

## STATEMENT FROM THE EXECUTIVE DIRECTORS

We are pleased to present to the shareholders the 2006 Annual Report of Golden 21 Investment Holdings Limited (the “Company”) and its subsidiary (collectively the “Group”) for the year ended 31 December 2006.

### RESULTS

The total revenue of the Group was approximately HK\$678,000 (2005: HK\$468,000) and the total sales proceeds from the disposals of listed equity investment was approximately HK\$20,142,000 (2005: HK\$35,467,000). Loss attributable to equity holders of the Company during the year was approximately HK\$7,108,000 (2005: HK\$23,247,000), which has been reduced by 69.42% from the previous year.

### DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

### BUSINESS REVIEW

The principal activity of the Group is investing in both listed and unlisted securities in Hong Kong as well as in the People’s Republic of China (the “PRC”). There was no change in the nature of the Group’s principal activities during the year.

#### Unlisted Investments

The operating performance of our two unlisted companies, 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. (南通毅能達智能卡製造有限公司) (“南通毅能達”) remained disappointing and there was no evidence to indicate that there would be a drastic improvement in their operating performance in the foreseeable future. Hence, upon the recommendation of the Investment Manager, the Group resolved to dispose of these two companies in December 2006 so that management can devote its time and the Group’s resources to more promising investment opportunities. Subsequent to the balance sheet date of 31 December 2006, Sale and Purchase Agreements were executed on 13 February 2007 to dispose of the two unlisted investments for a total consideration of HK\$5,500,000.

#### Listed Investments

The Company has become more focused in the Hong Kong Stock market during 2006. Excluding the fair loss incurred on Jiangsu Nandasoft Company Ltd. (which has been held by the Company since November 2002), the Group recorded a fair value gain of approximately HK\$1,668,000 on its trading activities of listed equities in Hong Kong in 2006.

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## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2006, the total value of the Group's listed and unlisted investments were approximately HK\$10,726,000 (2005: HK\$14,522,000). The fair value of listed equity securities amounted to approximately HK\$5,390,000 as at 31 December 2006 while the fair value of unlisted equity securities was approximately HK\$5,336,000.

The Group continued to exercise stringent cost control. Administrative expenses were further reduced from previous year's HK\$3,655,000 to HK\$3,222,000 in 2006.

The Group recorded sales from disposals of listed equity securities of approximately HK\$20,142,000 for the year ended 31 December 2006 which is approximately 43.21% below that of the previous year. Loss for the year was approximately HK\$7,108,000 (2005: HK\$23,247,000) which was mainly attributable to the impairment losses relating to the Group's direct investments in two unlisted companies in the PRC.

### 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 2006.

#### 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 2006 (HK\$'000)	Dividend received for the year ended 31 December 2006 (HK\$'000)	Percentage of investments attributable to the Group's net assets as at 31 December 2006
南通毅能達 <i>Note (i)</i>	Production of sim-cards	24.00%	15,500	1,100	0	3.50%
北京綜藝達 <i>Note (ii)</i>	Software application	13.09%	18,527	4,236	0	13.47%

#### 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 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 南通毅能達.
- (ii) 北京綜藝達 is principally engaged in the research, development and manufacture of network commercial management software.

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**Investment Portfolio (continued)***Listed Investments*

Particulars of material trading securities holding as at 31 December 2006 are as follows:

Name of investee company	Percentage of interest held	Cost (HK\$'000)	Market value as at 31 December 2006 (HK\$'000)	Dividend received	Percentage of
				for the year ended 31 December 2006 (HK\$'000)	investments attributable to the Group's net assets as at 31 December 2006
Jiangsu Nandasoft Company Limited	10.84%	10,937	3,043	N/A	9.68%

**Liquidity, Financial Resources and Funding**

As at 31 December 2006, the Group had maintained cash of approximately HK\$21,452,000 (2005: HK\$23,784,000). 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\$31,442,000 (2005: HK\$38,550,000) and there were no borrowings or long-term liabilities as at 31 December 2006.

**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 2006, the Group had 5 employees, including 3 executive Directors. For the year ended 31 December 2006, the Group's staff costs (excluding Directors' remuneration) amounted to approximately HK\$315,000 (2005: HK\$293,000). 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 2006.

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### FUTURE PROSPECTS AND APPRECIATION

The Chinese economy remains buoyant and China continues to attract strong foreign direct investment inflows into the country. The Board is very bullish on the long term growth prospects of China and will continue to seek suitable investment opportunities to enhance the shareholder's 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

**See Lee Seng, Reason**

*Executive Director*

Hong Kong, 12 April 2007