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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Unity Investments Holdings Limited 合一投資控股有限公司 (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is addressed to the shareholders of the Company for information in connection with the extraordinary general meeting of the Company to be held on Tuesday, 13 September 2005. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, securities of the Company.



Unity Investments Holdings Limited
合一投資控股有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 913)

PROPOSED SHARE CONSOLIDATION CHANGE OF BOARD LOT SIZE PROPOSED RIGHTS ISSUE ON THE BASIS OF TEN RIGHTS SHARES FOR EVERY CONSOLIDATED SHARE HELD AND AMENDMENTS TO THE ARTICLES

Financial Adviser



結好融資有限公司
GET NICE CAPITAL LIMITED

Underwriter of the Rights Issue



結好投資有限公司
GET NICE INVESTMENT LTD

Independent Financial Adviser to the Independent Board Committee and the Shareholders



Menlo Capital Limited

It should be noted that the Shares will be dealt in on an ex-rights basis from Tuesday, 6 September 2005. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 16 September 2005 to Friday, 23 September 2005 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in Shares or nil-paid Rights Shares during the period from Friday, 16 September 2005 to Friday, 23 September 2005 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A notice convening an extraordinary general meeting of Unity Investments Holdings Limited to be held at 30th Floor, China United Center, 28 Marble Road, North Point, Hong Kong at 8:45 a.m. on Tuesday, 13 September 2005 is set out on pages 71 to 75 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to the branch share registrar, Tengis Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

A letter of advice from Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the shareholders of Unity Investments Holdings Limited is set out on pages 29 to 38 of this circular. The letter of the Independent Board Committee is set out on page 27 of this circular.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate the obligations of the Underwriter if at any time at or before 4:00 p.m. on the second Business Day following the Acceptance Date: (i) (a) there occurs an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or (ii) if, at or before 4:00 p.m. on the second Business Day following the Acceptance Date: (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or (b) the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter, shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or (c) the circular or the Prospectus Documents when published, contains information which would be untrue or inaccurate in any material respect and the Company has failed to promptly send out any announcements or circulars (after the despatch of the circular or the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company. Then and, in such case, the Underwriter may, by notice in writing given to the Company at or before 4:00 p.m. on the second Business Day after the Acceptance Date, rescind the Underwriting Agreement. If the Underwriter exercises such right, the obligations of the Underwriter under the Underwriting Agreement shall cease and the Rights Issue shall lapse and will not proceed.

18 August 2005

CONTENTS

	<i>Page</i>
Expected timetable	1
Definitions	3
Letter from the Board	7
Letter from the Independent Board Committee	27
Letter from Menlo Capital	29
Appendix I: Financial Information of the Group	39
Appendix II: General information	64
Notice of EGM	71

EXPECTED TIMETABLE

2005

Last day of dealings in Shares on a cum-rights basis	Monday, 5 September
First day of dealings in Shares on an ex-rights basis	Tuesday, 6 September
Latest time for lodging transfers of Shares in order to qualify for Rights Issue	4:00 p.m., Wednesday, 7 September
Register of members to be closed	Thursday, 8 September to Tuesday, 13 September (both dates inclusive)
Latest time for return of proxy form of EGM (not less than 48 hours)	9:00 a.m., Sunday, 11 September
Expected date of EGM	8:45 a.m., Tuesday, 13 September
Record Date	Tuesday, 13 September
Effective date of the Share Consolidation	4:00 p.m., Tuesday, 13 September
Register of members to be re-opened	Wednesday, 14 September
Prospectus Documents to be posted	Wednesday, 14 September
Commencement of dealings in Consolidated Shares	Wednesday, 14 September
Original counter for trading in Shares (in board lots of 2,000 Shares) to be closed	9:30 a.m., Wednesday, 14 September
Temporary counter for trading in Consolidated Shares in board lots of 200 Consolidated Shares (in form of existing share certificates in purple colour) to be opened	9:30 a.m., Wednesday, 14 September
Free exchange of existing share certificates for new share certificates commences	Wednesday, 14 September
First day of dealings in nil-paid Rights Shares	Friday, 16 September
Latest time for splitting of nil-paid Rights Shares	4:00 p.m., Tuesday, 20 September
Last day of dealings in nil-paid Rights Shares	Friday, 23 September
Latest time for payment for and acceptance of Rights Shares	4:00 p.m., Wednesday, 28 September

EXPECTED TIMETABLE

- Original counter for trading in Consolidated Shares
(in board lots of 20,000 Shares)
to be re-opened.9:30 a.m., Thursday, 29 September
- Parallel trading in Consolidated Shares
(in form of new certificate in red colour and
existing certificate in purple colour) begins9:30 a.m., Thursday, 29 September
- Designated broker starts to stand in the market
to provide matching services.Thursday, 29 September
- Rights Issue expected to become unconditionalafter 4:00 p.m., Friday, 30 September
- Announcement of results of acceptance and
excess application of the Rights Issue.Monday, 3 October
- Despatch of refund cheques for wholly and
partially unsuccessful excess applications.Tuesday, 4 October
- Despatch of certificates for fully-paid Rights SharesTuesday, 4 October
- First day of dealings in the fully-paid Rights SharesWednesday, 5 October
- Temporary counter for trading in Consolidated Shares
in board lots of 200 Consolidated Shares
(in form of existing share certificates in purple colour)
to be closed4:00 p.m., Friday, 21 October
- Parallel trading in Consolidated Shares
(in form of new certificate in red colour and
existing certificate in purple colour) ends.4:00 p.m., Friday, 21 October
- Designated broker ceases to stand in the market
to provide matching services4:00 p.m., Friday, 21 October
- Free exchange of existing share certificates for
new share certificates in red colour endsWednesday, 26 October

All times in this circular refer to Hong Kong times.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Acceptance Date”	the latest day for acceptance of and payment for the Rights Shares which is expected to be on 28 September 2005 (or such other date as the Underwriter may agree in writing with the Company as the date for acceptance of, and payment of, Rights Shares)
“Announcement”	the announcement of the Company dated 26 July 2005 relating to, inter alia, the Share Consolidation, change on board lot size, the Rights Issue and amendments to the articles of association of the Company
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the Board of Directors
“Business Day”	a full day (other than a Saturday) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CN Placing”	the conditional placing of the Convertible Notes pursuant to the agreement dated 19 May 2005 and entered into between the Company and the Underwriter
“Company”	Unity Investments Holdings Limited 合一投資控股有限公司, a company incorporated in the Cayman Islands with limited liability, the issued Shares are listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company after the Share Consolidation becoming effective
“Convertible Notes”	The convertible notes issued by the Company on 21 July 2005 in the aggregate principal amount of HK\$20 million pursuant to the CN Placing at the conversion price of HK\$0.05 per Share (subject to adjustment)
“Director(s)”	director(s) of the Company

DEFINITIONS

“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be convened and held on Tuesday, 13 September 2005, to consider, and, if though fit, approve (a) the Share Consolidation; (b) the Rights Issue; and (c) the amendments to the articles of association of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	The Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising the four independent non-executive directors, namely Mr. Chung Kong Fei, Stephen, Mr. Lam Ping Cheung, Mr. Tsang Wing Ki and Mr. Wong Ying Seung, Asiong
“Last Trading Day”	22 July 2005, being the last trading day before the suspension of the trading of the Shares, pending the release of the Announcement
“Latest Practicable Date”	16 August 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Menlo Capital”	Menlo Capital Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company and is appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Rights Issue

DEFINITIONS

“Non-Qualifying Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong in respect of whom the Directors consider the exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“PRC”	The People’s Republic of China
“Prospectus”	a prospectus to be issued containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	13 September 2005 being the date by reference to which entitlements to the Rights Issue are expected to be determined
“Registrar”	Tengis Limited, the branch share registrar of the Company in Hong Kong
“Rights Issue”	the issue by way of rights of 10 Rights Shares for every one Consolidated Share in issue on the Record Date at a price of HK\$0.1 per Rights Share
“Rights Share(s)”	new Consolidated Share(s) to be issued and allotted under the Rights Issue, being not less than 527,876,000 Consolidated Shares and not more than 927,876,000 Consolidated Shares
“Settlement Date”	the date being the second Business Day following the Acceptance Date

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company before the Share Consolidation becoming effective
“Share Consolidation”	the consolidation of every 10 Shares in the issued and unissued share capital of the Company into one Consolidated Share in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) or Consolidated Shares (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriter”	Get Nice Investment Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company
“Underwriting Agreement”	the underwriting agreement dated 25 July 2005 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum

LETTER FROM THE BOARD



Unity Investments Holdings Limited
合一投資控股有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 913)

Executive Directors:

Mr. Pang Shuen Wai, Nichols (*Chairman*)
Ms. Au Shuk Yee, Sue (*Chief Executive Officer*)
Mr. Kitchell, Osman Bin

Independent Non-Executive Directors:

Mr. Lam Ping Cheung
Mr. Chung Kong Fei, Stephen
Mr. Tsang Wing Ki
Mr. Wong Ying Seung, Asiong

Principal place of business

in Hong Kong:
30th Floor, China United Center
28 Marble Road
North Point
Hong Kong

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

18 August 2005

To the Shareholders

Dear Sir or Madam,

**PROPOSED SHARE CONSOLIDATION
CHANGE OF BOARD LOT SIZE
PROPOSED RIGHTS ISSUE ON THE BASIS OF
TEN RIGHTS SHARES FOR EVERY CONSOLIDATED SHARE HELD
AND
AMENDMENTS TO THE ARTICLES**

INTRODUCTION

On 26 July 2005, the Company announced, among other things, the proposed Share Consolidation, change of board lot size, the Rights Issue and the amendments to the articles of association of the Company.

The Independent Board Committee has been established to advise the Shareholders on the Rights Issue. Menlo Capital has been appointed to advise the Independent Board Committee and the Shareholders on the Rights Issue.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) the details of the Share Consolidation, the change of board lot size, the Rights Issue and the amendments to the Company's article of association; (ii) the recommendation from the Independent Board Committee to the Shareholders on the Rights Issue; (iii) the recommendation from Menlo Capital to the Independent Board Committee and the Shareholders on the Rights Issue; and (iv) the notice of EGM.

SHARE CONSOLIDATION

Background

Reference is made to the announcement of the Company dated 20 May 2005. Pursuant to Rule 13.64 of the Listing Rules, the Company proposes to put forward for approval by the Shareholders the Share Consolidation pursuant to which every 10 issued Shares to be consolidated into 1 Consolidated Share. As at the Latest Practicable Date, the authorised share capital of the Company is HK\$500,000,000 comprising 50,000,000,000 Shares of HK\$0.01 each, of which 527,876,005 Shares have been issued and fully paid. Upon the Share Consolidation taking effect and on the basis that the Company does not allot and issue any further Shares prior to, the authorised share capital of the Company will remain at HK\$500,000,000 but will comprise 5,000,000,000 Consolidated Shares of HK\$0.10 each of which 52,787,600 Consolidated Shares will be in issue. Fractional Consolidated Shares will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefits of the Company.

The issued Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

Effects of the Share Consolidation

Other than the relevant expenses incurred, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor will they alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders, save that the Shareholders who are holding odd lots of Shares will not have any entitlement to fractions of the Consolidated Shares. The Directors believe that the Share Consolidation will not have any material adverse effect on the financial position of the Group.

Reasons for the Share Consolidation

The Share Consolidation will increase the nominal value of the Shares and reduce the total number of Shares currently in issue. Besides, as the market price of the Shares approaches the extremities of HK\$0.01, the Company is required to undergo the Share Consolidation in compliance with Rule 13.64 of the Listing Rules. As such, it is expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange, which, along with the change of board lot size as mentioned below, will reduce the

LETTER FROM THE BOARD

overall transaction costs for dealings in the Consolidated Shares. Accordingly, the Board is of the view that the Share Consolidation and change of board lot size is beneficial to the Company and the Shareholders as a whole.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- (a) the passing by the Shareholders of the necessary resolutions at the EGM to approve the Share Consolidation; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares.

Expected effective date of the Share Consolidation

Subject to the above conditions being fulfilled, the Share Consolidation is expected to become effective at 4:00 p.m. on 13 September 2005.

CHANGE OF BOARD LOT SIZE

As at Latest Practicable Date, Shares are traded in board lots of 2,000. In order to reduce the trading costs for investors and Shareholders, it is proposed that the Consolidated Shares will be traded in board lots of 20,000 upon the Share Consolidation becoming effective. The board lot size was determined with reference to the substantial discount of the Rights Issue in terms of the theoretical ex-rights price of approximately HK\$0.115 per Consolidated Share (based on the closing price of HK\$0.027 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation). The change of board lot size is conditional on the Share Consolidation becoming effective and approval by the Board.

Based on the closing price of HK\$0.015 per Share as at the Latest Practicable Date, the value of each board lot of 20,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$3,000.

Free exchange of Consolidated Share certificates and parallel trading arrangements

Subject to the Share Consolidation becoming effective, the arrangements for dealings in the Consolidated Shares are expected to be as follows:

- (a) with effect from 9:30 a.m. on Wednesday, 14 September 2005, the existing counter for trading in the Shares in board lots of 2,000 Shares will be closed temporarily and a temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing certificates in purple colour) will be set up. Accordingly, 10 Shares will be represented by one Consolidated Share. Existing share certificate for Shares can only be traded at this counter;

LETTER FROM THE BOARD

- (b) with effect from 9:30 a.m. on Thursday, 29 September 2005, the existing counter will be reopened for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new certificates in red colour). Only new certificates for the Consolidated Shares will be traded at this counter;
- (c) during the period between 9:30 a.m. on Thursday, 29 September 2005 and 4:00 p.m. on Friday, 21 October 2005, there will be parallel trading in the existing and temporary counters. In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares as a result of the Share Consolidation, the Company has agreed to procure Get Nice Investment Limited to stand in the market to provide matching services on a best effort for the holders of odd lots of the Consolidated Shares during the period between 9:30 a.m. on Thursday, 29 September 2005 and 4:00 p.m. on Friday, 21 October 2005. Holders of odd lots of the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top up to board lots of 20,000 Consolidated Shares may contact Mr. Lau Shek Ki of 10/F., Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong at telephone number 2526 7738 as soon as possible from 9:30 a.m. on Thursday, 29 September 2005 to 4:00 p.m. on Friday, 21 October 2005;
- (d) with effect from 9:30 a.m. on Monday, 24 October 2005, trading will only be in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new certificates in red colour) and the temporary counter for the trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing certificates in purple colour) will be closed.

Shareholders should note that the matching service as mentioned in paragraph (c) above is on a “best efforts” basis only and successful matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed and will depend on there being adequate amount of odd lots of Consolidated Shares available for such matching.

Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are not sure about the matching service described above.

Trading in the Consolidated Shares represented by existing certificates will cease after the close of business on Friday, 21 October 2005. Existing certificates for the Shares will only be valid for delivery and settlement in respect of trading for the period up to Friday, 21 October 2005 and thereafter **will not be acceptable for trading purposes**.

New Certificates in red colour for the Consolidated Shares will be issued in order to distinguish them from existing certificates in purple for the Shares.

LETTER FROM THE BOARD

Shareholders are advised to, during business hours from Wednesday, 14 September 2005 to Wednesday, 26 October 2005, submit their certificates for the Shares to the Company's branch registrar in Hong Kong, Tengis Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for exchange, free of charge, for certificates in respect of the Consolidated Shares in issue. Thereafter, certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Consolidated Shares at any time but on payment of a fee of HK\$2.5 (or such higher amounts as may from time to time be allowed by the Stock Exchange) for each new certificate issued for the Consolidated Shares. A Shareholder will be entitled to aggregate his or her Shares registered in his or her name in order to obtain new certificates in the board lot size of 20,000 Consolidated Shares.

It is expected that new certificates for the Consolidated Shares will be available for collection on or after the 10th Business Day from the date of submission of the existing certificates. Unless otherwise instructed, new certificates for the Consolidated Shares will be issued in board lots of 20,000 Consolidated Shares.

Listing and dealings of Consolidated Shares

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective.

No part of the share capital of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal is being or is currently proposed to be sought from any other stock exchange.

Dealings in the Consolidated Shares on the branch register of members of the Company will be subject to Hong Kong stamp duty.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlements of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

THE RIGHTS ISSUE

The Rights Issue is proposed to take place after the Share Consolidation becoming effective.

Issue statistics

Basis of the Rights Issue	:	10 Rights Shares for every Consolidated Share held on the Record Date
Number of Shares in issue	:	527,876,005 Shares as at Latest Practicable Date
Number of Consolidated Shares after completion of the Share Consolidation	:	52,787,600 Consolidated Shares (assuming no conversion of the outstanding Convertible Notes on or before the Record Date) or 92,787,600 Consolidated Shares (assuming full conversion of the outstanding Convertible Notes on or before the Record Date) (<i>Note</i>)
Number of Rights Shares	:	not less than 527,876,000 Rights Shares (assuming no conversion of the outstanding Convertible Notes on or before the Record Date) and not more than 927,876,000 Rights Shares (assuming full conversion of the outstanding Convertible Notes on or before the Record Date) (<i>Note</i>)
Subscription price per Rights Share	:	HK\$0.1 per Rights Share with nominal value of HK\$0.1 each

Note: As at the Latest Practicable Date, there are outstanding Convertible Notes with principal amount of HK\$20 million which are convertible into 400,000,000 Shares in aggregate at a conversion price of HK\$0.05 per Share, subject to adjustment. Assuming full conversion of the outstanding Convertible Notes on or before the Record Date, a total of 400,000,000 new Shares (equivalent to 40,000,000 Consolidated Shares) may fall to be issued and hence an additional 400,000,000 Rights Shares would be issued, in which event the maximum number of Rights Shares that may be issued by the Company will become 927,876,000.

Save for the outstanding Convertible Notes, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Assuming no conversion of the Convertible Notes on or before the Record Date, the 527,876,000 nil-paid Rights Shares to be provisionally allotted represent (a) 10 times of the Company's issued share capital upon completion of the Share Consolidation; and (b) approximately 90.91% of the Company's issued share capital upon completion of the Share Consolidation and as enlarged by the issue of the Rights Shares.

LETTER FROM THE BOARD

Qualifying Shareholders

The Company will send the Prospectus Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder. Shareholders having an address outside Hong Kong on the register of members of the Company at the close of business on the Record Date will be excluded from participating in the Rights Issue only if the Board, after making relevant enquiry pursuant to Rule 13.36(2)(a) of the Listing Rules, considers that such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 7 September 2005.

Closure of register of members

The register of members of the Company will be closed from Thursday, 8 September 2005, to Tuesday, 13 September 2005, both dates inclusive. No transfers of Shares will be registered during this period.

Rights of Non-Qualifying Shareholders

As at Latest Practicable Date, there are no Shareholders in the register of members of the Company with address outside Hong Kong. The Company will make enquiries regarding the feasibility of extending the Rights Issue to the Non-Qualifying Shareholders. If based on legal opinion provided by the legal adviser, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Non-Qualifying Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to the Non-Qualifying Shareholders. The basis of exclusion of the Non-Qualifying Shareholders, if any, from the Rights Issue will be disclosed in the Prospectus. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

LETTER FROM THE BOARD

Subscription price

The subscription price for the Rights Shares is HK\$0.1 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price represents:

- (a) a discount of about 62.96% to the closing price of HK\$0.27 per Consolidated Share (based on the closing price of HK\$0.027 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (b) a discount of about 13.04 % to the theoretical ex-rights price of approximately HK\$0.115 per Consolidated Share (based on the closing price of HK\$0.027 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (c) a discount of about 65.52% to the average closing price of approximately HK\$0.29 per Consolidated Share (based on the average closing price of HK\$0.029 per Share for the ten trading days ended on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (d) a discount of about 33.33% to the closing price of HK\$0.15 per Consolidated Share (based on the average closing price of HK\$0.015 per Share as quoted on the Stock Exchange as at the Latest Practicable Date and adjusted for the effect of the Share Consolidation); and
- (e) a discount of approximately 95.24% to the net asset value per Consolidated Share of HK\$2.10 (based on the unaudited consolidated net asset value of the Group as at 30 June, 2005 and the then issued Shares and adjusted for the effect of the Share Consolidation).

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Share prior to the Last Trading Day, market responses of the most recent placing of Shares as announced by the Company on 10 January 2005 and 20 May 2005 respectively and the prevailing market conditions. The Directors consider that the prolonged thin trading volume of Shares mainly attributes to the resolution of setting the subscription price of the Rights Shares at a discount on the latest average closing price and net asset value. The enhancement in the Company's future profitability resulting from saving of interest expenses and reducing arrangement fees after the Rights Issue will recompense the dilution of the net asset value per Share from a long term prospective. The Directors therefore consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Basis of provisional allotment

The basis of the provisional allotment shall be 10 Rights Shares for every Consolidated Share, being not less than 527,876,000 Rights Shares and not more than 927,876,000 Rights Shares at a price of HK\$0.1 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Consolidated Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates of the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares will be posted on or before 4 October 2005 to those who have accepted and, where applicable, applied and paid for the Rights Shares by ordinary post at their own risk.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis but will give preference to the topping-up of odd lots to whole board lots.

Listing and dealings of Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 20,000, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, each of the following events being fulfilled:

1. the approval of the Share Consolidation by Shareholders at the EGM and the Share Consolidation becoming effective thereafter;
2. the approval of the Rights Issue by the Shareholders at the EGM;
3. the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the date of posting of the Prospectus Documents and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the second Business Day after the Acceptance Date;
4. the delivery to the Stock Exchange and filing and registration of all documents relating to the Rights Issue required by law to be filed, with the Registrar of Companies in Hong Kong and the Registrar of Companies in Cayman Islands respectively; and
5. the compliance by the Company with all its obligations under the Underwriting Agreement and the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms.

In the event that the conditions of the Rights Issue are not fulfilled on or before the respective dates determined in the Underwriting Agreement (or such later date as the Company and the Underwriter may agree), none of the Underwriter or the Company shall have any rights or be subject to any obligations arising from the Underwriting Agreement. The Rights Issue will not proceed accordingly.

Underwriting arrangements

Underwriting agreement dated 25 July 2005

The Underwriter has agreed to fully underwrite the Rights Shares, which will amount to a minimum of 527,876,000 Rights Shares and a maximum of 927,876,000 Rights Shares. The Underwriter and its ultimate controlling shareholder do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

LETTER FROM THE BOARD

Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate subscription price of the Rights Shares underwritten by it, out of which the Underwriter may pay sub-underwriting fees. The Directors believe that the underwriting commission accords with market rates.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on the second Business Day following the Acceptance Date if:

1. (a) there occurs an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

2. if, at or prior to 4:00 p.m. on the Settlement Day following the Acceptance Date:
 - (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
 - (b) the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or

LETTER FROM THE BOARD

warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter, shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

- (c) the circular or the Prospectus Documents when published, contains information which would be untrue or inaccurate in any material respect and the Company has failed to promptly send out any announcements or circulars (after the despatch of the circular or the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees as may then be agreed by the relevant parties. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Tuesday, 6 September 2005. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 16 September 2005 to Friday, 23 September 2005 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares, the Consolidated Shares and Rights Shares in their nil-paid form during the period from Friday, 16 September 2005 to Friday, 23 September 2005 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares or the Consolidated Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Friday, 16 September 2005 to Friday, 23 September 2005 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

LETTER FROM THE BOARD

Shareholding in the Company

Assuming **there is no conversion of the Convertible Notes on or before the Record Date**, the shareholding in the Company immediately after the Share Consolidation but before completion of the Rights Issue and immediately after completion of the Rights Issue is as follows:

	Existing Shareholding		Immediately after the Share Consolidation but before completion of the Rights Issue		After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		After completion of Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders)	
			<i>Consolidated</i>		<i>Consolidated</i>		<i>Consolidated</i>	
	Shares	%	Shares	%	Shares	%	Shares	%
Public								
Shareholders	527,876,005	100.00	52,787,600	100.00	580,663,600	100.00	52,787,600	9.09
Placees of the CN Placing Underwriter	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	527,876,000	90.91
Total	527,876,005	100.00	52,787,600	100.00	580,663,600	100.00	580,663,600	100.00

Assuming **full conversion of the Convertible Notes on or before the Record Date**, the shareholding in the Company immediately after the Share Consolidation but before completion of the Rights Issue and immediately after completion of the Rights Issue is as follows:

	Existing Shareholding		Immediately after the Share Consolidation but before completion of the Rights Issue		After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		After completion of Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders)	
			<i>Consolidated</i>		<i>Consolidated</i>		<i>Consolidated</i>	
	Shares	%	Shares	%	Shares	%	Shares	%
Public								
Shareholders	527,876,005	56.89	52,787,600	56.89	580,663,600	56.89	52,787,600	5.17
Placees of the CN Placing Underwriter	400,000,000	43.11	40,000,000	43.11	440,000,000	43.11	40,000,000	3.92
	-	-	-	-	-	-	927,876,000	90.91
Total	927,876,005	100.00	92,787,600	100.00	1,020,663,600	100.00	1,020,663,600	100.00

LETTER FROM THE BOARD

The Underwriter has confirmed that it has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter and these sub-underwriters will not own more than 30% of the issued share capital of the Company after completion of the Rights Issue. Each of the Underwriter and the sub-underwriters is not a party acting in concert (as defined in the SFO) with each other. Each of the sub-underwriters and its ultimate beneficial owners do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

In the event that the Underwriter or any of the sub-underwriters mentioned above is required to take up the Rights Shares pursuant to their underwriting obligations, the Underwriter or any of these sub-underwriters shall procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

Reasons for the Rights Issue and use of proceeds

The Group is an investment holding company listed pursuant to Chapter 21 of the Listing Rules and principally engaged in investment in listed and unlisted companies in Hong Kong.

The Directors consider that it is in the interests of the Company and the Shareholders to raise additional finance through the issue of additional equity, to enlarge the Company's capital base in view of the above strategy. Given the limited size of the Company's shareholders' equity, the Company does not have the financial flexibility to make timely investments even though investment opportunities arise. As illustrated by the recent fund raising exercise, the Company had to raise additional funds from the placing of shares and issue of convertible bonds in order to repay several interest-bearing loans. As most of the Company's investments are held for medium-term to long-term capital appreciation, the Directors consider that it is inappropriate to make unscheduled liquidation of its investments to generate additional cash for general working capital before the investments achieving the pre-determined targets.

The estimated net proceeds of the Rights Issue will be between HK\$50.5 million (assuming no conversion of the Convertible Notes on or before the Record Date) and HK\$90.1 million (assuming full conversion of the Convertible Notes on or before the Record Date). The Company plans to use the net proceeds as to (i) approximately HK\$5 million for the general working capital of the Group; and (ii) the balance of between approximately HK\$45.5 million to HK\$85.1 million to make future possible investments. In the event that the Company intends to change such use of the net proceeds, further announcement(s) will be made by the Company. As at the Latest Practicable Date, there is no specific investments identified by the Company. Notwithstanding the above, the Directors remain optimistic about the long-term prospects of the economy and stock markets in Hong Kong and the PRC. The Directors believe that as the economy of Hong Kong is picking up, more investment opportunities can be identified in the near future. For other types of companies, the investment decisions may take a relatively long time involving the selecting process, feasibility studies, negotiation process, due diligence review and accordingly may have more time to raise funds for such investments. However, for companies listed pursuant to Chapter 21 of the Listing Rules in which the Company belongs,

LETTER FROM THE BOARD

the decision of making investments in listed and unlisted companies may take a very short time and there is no certainty that such cash resources will be available for those investments that may be identified by the Group. In the event that the Group identifies a suitable investment opportunity but does not have sufficient cash resources on hand or it cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favourable investment. Accordingly, the Directors consider that the Rights Issue provides the Group with sufficient flexibility and financial resources for making such investments which is in the interests of the Company and the Shareholders as a whole.

Moreover, the Directors would like to draw the Shareholders' attention to the Company's circular dated 14 June 2005 (the "Circular") in relation to the CN Placing. As explained in the "Letter from the Board" of the Circular, there was an urgency on the Company at the time of entering into the agreement relating to the CN Placing on 19 May 2005 to raise new funding for the repayment of the short term interest-bearing loans which would have become due and to be repaid in July 2005. The Directors at that time had considered various financing arrangement such as other bank borrowings, rights issue and open offer. Despite the fact that several other banks have been approached by the Company, no better terms as compared to those of the then existing interest-bearing loans could be obtained from such banks. The Company had put efforts in approaching potential underwriters for a possible rights issue or open offer but no offering terms could be identified during the discussion between the Company and the then potential underwriters. Accordingly, the Directors believed that it was more reasonable and practicable at that time for the Company to conduct the CN Placing given the time constraint for the repayment of the above short term interest-bearing loans.

As the fixed coupon rate of 5% charged under the Convertible Notes are lower than that of interest rates charged under these short term interest-bearing loans, there would be an interest savings for the Company. In addition, the fixed coupon rate of the Convertible Notes has the advantage over the floating interest rates under normal bank financing in the environment in which the interest rates are expected to raise further. Moreover, the maturity period of 60 months under the Convertible Notes could secure a debt financing to the Company on a longer term basis which can relieve the Company the pressure from demanding repayment in a shorter period of time as those under the short term interest-bearing loans. Therefore, the Directors considered that the CN Placing was in the interest of the Company and the Shareholders as a whole at the time when the agreement relating to the CN Placing was entered into. The Directors would like to reiterate that the issue of the Convertible Notes is to improve the short-term solvency. The net proceeds from the Convertibles Notes had been mainly applied for the repayment of the mentioned short term interest-bearing loans.

However, to drive revenue or profit growth, the Company needs additional fund to finance business operations and investments. The Directors are consistently and persistently searching for new equity financing including rights issue or open offer for such purposes as extent of the Group's earnings growth have been constrained by the limited size of its capital base. In fact, since the last extraordinary general meeting of the Company held in late June 2005, the Hang Seng Index has risen by more than 8.9%.

LETTER FROM THE BOARD

Since May 2005, the Company has developed a tighter business relationship with the Underwriter, who was the placing agent for both the placing of Shares and the Convertible Notes as announced by the Company on 20 May 2005. With the success with these placings, the Company started negotiation with the Underwriter in July 2005 and finally an underwriting arrangement for the Rights Issue was reached between the Company and the Underwriter.

From the investors' perspective, the risk of investing in the Convertible Notes is lower than that of the Shares as the former has a higher priority in the repayment in the event of liquidation of the Company. Moreover, the Convertible Notes bears a fixed return of 5% to the investors who also have an upside potential for converting the Convertible Notes into Shares in the future. However, the payment of dividend in holding Shares is uncertain. As such, it is sensible for the investors of the Convertible Notes to accept a premium on the conversion price while the Underwriter is just willing to accept a deep discount in subscription price of the Rights Issue.

As the Rights Issue will allow Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Directors consider that it is an appropriate method to raise funds.

BUSINESS REVIEW AND PROSPECTS

1. Business review

The Group managed to reduce its losses for the financial year ended 31 December 2004 (the "Period"), the Group registered a consolidated loss of HK\$16,810,024, comparing with a loss of HK\$25,433,132 for the same period in 2003. The loss was principally attributable to the provision made against the Group's investment. The reduction in loss was a result of the improvement in the local stock market. During the Period, the Group continued to focus on publicly listed companies.

The Hang Seng Index (the "Index" or "HSI") managed to stage a strong rebound after registering its year low of 10,917.65 in May 2004 in spite of the short-lived jitters triggered by the Legislative Council election in September 2004. Share price performances of selected companies, particularly those having plans and investments in the Macau Special Administrative Region, were strong in the last quarter of 2004. Having hit the year high of 14,339.06 on 2 December 2004, the HSI managed to finish the year with a 13.15% year-on-year gain. A total of approximately HK\$265,668.41 million were raised through initial public offers, rights issues and share placements among companies listed on the Main Board of the year ended 31 December 2004, representing a year-on-year increase of 27.09%. In the Growth Enterprises Market (the "GEM"), a total of HK\$5,279.69 million were also raised by various companies, 13.68% more than the corresponding period in the previous year.

2. Prospects

Hong Kong economy is witnessing a gradual recovery, which may provide better opportunities in the market enabling the Company to achieve its investment targets. In anticipation of such improvement and to further enhance the financial flexibility and to erase part of the Company's accumulated losses, the Board put forward proposals to raise its authorized capital and reduce its share capital recently. Details are presented in a separate circular dispatched to shareholders of the Company in January 2005. The Board believes that these corporate exercises would help the Group build a stronger platform for capturing opportunities.

LETTER FROM THE BOARD

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

The Company had conducted the following fund raising exercises in the past 12 months from the date of this circular.

Description	Announcement date	Net Amount raised	Date of mandates granted	Intended use of proceeds as announced	Actual use of proceeds
Rights Issue	2 November 2004	HK\$12.2 million	N/A	Repayment of outstanding interest-bearing borrowings and future possible investments	Approximately HK\$7 million for repayment of outstanding interest-bearing borrowings and the remaining balance as investments
Placing of Shares	10 January 2005	HK\$2.18 million	30 April 2004	Used as the Group's general working capital	Fully utilized as intended
Placing of Shares	20 May 2005	HK\$3.44 million	25 April 2005	Repayment of outstanding interest bearing borrowings and general working capital	Fully utilized for repayment of outstanding interest-bearing borrowings
Placing of Convertible Notes	20 May 2005	HK\$19.6 million	N/A	Approximately HK\$18 million to repay the outstanding interest-bearing borrowings and the balance as general working capital	Fully utilized as intended
Total		<u>HK\$37.42 million</u>			

LETTER FROM THE BOARD

Apart from the Rights Issue, the Company had conducted four separate exercises to raise funds for an aggregate net amount of HK\$37.42 million, out of which HK\$28.44 million, HK\$5.2 million and HK\$3.78 million had been applied for the repayment of outstanding interest bearing borrowings, investments and general working capital respectively, representing approximately 76%, 13.90% and 10.1% of the total funds respectively. Accordingly, most of the funds are used for reducing the borrowings of the Company which unlike the Rights Issue the net proceeds of which are mainly intended to apply for investments of the Company.

Moreover, out of the above four fund raising exercises, two were from placing of Shares as announced on 10 January 2005 and 20 May 2005 respectively to raise an aggregate amount of HK\$5.62 million, representing approximately 15% of the total funds raised. The Directors are of the view that it is more difficult for the Company to raise large amount of funds by way of placing when compared with that of the Rights Issue. In order to relieve the pressure for conducting future fund exercises, the Directors consider it appropriate for the Company to raise funds by the Rights Issue as it can raise a net amount of at least HK\$50.5 million which is more than the aggregate amount of HK\$37.42 million from the previous four fund raising exercises.

The Directors are of the view that the Company has sufficient funds to meet its current working capital requirements after the Rights Issue and has no immediate intention to issue further new Consolidated Shares to raise funds. The Group may however raise further funds in future if there is such requirement, including if opportunities for new businesses or investments arise.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Listing Rules have recently been amended by the Stock Exchange by replacing the Code of Best Practice in Appendix 14 by a new Code on Corporate Governance Practices and adding a new Appendix 23 on the requirements for a Corporate Governance Report to be included in annual reports of listed issuers. Subject to certain transitional arrangements, the amendments took effect on 1 January 2005.

Following a review of the Company's corporate governance practices with reference to the Code on Corporate Governance Practices, the Directors proposed to amend the existing articles of association of the Company at the EGM to ensure compliance with the Code on Corporate Governance Practices. Pursuant to Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Accordingly, the articles of association of the Company will also be amended to specify that notwithstanding any other provisions in the existing articles of association of the Company, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than, instead of not greater than, one-third) shall retire from office by rotation. As a result of the said proposed amendment, every Director will be subject to retirement by rotation at least once every three years in compliance with the Code Provision A.4.2. Code Provision A.4.2 also provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Accordingly, the

LETTER FROM THE BOARD

articles of association of the Company will be amended to specify that any Director appointed to fill a casual vacancy shall hold office until the next following general meeting, instead of the next following annual general meeting.

The Directors also propose to amend the existing articles of association of the Company so that the Board will consist of a maximum of 7 Directors. Currently, the Board comprises 7 Directors.

EGM

Set out on pages 71 to 75 of this circular is a notice of the EGM to be held 30th Floor, China United Center, 28 Marble Road, North Point, Hong Kong at 8:45 a.m. on Tuesday, 13 September 2005 (or any adjournment thereof) at which resolutions will be proposed to be considered and, if thought fit, be passed by Shareholders, where applicable:

- (a) the Share Consolidation;
- (b) the Rights Issue; and
- (c) the amendments to the articles of association of the Company.

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. As at the Latest Practicable Date, to the best knowledge of the Directors, the Company does not have any controlling Shareholder (as defined in the Listing Rules) and none of the Directors and their respective associates hold any Shares. Accordingly, no Shareholders will abstain from voting on the resolution to approve the Rights Issue at the EGM.

Enclosed with this circular is a form of proxy for use at the EGM. You are requested to complete the form of proxy and return it to the Company's office at 30th Floor, China United Center, 28 Marble Road, North Point, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding of EGM, whether or not you intend to be present in person at the EGM. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

Pursuant to Article 100 of the articles of association of the Company, at any general meeting, a resolution put to the vote of the meeting will be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least five members present in person or by proxy and entitled to vote; or

LETTER FROM THE BOARD

- (iii) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (iv) any member or members present in person or by proxy and holding Shares conferring a right to vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

RECOMMENDATION

In relation to the Rights Issue, your attention is drawn to the letter from the Independent Board Committee on page 27 and the letter from Menlo Capital set out on pages 29 to 38 of this circular. The Directors believe that the proposed resolutions in relation to the Share Consolidation, the Rights Issue and the amendments to the articles of association of the Company are in the interest of the Company and the Shareholders as a whole and, accordingly, the Directors recommend the Shareholders to vote in favour of the aforesaid resolutions to be proposed at the EGM.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The information contained herein relating to the Company has been supplied by the Directors, who collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading insofar as it relates to the Company.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I to II to this circular.

Yours faithfully,
For and on behalf of
Unity Investments Holdings Limited
合一投資控股有限公司
Pang Shuen Wai, Nichols
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Shareholders regarding the terms of the Rights Issue:



Unity Investments Holdings Limited

合一投資控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 913)

18 August 2005

To the Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TEN RIGHTS SHARES FOR EVERY CONSOLIDATED SHARE HELD

We refer to the circular of the Company dated 18 August 2005 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalized terms and herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Shareholders as to whether the terms of the Rights Issue is fair and reasonable insofar as the Shareholders are concerned and whether the Rights Issue is in the interest of the Company and the Shareholders as a whole. Menlo Capital Limited (“Menlo”) has been appointed as the independent financial adviser to advise you and us in this respect.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from Menlo to the Independent Board Committee and the Shareholders which contains its advice to us in relation to the Rights Issue as set out in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal reasons and factors considered by, and the advice of, Menlo as set out in its letter of advice on pages 29 to 38 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Right Issue.

Yours faithfully,

For and on behalf of

Independent Board Committee

Lam Ping Cheung

Chung Kong Fei, Stephen

Tsang Wing Ki

Wong Ying Seung, Asiong

Independent non-executive Directors

LETTER FROM MENLO CAPITAL

The following is the text of a letter from Menlo Capital Limited in connection with the Rights Issue which has been prepared for the purpose of inclusion in this circular:



Menlo Capital Limited

Room 505, Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

18 August 2005

*To the Independent Board Committee and the Shareholders of
Unity Investments Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TEN RIGHTS SHARES FOR EVERY CONSOLIDATED SHARE HELD

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 18 August 2005 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Subject to the Share Consolidation becoming effective, the Company proposes to raise approximately HK\$52.79 million before expenses (assuming no conversion of the Convertible Notes on or before the Record Date) to approximately HK\$92.79 million before expenses (assuming full conversion of the Convertible Notes on or before the Record Date) by way of the Rights Issue of issuing not less than 527,876,000 Rights Shares and not more than 927,876,000 Rights Shares at a price of HK\$0.1 per Rights Share payable in full on acceptance. Given that the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. As at the Latest Practicable Date, to the best knowledge of the Directors, the Company does not have any substantial shareholder (as defined in the Listing Rules) and none of the Directors and their respective associates hold any Shares. Accordingly, no Shareholders will abstain from voting on the resolution(s) to approve the Rights Issue at the EGM.

LETTER FROM MENLO CAPITAL

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have not considered the taxation implications on Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Shareholders in respect of the Rights Issue, we have taken the following principal factors and reasons into consideration:

(I) Reasons for the Fund Raising

The Group is an investment holding company listed pursuant to Chapter 21 of the Listing Rules and principally engaged in investment in listed and unlisted companies in Hong Kong.

As most of the Company's investments are held for medium-term to long-term capital appreciation, the Directors consider that it is inappropriate to make unscheduled liquidation of its investments to generate additional cash for general working capital before the investments achieving the pre-determined targets. Given the limited size of the Company's shareholders' equity, the Company does not have the financial flexibility to make timely investments even though investment opportunities arise. The Directors consider there is a need to raise additional funds for investment and working capital of the Group.

LETTER FROM MENLO CAPITAL

We have discussed with the Directors on the issue relating to the frequency of the fund raising exercises by the Company over the past 12 months, details of which can be referred to the section headed “Previous fund raising exercise of the Company” in the Board Letter. Apart from the Rights Issue, the Company had conducted four separate exercises to raise funds for an aggregate net amount of HK\$37.42 million, out of which HK\$28.44 million, HK\$5.2 million and HK\$3.78 million had been applied for the repayment of outstanding interest bearing borrowings, investments and general working capital respectively, representing approximately 76%, 13.90% and 10.1% of the total funds respectively. Accordingly, most of the funds are used for reducing the borrowings of the Company.

Based on the above, we are of the view that it is in the interests of the Company and the Shareholders to raise additional finance for investment and working capital of the Group.

(II) Reasons for the Rights Issue

We have discussed with the Directors on the alternatives to raise funds for the Group. Given the existing financial position of the Group, we share the view of the Directors that for long term financial planning it is reasonable for the Company to raise funds in the equity capital market rather than in the debt market as the latter will increase the interest burden and worsen the gearing position of the Group. Regarding the equity capital market, as the previous placings of Shares and the Convertible Notes by the Company over the past twelve months had dilution effect on the Shareholders, we believe that it will not be in the best interest of the Shareholders to further dilute their shareholdings if equity financing in the size comparable to the Rights Issue were raised through a placing of new Shares. Unlike other methods of fund raising, the Rights Issue is effected on a pro-rata basis and we are of the view that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interest in the Company and to continue to participate in the future development of the Group. Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. On this basis, we consider the Rights Issue is fair and reasonable to the Shareholders.

Moreover, out of the above four fund raising exercises, two were from placing of Shares as announced on 10 January 2005 and 20 May 2005 respectively to raise an aggregate amount of HK\$5.62 million, representing approximately 15% of the total funds raised. As advised by the Directors, it was more difficult for the Company to raise large amount of funds by way of placing when compared with that of the Rights Issue. In order to relieve the pressure for conducting future fund exercises, it is appropriate for the Company to raise funds by the Rights Issue as it can raise a net amount of at least HK\$50.5 million which is more than the aggregate amount of HK\$37.42 million from the previous four fund raising exercises. Based on the above, we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM MENLO CAPITAL

As disclosed in the circular in relation to the Convertible Notes, efforts had been made by the Company in approaching potential underwriters for a possible rights issue or open issue exercises. Since May 2005, the Company has developed a tighter business relationship with the Underwriter, who was the placing agent for both the placing of Shares and the Convertible Notes as announced by the Company on 20 May 2005. With the success of these placings, the Company started negotiation with the Underwriter in July 2005 and finally an underwriting arrangement for the Rights Issue was reached between the Company and the Underwriter.

In light of the above, we are of the view that the Rights Issue is the most appropriate type of fund raising method under this circumstance.

(III) Use of proceeds of the Rights Issue

The estimated net proceeds of the Rights Issue will be between HK\$50.5 million (assuming no conversion of the Convertible Notes on or before the Record Date) and HK\$90.1 million (assuming full conversion of the Convertible Notes on or before the Record Date). The Company plans to use the net proceeds as (i) approximately HK\$5 million for the general working capital of the Group; and (ii) the balance of between approximately HK\$45.5 million to HK\$85.1 million for future possible investments, if opportunities arise.

As at the Latest Practicable Date, there is no specific investments identified by the Company. Notwithstanding the above, the Directors remain optimistic about the long-term prospects of the economy and stock markets in Hong Kong and the PRC. The Directors believe that as the economy of Hong Kong is picking up, more investments opportunities can be identified in the near future. For other types of companies, the investment decisions may take a relatively long time involving the selecting process, feasibility studies, negotiation process, due diligence review and accordingly may have more time to raise funds for such investments. However, for a typical Chapter 21 company in which the Company belongs, the decision of making investments in listed and unlisted companies may take a very short time and there is no certainty that such cash resources will be available for those investments that may be identified by the Group. In the event that the Group identifies a suitable investment opportunity but does not have sufficient cash resources on hand or it cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favourable investment.

Based on the above, we are of the view that the proceeds from the Rights Issue could improve the cash and working capital position of the Group while giving the Group the flexibility to make future possible investments if opportunities arise. Moreover, the overall improvement of the financial position as a result of the proceeds from the Rights Issue could place the Group in a better position to secure future bank borrowings, if required, for funding future investments, which is beneficial to the future development of the Group and therefore is in the interests of the Company and the Shareholders as a whole.

LETTER FROM MENLO CAPITAL

(IV) Terms for the Rights Issue

The subscription price for the Rights Shares is HK\$0.1 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price represents:

- (a) a discount of about 62.96% to the closing price of HK\$0.27 per Consolidated Share (based on the closing price of HK\$0.027 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (b) a discount of about 13.04% to the theoretical ex-rights price of approximately HK\$0.115 per Consolidated Share (based on the closing price of HK\$0.027 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (c) a discount of about 65.52% to the average closing price of approximately HK\$0.29 per Consolidated Share (based on the average closing price of HK\$0.029 per Share for the ten trading days ended on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (d) a discount of about 33.33% to the closing price of HK\$0.15 per Consolidated Share (based on the closing price of HK\$0.015 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation); and
- (e) a discount of approximately 95.24% to the net asset value per Consolidated Share of HK\$2.10 (based on the unaudited consolidated net asset value of the Group as at 30 June 2005 and the then issued Shares and adjusted for the effect of the Share Consolidation).

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Share prior to the Last Trading Day, market responses of the most recent placing of Shares and the prevailing market conditions. The Directors consider that the prolonged thin trading volume of Shares mainly attributes to the resolution of setting the subscription price of the Rights Shares at a discount on the latest average closing price and net asset value. The enhancement in the Company's future profitability resulting from saving of interest expenses and reducing arrangement fees after the Rights Issue will recompense the dilution of the net asset value per Share from a long term prospective. The Directors therefore consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LETTER FROM MENLO CAPITAL

We have reviewed and included, so far as we are aware, all the companies listed on the main board of the Stock Exchange which have announced rights issues during the period from 1 January 2005 up to and including the Latest Practicable Date. We are mindful of the fact that the pricing of a rights issue may vary under different stock market condition as well as for companies with different financial standing and business performance. Nevertheless, we consider that a broader comparison of rights issues announced recently would provide a more general reference during a comprehensive period for the reasonableness of the pricing of the Rights Issue which is appropriate and relevant. The terms of the rights issues conducted by all these listed companies (the “Comparables”) are summarized as below:

Company (Stock Code)	Date of announcement	Offer Ratio	Discount of subscription price to closing price of shares on the last trading day prior to date of announcement (%)	Discount of subscription price to theoretical ex-right price (%)	Discount of subscription price to net asset value per share (%)
Tonic Industries Holdings Limited (978)	28 January 2005	1 for 2	25.90	18.90	67.10
Hang Fung Gold Technology Limited (870)	7 February 2005	1 for 3	12.93	10.02	22.31
New World China Land Limited (917)	18 February 2005	3 for 2	30.00	14.60	74.50
					premium
Radford Capital Investment Limited (901)	4 March 2005	1 for 1	48.24	31.78	4.76
MAE Holdings Limited (851)	1 April 2005	1 for 1	61.50	44.40	53.10
Takson Holdings Limited (918)	4 April 2005	1 for 5	37.50	33.30	24.80
China Rich Holdings Limited (1191)	4 April 2005	1 for 2	0.00	0.00	75.73
Ruilu Holdings Limited (491)	29 April 2005	3 for 1	58.70	26.20	(Note 1)
Lai Sun Garment (International) Limited (191)	18 May 2005	1 for 8	5.70	5.10	68.35
Hualing Holdings Limited (382)	19 May 2005	3 for 2	56.50	34.20	(Note 1)
SNP Leefung Holdings Limited (623)	25 May 2005	1 for 4	14.29	11.76	35.83
Wealthmark International Limited (39)	7 July 2005	1 for 2	14.29	10.00	(Note 1)
Zhong Hua International Holdings Limited (1064)	19 July 2005	1 for 2	65.80	26.90	80.90
Asia Alliance Holdings Limited (616) (Note 2)	22 July 2005	10 for 1	53.50	9.50	66.70
Symphony Holdings Limited (1223)	27 July 2005	1 for 2	61.80	51.90	20.00
Garron International Limited (1226)	9 August 2005	5 for 1	90.48	61.54	94.41
			39.82	24.38	52.23
			50.87	22.55	53.10
The Company (913) (Note 3)	26 July 2005	10 for 1	62.96	13.04	95.24

Notes:

1. The companies are in net liabilities position.
2. Assuming the consolidation of every 10 shares in the issued and unissued share capital of the company into one consolidated share in the issued and unissued share capital of the company has taken place.
3. Assuming Share Consolidation has taken place.

Source: The Stock Exchange of Hong Kong Limited

LETTER FROM MENLO CAPITAL

As noted from the above table,

1. the discounts of subscription prices to the closing prices on the last trading day prior to the dates of announcements of the Comparables ranged from approximately 00.0% to 90.48% (the “First Relevant Range”), with the mean and median of approximately 39.82% and 50.87% respectively. The discount of the subscription price of the Rights Issue to the closing price of the Consolidated Shares on the Last Trading Day is approximately 62.96%, which is higher than mean and median but falls within the First Relevant Range of the Comparables;
2. the discounts of the subscription prices to the theoretical ex-rights prices per share based on the last trading day prior to the dates of the announcements in relation to the Comparables ranged from approximately 0.00% to 61.54% (the “Second Relevant Range”), with the mean and median of approximately 24.38% and 22.55% respectively. The discount of the subscription price of the Rights Issue to the theoretical ex-rights price per Consolidated Share of approximately 13.04% based on the closing price of the Consolidated Shares on the Last Trading Day is slightly lower than the mean and median but falls within the Second Relevant Range of the Comparables; and
3. the discounts of the subscription prices to the net asset value per share of the Comparables ranged from 22.31% to 94.41% (the “Third Relevant Range”), with the mean and median of approximately 52.23% and 53.10% respectively. The discount of the subscription price of the Rights Issue to the net asset value per Consolidated Share of approximately 95.24% is higher than the mean and median and falls outside the Third Relevant Range.

The discounts of the subscription price of the Rights Issue fall within the First Relevant Range and the Second Relevant Range. As also shown in the above table, other than the rights issue of Asian Alliance Holdings Limited with offer ratio of 10 for 1 (which has the same offer ratio of the Rights Issue), other rights issues of the Comparables involved smaller offer ratio.

The Company is a Chapter 21 issuer. The Company’s assets comprise mainly financial assets to which the net asset value approximates the market value. However, it is common to offer higher discount rates for the rights issues involved heavy calls (i.e. higher offer ratio) on shareholders in order to enhance the attractiveness to the shareholders as well as the underwriters. Despite the fact that the subscription price of the Rights Issue to the net asset value per Consolidated Share represents a relatively deeper discount to the relevant mean and median of that of the Comparables, all Qualifying Shareholders who take up their entitlements in full under the Rights Issue are entitled with the same discount.

We consider that the subscription price of the Rights Issue is on normal commercial terms and is generally in line with that of the Comparables and therefore is fair and reasonable so far as the Shareholders are concerned.

LETTER FROM MENLO CAPITAL

(V) Effect on shareholding interests of the Shareholders

For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

For those Qualifying Shareholders who do not take up in full their entitlements under the Rights Issue, depending on the extent to which they take up the Rights Shares, their attributable interests in the Company will be diluted after completion of the Rights Issue. The maximum dilution in shareholding for those Shareholders who do not take up any of their entitlements under the Rights Issue is 90.90%.

The nil-paid Rights Shares will be traded on the Stock Exchange. Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions.

Taking into consideration the foregoing, we consider that the Rights Issue is an equitable method for all Shareholders as a whole to raise new equity capital for the Company as Shareholders can choose to participate in the Rights Issue or, if they are unwilling or unable to do so, to dispose of their entitlements nil-paid in the market at a premium if one can be obtained.

We consider the Rights Issue is a fair and reasonable method to raise funds, as the Rights Issue will allow Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company.

(VI) Financial effects of the Rights Issue

(a) Net tangible assets

The effect on the unaudited pro forma consolidated net tangible assets of the Group immediately after completion of the Rights Issue are set out on page 60 in Appendix I to this circular.

The subscription price for the Rights Shares is HK\$0.1 per Rights Share, representing a discount of approximately 95.24% to the net asset value per Consolidated Share of HK\$2.10 (based on the unaudited consolidated net asset value of the Group as at 30 June 2005 per Share), a discount of approximately 96.43% to the net asset value per Consolidated Share of HK\$2.80 (based on the audited consolidated net asset value of the Group as at 31 December 2004 per Share) or a discount of approximately 96.30% to the net asset value per Consolidated Share of HK\$2.70 (unaudited pro forma consolidated net tangible assets per Share).

LETTER FROM MENLO CAPITAL

The Directors are of the view that the deep discount of the subscription price to the net tangible asset value per Share presents a valuable opportunity for Qualifying Shareholders to take up the Rights Shares at a more attractive price while providing the Company with the necessary funding. We consider that the reduction in net tangible asset value per Share upon completion of the Rights Issue to be fair and reasonable.

We consider that the decrease in adjusted consolidated net tangible asset value per Consolidated Share immediately after the Rights Issue is not prejudicial to the Qualifying Shareholders due to the fact that the Qualifying Shareholders can take up their entitlements to the Rights Shares at the subscription price of HK\$0.1 per Rights Share which is at a discount to the adjusted consolidated net tangible asset value per Consolidated Share. We are of the view that the financial position of the Group will be improved after the Rights Issue.

(b) Gearing ratio and working capital

The gearing ratio (calculated as total liabilities divided by shareholders' equity) of the Group as at 31 December 2004 was approximately 0.044. The gearing ratio of the Group will be improved to approximately 0.030 (assuming no conversion of the Convertible Notes on or before the Record Date) or approximately 0.024 (assuming full conversion of the Convertible Notes on or before the Record Date).

The cash position and working capital (before any specific investments made) of the Group will be increased by the same amount of the actual net proceeds of the Rights Issue.

(VII) Underwriting arrangements

Pursuant to the Underwriting Agreement, the Underwriter will receive an underwriting commission of 2.5% of the aggregate subscription price for the underwritten Rights Shares. We have reviewed the underwriting commissions of the Comparables and noted that their underwriting commission ranged from 1.0% to 4.3%. On this basis, we consider that the underwriting commission of the Rights Issue is comparable to those of the Comparables.

It also should be noted that the Rights Issue would not proceed if the Underwriter exercises its termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the Board Letter. We consider such provisions are in normal commercial terms and in line with the market practice.

LETTER FROM MENLO CAPITAL

RECOMMENDATION

Having taking into consideration of the above principal factors and reasons, in particular:

- the net proceeds from the Rights Issue will improve the working capital position of the Group and provide the Company sufficient cash for future possible investments, if opportunities arise;
- the Rights Issue would enlarge the capital base of the Company;
- the Rights Issue would be a preferred method of equity financing as it will allow all Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group;
- the discounts represented by the subscription price of the Rights Issue to the closing price of the Shares (as adjusted for the effect of the Share Consolidation) and to the theoretical ex-rights price the Shares fall within the First Relevant Range and the Second Relevant Range; and
- those Qualifying Shareholders who do not intend to fully take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions.

we are of the view that the terms of Rights Issue are on normal commercial terms and are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Rights Issue will allow all Qualifying Shareholders to participate in the growth of the Group. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Menlo Capital Limited
Michael Leung
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following table summarises the results, assets and liabilities of the Group for the last three financial years, and was extracted from the published audited financial statements.

The Company's auditors have not issued any qualified opinion on the Group's financial statements for the three preceding years.

	For the year ended 31 December		
	2004	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Results			
Turnover	<u>125,003,049</u>	<u>15,525,940</u>	<u>38,667,190</u>
(Loss)/profit for the year	(16,810,024)	(25,433,132)	520,547
Taxation	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/profit attributable to shareholders	<u>(16,810,024)</u>	<u>(25,433,132)</u>	<u>520,547</u>
(Loss)/profit per Share			
Basic	<u>(7.19) cents</u>	<u>(15.22) cents</u>	<u>0.26 cents</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The Group does not have any extraordinary or exceptional items for each of the three years ended 31 December 2004.

	As at 31 December		
	2004	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Financial Position			
Total assets	111,659,357	112,930,251	137,105,247
Total liabilities	<u>(4,744,883)</u>	<u>(15,152,654)</u>	<u>(12,562,943)</u>
Shareholders' funds	<u>106,914,474</u>	<u>97,777,597</u>	<u>124,542,304</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2004

The financial information set out below is copied from pages 18 to 43 of the annual report of the Company for the financial year ended 31 December 2004. All information in this paragraph should be read in conjunction with the audited accounts which are included in the annual report of the Company for the financial year ended 31 December 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Turnover			
Proceeds from sale of trading securities	2	125,003,049	15,525,940
Cost of sales		<u>(133,065,935)</u>	<u>(8,641,821)</u>
Realised (loss)/gain on sale of trading securities		(8,062,886)	6,884,119
Unrealised gain/(loss) on trading securities		14,787,456	(27,038,224)
Impairment loss of investment securities	12	(20,000,000)	–
Other revenues	2	1,017,217	182,315
Administrative expenses		<u>(3,372,820)</u>	<u>(4,654,807)</u>
Operating loss	3	(15,631,033)	(24,626,597)
Finance costs	4	<u>(1,178,991)</u>	<u>(806,535)</u>
Loss before taxation		(16,810,024)	(25,433,132)
Taxation	5	<u>–</u>	<u>–</u>
Loss attributable to shareholders	6	<u><u>(16,810,024)</u></u>	<u><u>(25,433,132)</u></u>
Basic loss per share	7	<u><u>(7.19) cents</u></u>	<u><u>(15.22) cents</u></u>
Diluted loss per share	7	<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Fixed assets	<i>10</i>	141,954	256,087
Investment securities	<i>12, 14</i>	56,753,110	81,313,638
Current assets			
Trading securities	<i>13</i>	53,600,270	30,808,536
Deposits, prepayments and other receivables		108,926	193,479
Bank balances and cash		<u>1,055,097</u>	<u>358,511</u>
		----- 54,764,293	----- 31,360,526
Current liabilities			
Sundry payables and accruals		4,744,883	246,543
Bank overdraft – secured		<u>–</u>	<u>14,906,111</u>
		----- 4,744,883	----- 15,152,654
Net current assets		<u>50,019,410</u>	<u>16,207,872</u>
Total assets less current liabilities		<u>106,914,474</u>	<u>97,777,597</u>
Financed by:			
Share capital	<i>15</i>	38,400,000	20,000,000
Reserves	<i>16(a)</i>	<u>68,514,474</u>	<u>77,777,597</u>
Shareholders' funds		<u>106,914,474</u>	<u>97,777,597</u>

BALANCE SHEET

As at 31 December 2004

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Fixed assets	<i>10</i>	141,954	256,087
Investments in subsidiaries	<i>11</i>	20,574,473	144,468
Investment securities	<i>12, 14</i>	56,753,110	81,313,638
Current assets			
Trading securities	<i>13</i>	53,600,270	30,808,536
Deposits, prepayments and other receivables		108,926	193,479
Bank balances and cash		<u>1,055,082</u>	<u>358,511</u>
		----- 54,764,278	----- 31,360,526
Current liabilities			
Sundry payables and accruals		4,744,883	246,543
Bank overdraft – secured		<u>–</u>	<u>14,906,111</u>
		----- 4,744,883	----- 15,152,654
Net current assets		<u>50,019,395</u>	<u>16,207,872</u>
Total assets less current liabilities		<u><u>127,488,932</u></u>	<u><u>97,922,065</u></u>
Financed by:			
Share capital	<i>15</i>	38,400,000	20,000,000
Reserves	<i>16(b)</i>	<u>89,088,932</u>	<u>77,922,065</u>
Shareholders' funds		<u><u>127,488,932</u></u>	<u><u>97,922,065</u></u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Net cash outflow generated from operations	<i>18(a)</i>	(5,682,975)	(4,316,341)
Interest paid		<u>(1,178,991)</u>	<u>(806,535)</u>
Net cash outflow from operating activities		<u>(6,861,966)</u>	<u>(5,122,876)</u>
Investing activities			
Purchase of fixed assets		(62,999)	(157,226)
Net sale of listed investment securities		22,803,908	2,208,175
Investments in unlisted securities		(20,000,000)	–
Sale of fixed assets		3,000	–
Purchase of subsidiaries, net of cash acquired	<i>18(c)</i>	(8,999,984)	–
Dividends received		1,016,819	182,130
Interest received		<u>398</u>	<u>185</u>
Net cash (outflow)/inflow from investing activities		<u>(5,238,858)</u>	<u>2,233,264</u>
Net cash outflow before financing		<u>(12,100,824)</u>	<u>(2,889,612)</u>
Financing activities	<i>18(b)</i>		
Proceeds from rights issue		13,440,000	–
Proceeds from placements of shares		15,520,000	–
Share issue expenses		<u>(1,256,479)</u>	<u>–</u>
Net cash inflow from financing activities		<u>27,703,521</u>	<u>–</u>
Increase/(decrease) in cash and cash equivalents		15,602,697	(2,889,612)
Cash and cash equivalents at 1 January		<u>(14,547,600)</u>	<u>(11,657,988)</u>
Cash and cash equivalents at 31 December		<u>1,055,097</u>	<u>(14,547,600)</u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		1,055,097	358,511
Bank overdrafts		<u>–</u>	<u>(14,906,111)</u>
		<u>1,055,097</u>	<u>(14,547,600)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Total equity as at 1 January		97,777,597	124,542,304
Deficit on revaluation of investment securities	<i>16(a)</i>	(1,756,620)	(1,331,575)
(Loss) for the year	<i>16(a)</i>	(16,810,024)	(25,433,132)
Placements of shares		15,520,000	–
Rights issue		13,440,000	–
Share issue expenses	<i>16(a)</i>	<u>(1,256,479)</u>	<u>–</u>
Total equity as at 31 December		<u>106,914,474</u>	<u>97,777,597</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost conversion except that, as disclosed in the accounting policies below, investment securities are stated at fair value.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Negative goodwill

Negative goodwill represents the excess of fair value of the Group’s share of net assets acquired over the cost of acquisition, and is recognised in the profit and loss account immediately.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rate used for this purpose is 331/3%.

Major costs incurred in restoring fixed assets to its normal working condition to allow continued use are expensed as incurred.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Investment securities

(i) Investment securities

Investment securities which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Where there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(ii) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdraft.

(h) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

(j) Revenue recognition

Proceeds from sale of trading securities is recognised when the sale transaction is executed and completed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contribution payable by the Company to the fund.

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2. TURNOVER AND REVENUE

The Group is principally engaged in the investments in listed and unlisted companies. Revenues recognised during the year are as follows:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
Proceeds from sale of trading securities	125,003,049	15,525,940
	-----	-----
Other revenues		
Interest income	398	185
Dividend income from investment securities	1,016,819	182,130
	-----	-----
	1,017,217	182,315
	-----	-----
Total revenues	<u>126,020,266</u>	<u>15,708,255</u>

All of the Group's turnover, contribution to operating profit/(loss), assets and liabilities are attributable to the investments in listed and unlisted companies and accordingly no analysis of the Group's turnover, contribution to operating profit/(loss), assets and liabilities by principal activities is provided.

No geographical analysis is presented as all Group operations are carried out in Hong Kong.

3. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Crediting		
Negative goodwill recognised	369,016	–
Charging		
Auditors' remuneration	240,000	195,000
Depreciation	170,294	153,408
Loss on disposal of fixed assets	3,838	–
Staff costs, including directors' remuneration	586,076	1,104,200
Operating leases – land and buildings	740,796	894,286

4. FINANCE COSTS

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Interest on bank overdraft	698,334	806,535
Interest on other loans	480,657	–
	<u>1,178,991</u>	<u>806,535</u>

5. TAXATION

Hong Kong profits tax has not been provided in the accounts as the Group has no estimated assessable profit during the year (2003: nil).

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Loss before taxation	(16,810,024)	(25,433,132)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	(2,941,754)	(4,450,798)
Income not subject to taxation	(178,013)	(31,905)
Expenses not deductible for taxation purposes	5,250	8,391
Utilisation of previously unrecognised tax losses	(401,233)	–
Unrecognised tax losses (Note 17)	3,515,750	4,474,312
Taxation	<u>–</u>	<u>–</u>

6. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$3,619,966 (2003: Loss of HK\$25,310,179).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's profit attributable to the shareholders of HK\$16,810,024 (2003: HK\$25,433,132).

The basic loss per share is based on the weighted average of 233,651,275 (2003: 167,101,831 being adjusted to reflect the effect of rights issue in November 2004) ordinary shares in issue during the year.

Diluted loss per share has not been presented for the year as there was no dilutive effect.

8. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Wages and salaries	43,310	87,000
Pension costs – defined contribution plan	2,166	32,700
	<u>45,476</u>	<u>119,700</u>

The pension costs charged to the profit and loss account represent contributions paid or payable by the Group to the Mandatory Provident Fund Scheme (the "MPF Scheme").

During the year, the Group's contributions charged to the profit and loss account amounted to HK\$15,166 (2003: HK\$32,700). As at 31 December 2004, there was no contribution payable to the MPF Scheme (2003: Nil).

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**(a) Directors' emoluments**

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Fees	135,000	131,000
Other emoluments	405,600	886,200
	<u>540,600</u>	<u>1,017,200</u>

Directors' fees disclosed above include HK\$135,000 (2003: HK\$131,000) paid to independent non-executive directors.

All emoluments of directors fell within the emolument band of HK\$Nil to HK\$1,000,000 for the year ended 31 December 2004 and 2003.

None of the directors waived emoluments in respect of the year ended 31 December 2004 and 2003.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2003: four) directors whose emoluments are reflected in the analysis presented in note 9(a) above. The emoluments payable to the remaining individuals were as follows:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Basic salaries, housing allowances, other allowances and benefits in kind	43,310	114,000
Contributions to pension scheme	2,166	5,700
	<u>45,476</u>	<u>119,700</u>

(c) Share options granted to the directors of the Company

Under the share option scheme (the "Scheme") approved by the shareholders of the Company in 2003, the directors of the Company may grant options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. No share options were granted under the Scheme during the year.

10. FIXED ASSETS

	Group and Company			Total
	Leasehold improvements	Office equipment	Furniture and fixtures	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cost				
At 1 January 2004	167,170	129,834	163,681	460,685
Additions	–	62,999	–	62,999
Disposals	–	(16,388)	–	(16,388)
	<u>167,170</u>	<u>176,445</u>	<u>163,681</u>	<u>507,296</u>
	-----	-----	-----	-----
Accumulated depreciation				
At 1 January 2004	69,243	53,597	81,758	204,598
Charge for the year	55,668	60,119	54,507	170,294
Disposals	–	(9,550)	–	(9,550)
	<u>124,911</u>	<u>104,166</u>	<u>136,265</u>	<u>365,342</u>
	-----	-----	-----	-----
Net book value				
At 31 December 2004	<u>42,259</u>	<u>72,279</u>	<u>27,416</u>	<u>141,954</u>
	-----	-----	-----	-----
At 31 December 2003	<u>97,927</u>	<u>76,237</u>	<u>81,923</u>	<u>256,087</u>
	-----	-----	-----	-----

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 HK\$	2003 HK\$
Investments at cost – Unlisted shares	79	78
Loans to subsidiaries	20,574,394	144,390
	<u>20,574,473</u>	<u>144,468</u>

The loans to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following is a list of details of subsidiaries held by the Company at 31 December 2004:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				2004	2003
Moving Target Co., Ltd.	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	10 ordinary shares of US\$1 each	100% ¹	100% ¹
Vision Gate Enterprises Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100% ¹	–
Anchor Talent Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	–

¹ Shares held directly by the Company.

12. Investment securities

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Equity securities:				
Listed in Hong Kong, at market value	56,753,110	81,313,638	56,753,110	81,313,638
Unlisted in Hong Kong, at cost	20,000,000	–	–	–
Less: Provision for impairment loss	(20,000,000)	–	–	–
Total investment securities	<u>56,753,110</u>	<u>81,313,638</u>	<u>56,753,110</u>	<u>81,313,638</u>

As at 31 December 2004, the carrying amount of interests in the following companies exceeded 10% of total assets of the Group and the Company.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Yugang International Limited	Bermuda	Packaging business and property investment business	Ordinary shares of HK\$0.01 each	4.2%
Hennabun Management International Limited (formerly named as Hennabun Management Inc) (“HMI”) (Notes)	The British Virgin Islands	Provision of brokerage and financial services	Ordinary shares of US\$0.1 each	3.0%

Notes:

During the year, the Group invested HK\$20 million to purchase 3.37% interest in HMI, a company incorporated in the British Virgin Islands with limited liability, which principally engaged in investment holding and its subsidiaries engaged in securities trading, investment holding and provision of brokerage and financial services.

Several other transactions/relationships with HMI, in relation to the Company’s operation and investments, have been noted and are disclosed as follows:

- (a) HMI was the holding company of CU Investment Management Limited (“CUIM”), which is the investment manager of the Company, as at 31 December 2003; and is the holding company CU Corporate Finance Limited, Chung Nam Securities Limited and Radland, which are the financial advisor and securities brokers of the Company respectively, as at 31 December 2004.
- (b) Wong Ying Seung, Asiong, an independent non-executive director of the Company, is also a director of CUIHL which held 42.03% interest in HMI as at 31 December 2004.

During the year, the Group disposed all its shares in CUIHL (2003: 20,880,080 shares).

- (c) Radford Capital Investment (“Radford”), being a substantial shareholder of the Company as disclosed in the Report of the Directors, was a former subsidiary of HMI with 29% interests as at 31 December 2003. During the year, HMI disposed its interests in Radford and is not a subsidiary as at 31 December 2004. In addition, the Company was holding an investment in Radford which is included in the note of trading securities (note 13).

13. TRADING SECURITIES

	Group and Company	
	2004 HK\$	2003 HK\$
Equity securities, at market value Listed in Hong Kong (Notes)	53,600,270	30,808,536

Notes:

- (a) At 31 December 2004, the carrying amount of interests in the following listed equity securities exceeded 10% of total assets of the Group and the Company.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
China Sci-Tech Holdings Limited ("China Sci-Tech")	Bermuda	Property investment, holding investment in trading securities and provision of brokerage and financial services	Ordinary shares of HK\$0.01 each	14.3%

- (b) The balance included investments in Heritage and Radford of HK\$1,998,500 and HK\$159,600 respectively.
- (c) Lo Ki Yan, Karen, a substantial shareholder of the Company, is also a substantial shareholder of China Sci-Tech and Heritage during the year. On 1 March 2005, Lo Ki Yan, Karen also became a director of Heritage.

14. PLEDGE OF ASSETS

As at 31 December 2004, margin facilities from a financial institution were granted to the Company which were secured by the Company's investment and trading securities. As at 31 December 2004, a total amount of HK\$3,876,000 has been utilised against these facilities.

15. SHARE CAPITAL

	2004 HK\$	2003 HK\$
<i>Authorised:</i>		
400,000,000 (2003: 400,000,000) ordinary shares of HK\$0.1 each	40,000,000	40,000,000
<i>Issued and fully paid:</i>		
384,000,005 (2003: 200,000,004) ordinary shares of HK\$0.1 each	38,400,000	20,000,000

A summary of movement of the Company's issued share capital is as follows:

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$
At 1 January 2003	200,000,004	20,000,000
Issue of shares	–	–
At 31 December 2003 and 1 January 2004	200,000,004	20,000,000
Placements of new shares (<i>Note (a)</i>)	88,000,000	8,800,000
Rights issue (<i>Note (b)</i>)	96,000,001	9,600,000
At 31 December 2004	384,000,005	38,400,000

Notes:

- (a) Pursuant to the two placement agreements dated 18 December 2003 and 27 February 2004, 40,000,000 and 48,000,000 new ordinary shares of HK\$0.1 each were allotted and issued for cash to independent third parties at a price of HK\$0.148 and HK\$0.20 per share on 8 January 2004 and 30 March 2004, respectively, for total cash considerations of HK\$15,520,000 before share issue expenses.
- (b) 96,000,001 ordinary shares (the “Rights Shares”) were issued at a price of HK\$0.14 per rights share on the basis of one rights share for every three ordinary shares held on 24 November 2004 for total cash considerations of approximately HK\$13,440,000 before share issue expenses.

16. RESERVES**(a) Group**

	Share premium HK\$	Investment revaluation reserve HK\$	Retained earnings/ (Accumulated losses) HK\$	Total HK\$
At 1 January 2003	74,031,922	23,090,522	7,419,860	104,542,304
Deficit on revaluation of investment securities	–	(1,331,575)	–	(1,331,575)
Loss for the year	–	–	(25,433,132)	(25,433,132)
At 31 December 2003	<u>74,031,922</u>	<u>21,758,947</u>	<u>(18,013,272)</u>	<u>77,777,597</u>
At 1 January 2004	74,031,922	21,758,947	(18,013,272)	77,777,597
Deficit on revaluation of investment securities	–	(1,756,620)	–	(1,756,620)
Loss for the year	–	–	(16,810,024)	(16,810,024)
Issues of shares	10,560,000	–	–	10,560,000
Share issue expenses	(1,256,479)	–	–	(1,256,479)
At 31 December 2004	<u>83,335,443</u>	<u>20,002,327</u>	<u>(34,823,296)</u>	<u>68,514,474</u>

(b) Company

	Share premium <i>HK\$</i>	Investment revaluation reserve <i>HK\$</i>	Retained earnings/ (Accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2003	74,031,922	23,090,522	7,441,375	104,563,819
Deficit on revaluation of investment securities	–	(1,331,575)	–	(1,331,575)
Loss for the year	–	–	(25,310,179)	(25,310,179)
At 31 December 2003	<u>74,031,922</u>	<u>21,758,947</u>	<u>(17,868,804)</u>	<u>77,922,065</u>
At 1 January 2004	74,031,922	21,758,947	(17,868,804)	77,922,065
Deficit on revaluation of investment securities	–	(1,756,620)	–	(1,756,620)
Profit for the year	–	–	3,619,966	3,619,966
Issues of shares	10,560,000	–	–	10,560,000
Share issue expenses	(1,256,479)	–	–	(1,256,479)
At 31 December 2004	<u>83,335,443</u>	<u>20,002,327</u>	<u>(14,248,838)</u>	<u>89,088,932</u>

The Company had a distributable reserve of HK\$69,086,605 as at 31 December 2004 (2003: HK\$56,163,118), represented by the sum of share premium and retained earnings/(accumulated losses) of the Company. Under the Companies Law of the Cayman Islands, share premium of the Company is distributable to the shareholders, which is subject to a solvency test.

17. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has estimated unrecognised tax losses of HK\$31,611,322 (2003: HK\$28,095,572) to carry forward against future taxable income. These estimated tax losses have not been accounted for in the accounts due to uncertainty on their future realisation.

18. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit/(loss) to net cash outflow generated from operations

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Operating loss	(15,631,033)	(24,626,597)
Depreciation	170,294	153,408
Loss on disposals of fixed assets	3,838	–
Unrealised (gain)/loss on trading securities	(14,787,456)	27,038,224
Impairment loss of investment securities	20,000,000	–
Interest income	(398)	(185)
Dividend income	(1,016,819)	(182,130)
Negative goodwill	<u>(369,016)</u>	<u>–</u>
Operating (loss)/profit before working capital changes	(11,630,590)	2,382,720
Decrease/(Increase) in trading securities	1,364,722	(8,059,260)
Decrease in deposits, prepayments and other receivables	84,553	1,625,977
Increase/(decrease) in sundry payables and accruals	<u>4,498,340</u>	<u>(265,778)</u>
Net cash outflow generated from operations	<u><u>(5,682,975)</u></u>	<u><u>(4,316,341)</u></u>

(b) Analysis of changes in financing during the year

	Share capital including premium	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
At 1 January	94,031,922	94,031,922
Net cash inflow from rights issue and placements of shares	<u>27,703,521</u>	<u>–</u>
At 31 December	<u><u>121,735,443</u></u>	<u><u>94,031,922</u></u>

(c) Purchases of subsidiaries

	2004 <i>HK\$</i>
Net assets acquired	
Trading securities	9,369,016
Negative goodwill	<u>(369,016)</u>
	<u><u>9,000,000</u></u>
Satisfied by cash	<u><u>9,000,000</u></u>

The subsidiaries acquired during the year contributed HK\$8,999,984 to the Group's net operating cash flow.

Analysis of the net outflow in respect of the purchases of subsidiaries:

	2004 <i>HK\$</i>
Cash consideration	9,000,000
Bank balances and cash in hand acquired	(16)
	<hr/>
Net cash outflow in respect of purchases of subsidiaries	<u>8,999,984</u>

19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Not later than one year	740,796	620,796
Later than one year and not later than five years	679,718	13,864
	<hr/>	<hr/>
	<u>1,420,514</u>	<u>634,660</u>

20. RELATED PARTY TRANSACTIONS

Except as disclosed in note 12 and elsewhere in these accounts, significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Investment management fee paid to a related company	<i>(a)</i>	995,386	1,105,139
Interest expense paid to a related company	<i>(b)</i>	64,390	–
		<hr/>	<hr/>

Notes:

- (a) Pursuant to an investment management agreement (the "Agreement") dated 5 November 2003 between the Company and CU Investment Management Limited ("CUIM"), CUIM has been providing the Group with investment management services from 5 November 2003 to 4 November 2004. Under this arrangement, CUIM was entitled to a monthly management fee payable in advance at 1% per annum of the net asset value of the Group at the end of preceding month on the basis of actual number of days in the relevant calendar month over a year of 365 days. The Agreement was expired on 4th November 2004 and a new agreement was entered on 5 November 2004. Under this new agreement, a flat rate of HK\$50,000 is charged on a monthly basis.

Dr. Pang Shuen Wai, Nichols, an executive director of the Company, is a director of CUIM, which was a former subsidiary of HMI (see note 12).

- (b) A loan of HK\$5 million has been drawn from Double Smart Finance Limited ("Double Smart"), a subsidiary of Heritage, during the year at an interest of prime plus 2% per annum. The whole amount was fully settled before the year end with a total interest expense of HK\$64,390.

21. SUBSEQUENT EVENTS**(i) Issue of new shares**

On 10 January 2005, the Company entered into an agreement with an independent third party (the "Subscriber") to issue 15,998,000 ordinary shares of HK\$0.10 each at HK\$0.14 per share, raising net proceeds of approximately HK\$2.18 million which will be utilised for working capital purpose. The subscription shares were subsequently allotted and issued to the Subscriber on 28 January 2005.

(ii) Proposed increase in authorised share capital, proposed capital reorganisation and refreshment of share option mandate limit

On 11 January 2005, the Company announced that it intended to put forward the following proposals:

- (a) to increase the authorised share capital to HK\$500,000,000 by creation of ordinary shares of HK\$0.01 each in the capital of the Company as shall be necessary;
- (b) to reduce the issued share capital of the Company by cancelling the issued and paid-up capital to the extent of HK\$0.09 on each issued share thereby reducing the nominal value of each issued share from HK\$0.10 to HK\$0.01;
- (c) to subdivide every unissued share into 10 new shares; and
- (d) to refresh the share option scheme mandate limit.

The proposals were subsequently approved by the shareholders of the Company in an extraordinary general meeting held on 28th February 2005. The proposed capital reorganisation, however, is subject to the fulfilment of the following conditions:

- (a) Compliance with any conditions which the Grand Court of the Cayman Islands may impose;
- (b) The confirmation of the capital reduction by the Grand Court and the registration by the Registrar of Companies in the Cayman Islands of a copy of the court order and the minute containing the particulars required under the Companies Laws; and
- (c) The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new shares.

(iii) Additional investment of HK\$3,000,000 made to HMI

On 14 January 2005, the Group further invested HK\$3,000,000 to purchase 4,000,000 additional shares of HMI, at a price of HK\$0.75 per share.

22. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18 March 2005.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the borrowings and debts and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances.

4. INDEBTEDNESS

Borrowings and debts

At the close of business on 30 June 2005, being the latest practicable date for the purpose of this indebtedness statement prior to printing this circular, the total indebtedness of the Group amounted to approximately HK\$22.7 million.

The Company has pledged all its investment and trading securities to secure margin financing facilities obtained from regulated securities dealers.

Contingent liabilities

As at 30 June 2005, the Group had no material contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 June 2005 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material liabilities.

Subsequent to the close of business of the Group as at 30 June 2005, the Group issued convertible notes on 21 July 2005 with principal sum of HK\$20,000,000 pursuant to a placing agreement dated 19 May 2005. The convertible notes bear interest at 5% per annum, redeemable and can be converted into shares of the Company with maturity date on 20 July 2010.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2004, being the date to which the latest published audited accounts of the Company were made up to.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest audited financial statements of the Company were made up, save as publicly disclosed.

6. STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Unaudited Pro Forma Consolidated Net Tangible Assets

The unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had taken place on 31 December 2004.

The pro forma financial information has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

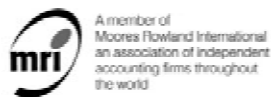
The following statement of unaudited pro forma consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 December 2004, as shown in the financial statements of the Group for the year ended 31 December 2004 of this circular, and adjusted to reflect the effect of the Rights Issue as follows:

	Audited consolidated net tangible assets of the Group as at 31 December 2004 HK\$	Estimated net proceeds from the Rights Issue HK\$	Unaudited pro forma consolidated net tangible assets of the Group HK\$
Based on the subscription price of HK\$0.1 per Rights Share assuming no conversion of the Convertible Notes	<u>106,914,474</u>	<u>50,500,000</u> <i>(Note 1(a))</i>	<u>157,414,474</u>
Based on the subscription price of HK\$0.1 per Rights Share assuming full conversion of the Convertible Notes	<u>106,914,474</u>	<u>90,100,000</u> <i>(Note 1(b))</i>	<u>197,014,474</u>

	Audited consolidated net tangible assets per share as at 31 December 2004 HK\$	Unaudited pro forma adjusted consolidated net tangible assets per share HK\$
Based on the subscription price of HK\$0.1 per Rights Share assuming no conversion of the Convertible Notes	<u>0.28</u>	<u>0.27</u>
Based on the subscription price of HK\$0.1 per Rights Share assuming full conversion of the Convertible Notes	<u>0.28</u>	<u>0.19</u>

Notes:

1. (a) The estimated net proceeds from the Rights Issue are based on the subscription price of HK\$0.1 per Rights Share on 527,876,000 Consolidation Shares (assuming no conversion of Convertible Notes) in issue on the Record Date, after deduction of the expenses directly attributable to the Rights Issue.
- (b) The estimated net proceeds from the Rights Issue are based on the subscription price of HK\$0.1 per Rights Share on 927,876,000 Consolidation Shares (assuming full conversion of Convertible Notes) in issue on the Record Date, after deduction of the expenses directly attributable to the Rights Issue.

7. LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**Moores Rowland Mazars**Chartered Accountants
Certified Public Accountants**摩斯倫 · 馬賽 會計師事務所**

18 August 2005

The Directors
Unity Investments Holdings Limited
30 Floor, China United Centre
28 Marble Road
North Point
Hong Kong

Dear Sirs,

We report on the pro forma financial information of Unity Investments Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 60 to 61 under the heading of unaudited pro forma consolidated net tangible assets of the Group in Appendix I of the Company’s circular dated 18 August 2005 in connection with the proposed rights issue (the “Rights Issue”) of the Company on the Main Board of the Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the relevant financial information of the Group as at 31 December 2004.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 and paragraph 13 of Appendix 1b of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the Statement of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the management of the Company.

Because the above work does not constitute an audit or review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the basis set out in the first paragraph of this letter for illustration purpose only and, because of its nature, it may not be indicative of the financial position of the Group at 31 December 2004 or at any future date.

OPINION

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully,
Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL AND CONVERTIBLE NOTES**(a) Share capital**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<i>HK\$</i>
<i>Authorised</i>	
<u>50,000,000,000</u> Shares	<u>500,000,000</u>
	<i>HK\$</i>
<i>Issued and fully paid or credited as fully paid:</i>	
<u>527,876,005</u> Shares as at the Latest Practicable Date	<u>5,278,760</u>

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares in issue are listed on the Stock Exchange.

All of the Rights Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all Shares in issues as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Dealings in the shares of the Company may be settled through CCASS and you should consult your stockbroker or other registered dealer of securities, bank manager, solicitors, professional accountant or other professional adviser for details of these settlement arrangements and how such arrangements may affect your rights and interest.

(b) Convertible Notes

On 21 July 2005, the Company issued the Convertible Notes amounting to HK\$20 million to certain independent third parties. The Convertible Notes carry rights to convert into new Shares at the conversion price of HK\$0.05 per Share, which is subject to adjustment for the dilutive events including, amongst other matters, sub-division or consolidation of Shares, bonus issues and rights issues.

Each holder may convert the whole or part of the principal amount of the relevant Convertible Notes (in multiple of HK\$100,000) into new Shares as determined by dividing the principal amount of the relevant Convertible Notes outstanding at the time of conversion by the conversion price.

The holder of each of the Convertible Notes will have the right at any time after the date of issue of the relevant Convertible Notes up to and including any business day prior to 5 Business Days prior to the maturity date of the Convertible Notes to convert all or part of the principal amount of the relevant Convertible Notes outstanding at any time into new Shares at the conversion price of HK\$0.05 per Share provided that an integral multiple of HK\$100,000 be converted at any time and save that if the outstanding principal amount of the relevant Convertible Notes is less than HK\$100,000, the whole (but not part only) of the outstanding principal amount of the relevant Convertible Notes must be converted.

Save for the outstanding Convertible Notes, the Company had no other outstanding options, warrants or convertible securities as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interests or short positions in the equity and debt securities of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had, or had had, any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital are set out below:

Name	Nature	Number of Shares	Approximate Percentage
Honeylink Agents Limited (Note 1)	Interest in controlled corporation	927,876,000 (Note 3)	90.9%
Get Nice Holdings Limited (Note 1)	Interest in controlled corporation	927,876,000 (Note 3)	90.9%
Get Nice Incorporated (Note 1)	Interest in controlled corporation	927,876,000 (Note 3)	90.9%
Get Nice Investment Limited (Note 1)	Beneficial owner	927,876,000 (Note 3)	90.9%
Business Securities Limited	Beneficial owner	231,969,000 (Note 3)	22.73%
Hung Sing Securities Limited	Beneficial owner	231,969,000 (Note 3)	22.73%
Cheer Union Securities Limited	Beneficial owner	131,969,000 (Note 3)	12.93%
Heritage International Holdings Limited (Note 2)	Interest in controlled corporation	52,500,000	9.95%

Name	Nature	Number of Shares	Approximate Percentage
Coupeville Limited (Note 2)	Interest in controlled corporation	52,500,000	9.95%
Dollar Group Limited (Note 2)	Beneficial owner	52,500,000	9.95%
Chau Tuk Shun	Beneficial owner	29,000,000	5.49%

Notes:

- (1) Get Nice Investment Limited is owned as to 100% by Get Nice Incorporated, which in turn is owned as to 100% by Get Nice Holdings Limited, which is in turn owned as to 30.36% by Honeylink Agents Limited.
- (2) Dollar Group Limited is owned as to 100% by Coupeville Limited, which in turn is owned as to 100% by Heritage International Holdings Limited.
- (3) The number of shares refers to the Rights Shares to be taken up under the Underwriting Agreement.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other persons who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company and its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (a) On 18 December 2003, the Company entered into a placing agreement with CU Corporate Finance Limited as financial adviser and Chung Nam Securities Limited as placing agent for a placing of 40,000,000 shares of HK\$0.1 each of the Company at a price of HK\$0.148 per share of the Company to the independent third parties;
- (b) On 27 February 2004, the Company entered into a placing agreement with CU Corporate Finance Limited as financial adviser and Chung Nam Securities Limited as placing agent for a placing of 48,000,000 shares of HK\$0.1 each of the Company at a price of HK\$0.2 per share of the Company to the independent third parties;
- (c) On 1 November 2004, the Company entered into an underwriting agreement with Kingston Securities Limited as underwriter in relation to a right issue of 96,000,001 rights shares of HK\$0.1 each at a price of HK\$0.14 per rights share;

- (d) On 10 January 2005, the Company entered into a subscription agreement among Mr. Chau Tak Shun (“Mr. Chau”) as the subscriber and Chung Nam Securities Limited as the placing agent in relation to issue of 15,998,000 shares of HK\$0.1 each of the Company at a subscription price of HK\$0.14 per share of the Company to Mr. Chau;
- (e) On 19 May 2005, the Company entered into a placing agreement with Get Nice Investment Limited as placing agent for a placing of 87,978,000 shares of HK\$0.01 each of the Company at a price of HK\$0.041 per share of the Company to the independent third parties;
- (f) On 19 May 2005, the Company entered into a placing agreement with Get Nice Investment Limited as placing agent for a placing of the Convertible Notes; and
- (g) the Underwriting Agreement.

6. LITIGATION

As at Latest Practicable Date, neither the Company nor other members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

8. QUALIFICATIONS OF EXPERTS AND CONSENTS

The following are the qualifications of the professional advisers who have given opinions or advice contained in this circular:

Name	Qualifications
Menlo Capital	Licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO
Moores Rowland Mazars	Certified Public Accountants

Each of Menlo Capital and Moores Rowland Mazars has given and has not withdrawn consent to the issue of this circular with the inclusion herein of its report and letter (if any), as the case may be, or references to its name in the form and context in which they respectively appear.

9. EXPERT'S INTEREST IN ASSETS

As at Latest Practicable Date each of, Menlo Capital and Moores Rowland Mazars:

- (a) was not interested, directly or indirectly in any assets which have been, since 31 December 2004 (being the date to which the latest published audited financial statements of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; (iii) proposed to be acquired to or disposed of by; (iv) proposed to be leased to, any member of the Group; and
- (b) did not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$2.3 million and are payable by the Company.

11. MISCELLANEOUS

- (a) The secretary and qualified accountant of the Company is Ms. Poon Suk Ching, CPA.
- (b) The registered office of the Company is Century Yard, Cricket Square Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman British West Indies and the principal place of business of the Company in Hong Kong is at 30th Floor, China United Center, 28 Marble Road, North Point, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) There is no contract or arrangement entered into by any member of the Group, subsisting as at the date hereof in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.
- (e) The English texts of this document shall prevail over the Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company at 30th Floor, China United Center, 28 Marble Road, North Point, Hong Kong up to and including 28 September 2005:

- (a) the memorandum of association and articles of association of the Company;
- (b) the Underwriting Agreement;
- (c) the material contracts referred to in the section headed “Material Contracts”;
- (d) the audited financial statements of the Company for the two years ended 31 December 2004;
- (e) the report from Moores Rowland Mazars on the unaudited pro forma financial information of the Group dated 18 August 2005, the text of which is set out in Appendix I to this circular;
- (f) the letter from Menlo Capital as set out on pages 29 to 38 of this circular; and
- (g) the letters of consent referred to in the section headed “Qualifications of Experts and Consents”.

NOTICE OF EGM



Unity Investments Holdings Limited
合一投資控股有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 913)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Unity Investments Holdings Limited 合一投資控股有限公司 (the “**Company**”) will be held at 30 Floor, China United Center, 28 Marble Road, North Point, Hong Kong on Tuesday, 13 September 2005 at 8:45 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of the listing of and permission to deal in the Consolidated Shares (as defined in paragraph (a) of this Resolution below):
 - (a) with effect from the first business day immediately following the date on which this Resolution is passed, every ten ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one share of HK\$0.10 (each a “**Consolidated Share**”) and the Consolidated Shares in issue shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company;
 - (b) all fractions of the Consolidated Shares to which holders of issued shares of HK\$0.01 each in the share capital of the Company would otherwise be entitled to be aggregated, sold and retained for the benefit of the Company;
 - (c) the directors of the Company be and are generally authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangements; and
 - (d) in this Resolution, the term ‘business day’ shall mean a day on which the Stock Exchange is open for the business of dealing in securities and there is no suspension in the trading in the shares of the Company on that day.”

NOTICE OF EGM

2. “**THAT**, conditional upon fulfillment of the Conditions as set out in the circular dated 18 August 2005 (the “**Circular**”) to the shareholders of the Company of which the notice convening this meeting at which this resolution is proposed forms part, a copy of the Circular marked A has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, including the Listing Committee of the Stock Exchange approving the listing of, and granting the permission to deal in, the Consolidated Shares in their nil-paid and fully-paid forms to be allotted to the Qualifying Shareholders (as defined in the Circular) by way of rights as announced on 26 July 2005.
- (a) the issue by way of rights (the “**Rights Issue**”) of not more than 927,876,000 Consolidated Shares of HK\$0.10 each in the share capital of the Company (the “**Rights Shares**”) to holders of the shares of the Company whose names appear on the register of members of the Company on the Record Date (as defined in the Circular) in proportion of one Rights Share for every ten Consolidated Share then held at the subscription price of HK\$0.1 per Rights Share and otherwise on the terms and conditions set out in the underwriting agreement dated 25 July 2005 entered into by the Company in relation to the Rights Issue (the “**Underwriting Agreement**”), a copy of the Underwriting Agreement marked B has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved;
- (b) the directors of the Company be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue provided that in the case of shareholders of the Company whose addresses as shown on the register of members of the Company at the close of business on the Record Date are in any jurisdictions outside Hong Kong, and to whom the directors of the Company consider it necessary or expedient not to offer the Rights Shares on account of the legal advices given by the legal counsels of such jurisdictions (the “**Non-Qualifying Shareholders**”), the Rights Shares shall not be issued to the Non-Qualifying Shareholders but shall be aggregated and issued to a nominee to be named by the Company and such Rights Shares shall be sold in the market as soon as practicable after dealings in Rights Shares in the nil-paid form commence and the proceeds of such sale (after deduction of expenses) of HK\$100 or more will be paid to the Non-Qualifying Shareholders pro-rata to their respective shareholdings and the Company shall retain any individual amount of less than HK\$100; and
- (c) the directors of the Company be and are hereby authorised to make such other exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary or expedient and generally to do such things or make such arrangement as they may think fit to effect the Rights Issue.”

NOTICE OF EGM

SPECIAL RESOLUTION

1. To consider as special business and, if thought fit, pass with or without amendment(s), the following resolution as a special resolution:

“**THAT** the articles of association of the Company (the “Articles”) be and are hereby amended by:

- (a) inserting the following wording after the last sentence of Article 8:

“The Company is hereby authorised to make payments in respect of the purchase of its shares out of capital or out of any other account or fund which can be authorised for this purpose in accordance with the Law.”;

- (b) inserting the words “voting by way of a poll is required by the rules of the Exchange or” after the words “on a show of hands unless” appearing in the first sentence of Article 100;

- (c) deleting the full-stop at the end of Article 100(d) and replacing therewith a semicolon and the word “or”;

- (d) inserting the following as new Article 100(e):

“(e) if required by the rules of the Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.”;

- (e) inserting the following wording after the third sentence of Article 102:

“The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Exchange.”;

- (f) substituting the existing Article 122 with the following new Article 122:

“The number of Directors shall not exceed seven and shall not be less than two.”;

- (g) substituting the existing Article 123 with the following new Article 123:

“The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire at such meeting by rotation pursuant to Article 157.”

NOTICE OF EGM

- (h) substituting the existing Article 157 with the following new Article 157:

“Notwithstanding any other provisions in these Articles and subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at each annual general meeting, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that each Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.”; and

- (i) substituting the existing Article 160 with the following new Article 160:

“The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors appointed shall not exceed seven and shall not be less than two. Subject to the provisions of these Articles and the Law, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.”

and THAT any director of the Company be and is hereby authorised to take such further action as he/she may, at his/her sole and absolute discretion, think fit for and on behalf of the Company to implement the aforesaid amendments to the existing Articles.”

By Order of the Board of
UNITY INVESTMENTS HOLDINGS LIMITED
合一投資控股有限公司
Pang Shuen Wai, Nichols
Chairman

Hong Kong, 18 August 2005

Principal place of business

in Hong Kong:

30th Floor, China United Center

28 Marble Road

North Point

Hong Kong

NOTICE OF EGM

Notes:

- (1) Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
- (2) A form of proxy for use at the meeting is enclosed.
- (3) The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
- (4) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged at the Company's branch share registrar in Hong Kong, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Extraordinary General Meeting or at any adjourned meeting (as the case may be) should they so wish.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in personal or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such share shall be accepted to the exclusion of the votes of the other joint holders.
- (6) As at the date hereof, the executive directors of the Company are Mr. Pang Shuen Wai, Nichols and Ms. Au Shuk Yee, Sue, Mr. Kitchell, Osman Bin and the independent non-executive directors of the Company are Mr. Lam Ping Cheung, Mr. Wong Ying Seung, Asiong, Mr. Chung Kong Fei, Stephen and Mr. Tsang Wing Ki.