)</i>	Software application	13.09%	18,527	4,236	Nil	10.98%

Notes:

- (i) 南通藝能達 is principally engaged in the production of Sim-cards for use in credit cards and data storage cards. The investment in 南通藝能達 is not equity accounted for under HKAS 28 "Investments in Associates". This is because the Directors are of the opinion that the Group has no participation in the financial and operating policy-making process of 南通藝能達.
- (ii) 北京綜藝達 is principally engaged in the research, development and manufacturing of network commercial management software.

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Listed Investments

Particulars of material trading securities holding as at 31 December 2005 are as follows:

Name of investee company	Percentage of interest held	Cost (HK\$'000)	Market value as at 31 December 2005 (HK\$'000)	Dividend received for the year ended 31 December 2005 (HK\$'000)	Percentage of investments attributable to the Group's net assets as at 31 December 2005
Jiangsu Nandasoft Company Limited	10.84%	10,937	4,691	Nil	12.16%

Liquidity, Financial Resources and Funding

As at 31 December 2005, the Group had maintained cash of approximately HK\$23,784,000 (2004: HK\$23,477,000). As all cash was placed in Hong Kong dollar deposits, there was minimal exposure to exchange fluctuation.

The Group had net assets of approximately HK\$38,550,000 (2004: HK\$61,797,000) and there were no borrowings or long-term liabilities as at 31 December 2005.

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.

Employees Benefits

As at 31 December 2005, the Group had 5 employees, including 3 executive Directors. For the year ended 31 December 2005, the Group's staff costs (excluding Directors' remuneration) amounted to approximately HK\$293,000 (2004: HK\$667,000). 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.

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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 2005.

FUTURE PROSPECTS AND APPRECIATION

Despite the difficulties the Group is facing, the China market continues to offer very promising long-term investment potential. However, selection of the right investment targets requires insight local knowledge and careful scrutiny. The Board will continue to seek suitable investment opportunities in listed and unlisted investments with a particular focus on China to enhance the shareholders' return.

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

On behalf of the Executive Board
Francis J. Chang Chu Fai
Executive Director

Hong Kong, 21 April 2006