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# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Unity Investments Holdings Limited 合一投資控股有限公司 (the "Company"), you should at once hand the Prospectus Documents to the purchaser or bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

Dealings in the shares of the Company may be settled through the CCASS operated by HKSCC and you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents and the written consent of Moores Rowland Mazars, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Cayman Islands take no responsibility as to the contents of any of the documents referred to above.

The Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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

**RIGHTS ISSUE**  
**OF 527,876,000 RIGHTS SHARES OF HK\$0.1 EACH**  
**AT HK\$0.1 PER RIGHTS SHARE**  
**PAYABLE IN FULL UPON ACCEPTANCE**  
**ON THE BASIS OF TEN RIGHTS SHARES FOR EVERY SHARE HELD**

**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**

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Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 13 October 2005 to Thursday, 20 October 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 Thursday, 13 October 2005 to Thursday, 20 October 2005 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate the obligations of the Underwriter at any time at or before 4:00 p.m. on the Settlement Date, if there occurs: (i) (a) 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 Settlement 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 Prospectus Documents when published, contain 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 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 Settlement 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.

The latest time for acceptance and payment for the Rights Shares is 4:00 p.m. on Tuesday, 25 October 2005. The procedure for acceptance or transfer of the Rights Shares is set out on pages 17 to 18 of this Prospectus.

10 October 2005

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## SUMMARY OF THE RIGHTS ISSUE

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*The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:*

Number of Rights Shares to be issued:	527,876,000 Rights Shares
Amount to be raised:	Approximately HK\$52.80 million before expenses
Subscription price:	HK\$0.1 per Rights Share payable in full on acceptance
Latest time for acceptance:	4:00 p.m. on Tuesday, 25 October 2005
Basis of the Rights Issue:	Ten Rights Shares for every Share held on the Record Date
Right of excess applications:	Provisional allottees have the right to apply for Rights Shares in excess of their provisional allotments

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## EXPECTED TIMETABLE

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2005

Record Date . . . . .	Tuesday, 13 September
Register of members re-opens . . . . .	Wednesday, 14 September
First day of dealings in nil-paid Rights Shares . . . . .	Thursday, 13 October
Latest time for splitting of nil-paid Rights Shares . . . . .	4:00 p.m., Monday, 17 October
Last day of dealings in nil-paid Rights Shares . . . . .	Thursday, 20 October
Latest time for payment for the acceptance of Rights Shares . . . . .	4:00 p.m., Tuesday, 25 October
Rights Issue expected to become unconditional . . . . .	after 4:00 p.m., Thursday, 27 October
Announcement of results of acceptance and excess applications of the Rights Issue . . . . .	Friday, 28 October
Despatch of refund cheques for wholly and partially unsuccessful excess applications . . . . .	Monday, 31 October
Despatch of certificates for fully-paid Rights Shares . . . . .	Monday, 31 October
First day of dealings in the fully-paid Rights Shares . . . . .	Tuesday, 1 November

*All times in this Prospectus refer to Hong Kong times.*

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## FORCE MAJEURE

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### TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions to the effect that 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 Settlement Date, if there occurs:

1. (a) 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 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

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## FORCE MAJEURE

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- (c) the Prospectus Documents when published, contain 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 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.

Dealings in the Rights Shares in their nil-paid form will take place from Thursday, 13 October 2005 to Thursday, 20 October 2005 (both dates inclusive) whilst the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholders or other persons dealing in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Thursday, 27 October 2005), or in the Rights Shares in their nil-paid form during the period from Thursday, 13 October 2005 to Thursday, 20 October 2005 (being the first and the last day of dealings in the nil-paid Rights Shares respectively) (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during such periods who are in any doubt about their position are recommended to consult their professional advisers.

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## DEFINITIONS

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

“Acceptance Date”	Tuesday, 25 October 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 regarding, among other things, the Rights Issue
“associate(s)”	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
“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 Old Share (subject to adjustment)
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) issued in connection with the Rights Issue
“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

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## DEFINITIONS

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“Last Trading Day”	22 July 2005, being the last trading day of the Old Shares, prior to the release of the Announcement
“Latest Practicable Date”	5 October 2005, being the latest practicable date prior to the printing of this Prospectus for 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
“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
“October EGM”	the extraordinary general meeting of the Company held on Friday, 7 October 2005 at which resolution to approve the Rights Issue was passed
“Old Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company before the Share Consolidation became effective
“PAL(s)”	the provisional allotment letter(s) issued in connection with the Rights Issue
“PRC”	The People’s Republic of China
“Prospectus”	this Prospectus
“Prospectus Documents”	this Prospectus, the PAL and the 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



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## DEFINITIONS

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“Record Date”	Tuesday, 13 September 2005, being the date by reference to which entitlements to the Rights Issue had been 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 Share in issue on the Record Date at a price of HK\$0.1 per Rights Share
“Rights Share(s)”	527,876,000 new Shares to be issued and allotted under the Rights Issue
“September EGM”	the extraordinary general meeting of the Company convened and held on Tuesday, 13 September 2005 at which resolutions to consider, and, if thought fit, approve (a) the Share Consolidation; (b) the Rights Issue; and (c) the amendments to the articles of association of the Company
“Settlement Date”	Thursday, 27 October 2005, the date being the second Business Day following the Acceptance Date
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company after the Share Consolidation became effective
“Share Consolidation”	the consolidation of every 10 Old Shares in the issued and unissued share capital of the Company into one Share in the issued and unissued share capital of the Company which took effect at 4:00 p.m. on Tuesday, 13 September 2005
“Shareholder(s)”	holder(s) of Old Share(s) or, where the context requires, Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Underwriter”	Get Nice Investment Limited, a deemed 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

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## LETTER FROM THE BOARD

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**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

10 October 2005

*To the Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE**  
**OF 527,876,000 RIGHTS SHARES OF HK\$0.1 EACH**  
**AT HK\$0.1 PER RIGHTS SHARE**  
**PAYABLE IN FULL UPON ACCEPTANCE**  
**ON THE BASIS OF TEN RIGHTS SHARES FOR EVERY SHARE HELD**

**INTRODUCTION**

On 26 July 2005, the Company announced that, among other things, subject to the Share Consolidation becoming effective and the fulfilment of the conditions of the Rights Issue, the Company proposed to raise approximately HK\$52.8 million before expenses, by the Rights Issue at a price of HK\$0.1 per Rights Share payable in full on acceptance.

As announced by the Company on 13 September 2005, the resolutions set out in the notice of the September EGM in relation to the Share Consolidation and the amendments to the Articles of Association of the Company were duly passed at the September EGM by way of show of hand. The Share Consolidation became effective at 4:00 p.m. on Tuesday, 13 September 2005.

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## LETTER FROM THE BOARD

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The resolution regarding the Rights Issue had been passed by the Shareholders at the September EGM by way of show of hand, which the Stock Exchange considered to be not in compliance with the Listing Rules pursuant to which the vote must be taken on a poll. The Board, after careful consideration and with the entering into of a supplemental agreement to the Underwriting Agreement between the Company and the Underwriter on 16 September 2005, resolved to change the timetable of the Rights Issue and to convene the October EGM to put forward to the Shareholders, whose names appeared on the register of members of the Company on the Record Date (which remains at 13 September 2005) and who were entitled to attend and vote at the September EGM, the resolution regarding the Rights Issue for their consideration again. The resolution regarding the Rights Issue was then approved by the Shareholders at the October EGM by way of a poll.

The Company had Convertible Notes in issue as at the Latest Practicable Date. Upon full exercise of the conversion rights attaching to the Convertible Notes, 400,000,000 Old Shares will be issued. As at the Record Date, no conversion of the Convertible Notes had been exercised. Accordingly, no holder of the Convertible Notes is entitled to the Rights Issue and the number of Rights Shares is fixed at 527,876,000.

The purpose of this Prospectus is to provide you with further details of the Rights Issue, including information on dealing and transfer of Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotment of Rights Shares and certain financial and other information about the Group.

### TERMS OF THE RIGHTS ISSUE

#### Issue Statistics

Basis of the Rights Issue:	10 Rights Shares for every Share held on the Record Date
Number of Shares in issue:	52,787,600 Shares
Number of Rights Shares:	527,876,000 Rights Shares
Subscription price per Rights Share:	HK\$0.1 per Rights Share with nominal value of HK\$0.1 each

The nil-paid Rights Shares represent (a) 10 times of the Company's issued share capital; and (b) approximately 90.91% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

#### Qualifying Shareholders

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

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## LETTER FROM THE BOARD

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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 have lodged any transfers of Old 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 has closed from Thursday, 8 September 2005, to Tuesday, 13 September 2005, both dates inclusive.

### **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 Share (based on the closing price of HK\$0.027 per Old 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 Share (based on the closing price of HK\$0.027 per Old 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 Share (based on the average closing price of HK\$0.029 per Old 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 47.37% to the closing price of HK\$0.19 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (e) a discount of approximately 41.18% to the net asset value per Share of HK\$0.17 (based on the unaudited consolidated net asset value of the Group as at 31 August 2005 and the then issued Old Shares).

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## LETTER FROM THE BOARD

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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 Old Share prior to the Last Trading Day, market responses of the most recent placing of Old 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 Old 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.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be 10 Rights Shares for each Share held by Qualifying Shareholders at the close of business on the Record Date, being 527,876,000 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 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 and refund cheques for 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 Monday, 31 October 2005 to those who have accepted and, where applicable, applied and paid for the Rights Shares by ordinary post at their own risk.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights (if any) are expected to be posted on or before Monday, 31 October 2005 by ordinary post to the applicants 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.

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## LETTER FROM THE BOARD

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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 has applied 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.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

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.

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.

### **Rights of Non-Qualifying Shareholders**

The Prospectus Documents have not been and will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. There were no Shareholders whose registered address are outside Hong Kong in accordance with the register of members of the Company on the Record Date. Therefore, there are no Non-Qualifying Shareholders for the purpose of the Rights Issue.

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.

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## LETTER FROM THE BOARD

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### 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 September EGM and the Share Consolidation becoming effective thereafter;
2. the approval of the Rights Issue by the Shareholders at the October 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.

As at the date of this Prospectus, conditions (1), (2) and (4) have been fulfilled.

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.



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## LETTER FROM THE BOARD

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### 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 Settlement Date if there occurs:

1. (a) 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 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

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## LETTER FROM THE BOARD

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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 Prospectus Documents when published, contain 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 NIL-PAID RIGHTS SHARES**

**Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 13 October 2005 to Thursday, 20 October 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 and Rights Shares in their nil-paid form during the period from Thursday, 13 October 2005 to Thursday, 20 October 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 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 Thursday, 13 October 2005 to Thursday, 20 October 2005 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.**

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## LETTER FROM THE BOARD

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### SHAREHOLDINGS IN THE COMPANY

The shareholdings in the Company immediately before and after the Rights Issue are as follows:

	Immediately 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)	
	Shares	%	Shares	%	Shares	%
Public Shareholders	52,787,600	100.00	580,663,600	100.00	52,787,600	9.09
Underwriter	–	–	–	–	527,876,000	90.91
<b>Total</b>	<b>52,787,600</b>	<b>100.00</b>	<b>580,663,600</b>	<b>100.00</b>	<b>580,663,600</b>	<b>100.00</b>

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 approximately HK\$50.3 million. 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 approximately HK\$45.3 million

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## LETTER FROM THE BOARD

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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 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 companies listed pursuant to Chapter 21 of the Listing Rules 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. 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.

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## LETTER FROM THE BOARD

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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%.

Since May 2005, the Company has developed a tighter business relationship with the Underwriter, who was the placing agent for both the placing of the Company's 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 Company's 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.

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## LETTER FROM THE BOARD

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### 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 Prospectus.

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 of the Company	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 of the Company	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>			

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## LETTER FROM THE BOARD

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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 the Company's 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 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.

### **PROCEDURE FOR ACCEPTANCE OR TRANSFER**

**A PAL is enclosed with this Prospectus which entitles you to subscribe for the number of Rights Shares indicated on the PAL. If you wish to exercise your right to subscribe for all the Rights Shares specified in the enclosed PAL, you must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance of the number of Rights Shares provisionally allotted to you, with the Registrar no later than 4:00 p.m. on Tuesday, 25 October 2005. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Unity Investments Holdings Limited – Rights Issue Account" and crossed "Account Payee Only".**

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged to the Registrar by 4:00 p.m. on Tuesday, 25 October 2005, whether by the original allottee or any person in whose favour the rights have been transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If you wish to accept only part of your provisional allotment or transfer a part of your rights to subscribe for the Rights Shares provisionally allotted under the PAL or to transfer all of your rights, the entire PAL must be surrendered by not later than 4:00 p.m. on Monday, 17 October 2005 to the Registrar who will cancel the original PAL and issue a new PAL in the



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## LETTER FROM THE BOARD

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denominations required. The PALs contain full information regarding the procedures to be followed if you wish to accept only part of your provisional allotment or if you wish to transfer all or part of your provisional allotment.

All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which a cheque or cashier's order is dishonoured on first presentation are liable to be rejected and in that event the provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled. If the Underwriter exercises the right to terminate the obligations of the Underwriter under the Underwriting Agreement before 4:00 p.m. on Thursday, 27 October 2005, being the second Business Day following the Acceptance Date, the monies received in respect of the relevant provisional allotment of Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by the ordinary post at the risk of the relevant applicants on or before Monday, 31 October 2005.

### APPLICATIONS FOR EXCESS RIGHTS SHARES

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

Application for excess Rights Shares can be made only by completing the EAF. The Directors will allocate the excess Rights Shares on a fair and reasonable basis, but will give preference to topping-up odd lots to whole board lots.

**If you wish to apply for any Rights Shares in addition to your provisional allotment, you must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar no later than 4:00 p.m. on Tuesday, 25 October 2005. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Unity Investments Holdings Limited – Excess Application Account" and crossed "Account Payee Only". The Registrar will notify you of any allotment of excess Rights Shares made to you.**

If no excess Rights Shares are allotted to you, the amount tendered on application is expected to be refunded in full on or before Monday, 31 October 2005. If the number of excess Rights Shares allotted to you is less than that applied for, the surplus application monies are also expected to be refunded to you on or before Monday, 31 October 2005. If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before 4:00 p.m. on Thursday, 27 October 2005, being the second Business Day following the Acceptance Date, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by ordinary post at the risk of the relevant applicants on or before Monday, 31 October 2005.



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## LETTER FROM THE BOARD

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All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) named in it and is not transferable. All documents, including cheques or cashier's orders for refund, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by no later than Monday, 31 October 2005.

### **BUSINESS REVIEW AND PROSPECTS**

#### **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, 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.

#### **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.

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## LETTER FROM THE BOARD

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### GENERAL

All documents, including cheques for amount due, will be sent by post at the risk of the persons entitled thereto to their registered addresses.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in Appendix I to III to this Prospectus.

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*

**1. DIRECTORS****Particulars of Directors**

<b>Name</b>	<b>Address</b>
<i>Executive Directors:</i>	
Pang Shuen Wai, Nichols	30th Floor, China United Center 28 Marble Road North Point Hong Kong
Au Shuk Yee, Sue	30th Floor, China United Center 28 Marble Road North Point Hong Kong
Kitchell, Osman Bin	30th Floor, China United Center 28 Marble Road North Point Hong Kong
<i>Independent Non-Executive Directors:</i>	
Lam Ping Cheung	Suite 2205A, 22nd Floor 9 Queen's Road Central Hong Kong
Chung Kong Fei, Stephen	30th Floor, China United Center 28 Marble Road North Point Hong Kong
Tsang Wing Ki	Office B1, 3rd Floor Comet Commercial Building 42A Wing Hong Street Cheung Sha Wan Kowloon
Wong Ying Seung, Asiong	32nd Floor, China United Center 28 Marble Road North Point Hong Kong

**Executive Directors**

**Dr. PANG Shuen Wai, Nichols**, aged 46, was appointed the Chairman of the Company on 22 July 2005. He has more than 16 years of experience in investment. Dr. Pang is a director of CU Investment Management Limited, the investment manager of the Company and of another publicly listed investment holding company. He is also an independent non-executive director of Willie International Holdings Limited. He obtained a master's degree in applied finance from Macquaire University, Sydney, and a Ph.D. degree from the University of South Australia, Adelaide. Dr. Pang is an investment adviser to carry out business in type 4 (advising on securities) and type 6 (asset management) regulated activities under the SFO. He has been appointed as an executive director of the Company with effect from 1 September 2002.

**Ms. AU Shuk Yee, Sue**, aged 41, was appointed the Chief Executive Officer of the Company on 22 July 2005. She has more than 9 years of experience in business administration and accounting. Ms. Au was the managing director of a telecommunication equipment manufacturing and trading company where she has successfully developed an internal accounting control system. Ms. Au gained her experience in the financial services industry from working with several licensed foreign exchange dealing companies. Ms. Au obtained a bachelor's degree of science in accounting from Liberty University, Virginia. She joined the Company as an executive director on 25 September 2002.

**Mr. KITCHELL, Osman Bin**, aged 40, studied Economics in the University of Toronto and holds an honorary diploma from Pickering College in Canada. Mr. Kitchell is a veteran investor in the Hong Kong equity markets with approximately ten years experience. He has been managing a private family fund. Mr. Kitchell was appointed as an executive director of the Company with effect from 10 January 2005.

**Independent Non-executive Directors**

**Mr. LAM Ping Cheung**, aged 51, is a solicitor and the sole proprietor of Messrs. Andrew Lam & Co. He is also an independent non-executive director of Golden Resources Development International Limited, Kith Holdings Limited, Ngai Lik Industrial Holdings Limited, Qualipak International Holdings Limited, Hansom Eastern (Holdings) Limited and Willie International Holdings Limited. Mr. Lam graduated from The Chinese University of Hong Kong with a bachelor's degree in social science. Mr. Lam has been appointed as an independent non-executive director of the Company with effect from 1 September 2002.

**Mr. CHUNG Kong Fei, Stephen**, aged 48, is one of the founders and executive directors of SDM Dental Inc., an investment holding company operating 5 dental clinics in the PRC. Mr. Chung is also one of the founders and a director of Woodland (Asia) Limited, a business advisory company which specialises in direct investments in, and capital restructurings of, private companies in Hong Kong and the rest of the PRC. Mr. Chung is an independent non-executive director of Computech Holdings Limited, a publicly listed company. He has extensive experience in investments in the PRC. Mr. Chung holds a bachelor of science degree from the Wharton School of Business, University of Pennsylvania, U.S.A. He has been appointed as an independent non-executive director of the Company since 16 March 2004.

**Mr. TSANG Wing Ki**, aged 43, graduated from The Hong Kong Polytechnic University with a master degree in professional accounting, is currently the financial controller and company secretary of a publicly listed company in Hong Kong. Mr. Tsang is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Tsang was appointed as an independent non-executive director as well as a member of the Audit Committee of the Company on 23 September 2004.

**Mr. WONG Ying Seung, Asiong**, aged 54, has over 25 years of experience in banking and investment. He is also an executive director of Willie International Holdings Limited, a publicly listed company. Mr. Wong holds a bachelor degree in chemical engineering from the University College, London. He has been appointed as an independent non-executive director of the Company since 11 November 2003.

## **2. CORPORATE INFORMATION**

<b>Registered office</b>	Century Yard Cricket Square Hutchins Drive P.O. Box 2681 GT George Town Grand Cayman British West Indies
<b>Principal place of business</b>	30th Floor, China United Center 28 Marble Road North Point Hong Kong
<b>Company secretary and qualified accountant</b>	Poon Suk Ching, CPA 1801, 18th Floor, Golden Center 188 Des Voeux Road Central Hong Kong
<b>Authorised representatives</b>	Au Shuk Yee, Sue 30th Floor, China United Center 28 Marble Road North Point Hong Kong  Pang Shuen Wai, Nichols 30th Floor, China United Center 28 Marble Road North Point Hong Kong

**Legal advisers to the Company**

*As to Hong Kong Law:*  
Sidley Austin Brown & Wood  
39 Floor, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

*As to Cayman Islands Laws:*  
Conyers Dill & Pearman, Cayman  
Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
British West Indies

**Auditors**

Moores Rowland Mazars  
*Chartered Accountants*  
*Certified Public Accountants*  
34 Floor, The Lee Gardens  
33 Hysan Avenue, Causeway Bay  
Hong Kong

**Share registrars and transfer office**

Tengis Limited  
Ground Floor, Bank of East Asia  
Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

**Principal bankers**

Liu Chong Hing Bank  
2nd Floor, New World Tower  
16-18 Queen's Road Central  
Hong Kong

## 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.

	<b>For the year ended 31 December</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Results</b>			
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.

	<b>As at 31 December</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Financial Position</b>			
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>	<b>2004</b> <i>HK\$</i>	<b>2003</b> <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>	<b>2004</b> <i>HK\$</i>	<b>2003</b> <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>

**APPENDIX II****FINANCIAL INFORMATION****BALANCE SHEET***As at 31 December 2004*

	<i>Note</i>	<b>2004</b> <i>HK\$</i>	<b>2003</b> <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>
		<u>54,764,278</u>	<u>31,360,526</u>
Current liabilities			
Sundry payables and accruals		4,744,883	246,543
Bank overdraft – secured		<u>–</u>	<u>14,906,111</u>
		<u>4,744,883</u>	<u>15,152,654</u>
Net current assets		<u>50,019,395</u>	<u>16,207,872</u>
Total assets less current liabilities		<u>127,488,932</u>	<u>97,922,065</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>127,488,932</u>	<u>97,922,065</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	2004 HK\$	2003 HK\$
Net cash outflow generated from operations	18(a)	(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	18(c)	(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	18(b)		
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>	<b>2004</b> <i>HK\$</i>	<b>2003</b> <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 33<sup>1</sup>/<sub>3</sub>%.

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:

	<b>2004</b>	<b>2003</b>
	<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:

	<b>2004</b> <i>HK\$</i>	<b>2003</b> <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**

	<b>2004</b> <i>HK\$</i>	<b>2003</b> <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:

	<b>2004</b> <i>HK\$</i>	<b>2003</b> <i>HK\$</i>
Loss before taxation	<u>(16,810,024)</u>	<u>(25,433,132)</u>
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)	<u>3,515,750</u>	<u>4,474,312</u>
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)**

	<b>2004</b> <i>HK\$</i>	<b>2003</b> <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:

	<b>2004</b> <i>HK\$</i>	<b>2003</b> <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:

	<b>2004</b>	<b>2003</b>
	<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**

	<b>Group and Company</b>			<b>Total</b>
	<b>Leasehold improvements</b>	<b>Office equipment</b>	<b>Furniture and fixtures</b>	
	<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>
At 31 December 2004	----- 167,170	----- 176,445	----- 163,681	----- 507,296
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>
At 31 December 2004	----- 124,911	----- 104,166	----- 136,265	----- 365,342
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
	20,574,473	144,468
	20,574,473	144,468

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% <sup>1</sup>	100% <sup>1</sup>
Vision Gate Enterprises Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100% <sup>1</sup>	–
Anchor Talent Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	–

<sup>1</sup> 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	56,753,110	81,313,638	56,753,110	81,313,638

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:

- 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.
- 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).

- 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	2003
	HK\$	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 <i>No. of shares</i>	<i>HK\$</i>
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 <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	7,419,860	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 HK\$	Investment revaluation reserve HK\$	Retained earnings/ (Accumulated losses) HK\$	Total HK\$
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 HK\$	2003 HK\$
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	(369,016)	–
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	4,498,340	(265,778)
Net cash outflow generated from operations	<u>(5,682,975)</u>	<u>(4,316,341)</u>

## (b) Analysis of changes in financing during the year

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

## (c) Purchases of subsidiaries

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

	<b>2004</b>
	<i>HK\$</i>
Cash consideration	9,000,000
Bank balances and cash in hand acquired	(16)
	<u>                    </u>
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:

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<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
	<u>                    </u>	<u>                    </u>
	<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>	<b>2004</b>	<b>2003</b>
		<i>HK\$</i>	<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	–
		<u>                    </u>	<u>                    </u>

*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. INTERIM RESULTS

Set out below are the extracts of the unaudited interim results for the six months ended 30 June 2005 of the Group with comparative figures. These interim financial statements have been reviewed by the Company's audit committee.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2005*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2005</b>	<b>2004</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	3	101,312	61,774
Cost of sales		<u>(111,083)</u>	<u>(72,983)</u>
Realised loss on sale of investments held for trading		(9,771)	(11,209)
Unrealised holding gain on investments held for trading		3,419	1,748
Other revenues	3	1,774	1,017
Impairment loss on available-for-sale investments		(3,000)	–
Change in fair value of loan receivables		(4,846)	–
Administrative expenses		<u>(2,244)</u>	<u>(1,611)</u>
<b>Loss from operations</b>	4	(14,668)	(10,055)
Finance costs	4	<u>(1,371)</u>	<u>(668)</u>
<b>Loss from ordinary activities before taxation</b>	4	(16,039)	(10,723)
Taxation	5	<u>–</u>	<u>–</u>
<b>Loss attributable to shareholders</b>		<u><u>(16,039)</u></u>	<u><u>(10,723)</u></u>
<b>Loss per share – Basic</b>	6	<u><u>(3.73) cents</u></u>	<u><u>(4.08) cents</u></u>
<b>Loss per share – Diluted</b>	6	<u><u>(4.13) cents</u></u>	<u><u>(4.08) cents</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2005*

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance – Total equity at 1 January (audited)	106,914	97,778
Issuance of new shares, net of expenses	5,711	15,203
Issue of shares under share option scheme	3,990	–
Surplus (deficit) on available-for-sale investments	1,330	(9,123)
Loss for the Period	<u>(16,039)</u>	<u>(10,723)</u>
<b>Closing balance – Total equity at</b>		
<b>30 June (unaudited)</b>	<b><u><u>101,906</u></u></b>	<b><u><u>93,135</u></u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005 and 31 December 2004

		Unaudited At 30 June 2005 HK\$'000	Audited At 31 December 2004 HK\$'000
	<i>Note</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		57	142
Available-for-sale investments	7	52,544	56,753
Fair value loan receivables	8	20,336	–
		<u>72,937</u>	<u>56,895</u>
<b>Current assets</b>			
Investments held for trading	7	60,976	53,600
Deposits, prepayments and other receivables		498	109
Bank balances and cash		99	1,055
		<u>61,573</u>	<u>54,764</u>
<b>Current liabilities</b>			
Accruals and other payables		9,921	4,745
Interest-bearing borrowings	9	22,683	–
		<u>32,604</u>	<u>4,745</u>
<b>Net current assets</b>		<u>28,969</u>	<u>50,019</u>
<b>NET ASSETS</b>		<u><u>101,906</u></u>	<u><u>106,914</u></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	5,279	38,400
Reserves	11	96,627	68,514
		<u>101,906</u>	<u>106,914</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Unaudited	
	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(18,814)	(14,961)
Net cash (used in) from investing activities	(4,485)	1,681
Net cash generated from financing activities	<u>22,343</u>	<u>16,035</u>
Net (decrease) increase in cash and cash equivalents	(956)	2,755
Cash and cash equivalents at beginning of Period	<u>1,055</u>	<u>(14,547)</u>
Cash and cash equivalents at end of Period	<u><u>99</u></u>	<u><u>(11,792)</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	99	633
Bank overdraft	<u>–</u>	<u>(12,425)</u>
	<u><u>99</u></u>	<u><u>(11,792)</u></u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2005*

**1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2004 except as described below.

In the current Period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of new HKFRSs has resulted in changes to the Group’s accounting policies in the following area which have a material effect on how the results for the current or prior accounting Periods are prepared and presented.

**Financial instruments**

In the current Period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual Periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

*Classification and measurement of financial assets and liabilities*

In accordance with HKAS 32, the Group classified and measured its debt and equity securities depend on the purpose for which the assets are acquired. On 1 January 2005, investment securities under non-current assets with carrying amount of HK\$56,753,000 and trading securities under current assets with carrying amount of HK\$53,600,000 were reclassified to available-for-sale investments (at fair value through equity) and held-for-trading investments (at fair value through profit or loss) on 1 January 2005 retrospectively.

*Financial assets and liabilities other than debt and equity securities*

In accordance with HKAS 39, loan receivables which have fixed and determinable payments and are not quoted in an active market are initially measured at fair value plus transaction cost directly attributable to the acquisition of the loan receivables. Loan receivables are subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

## 3. TURNOVER AND REVENUES

The Group is principally engaged in the investments in listed and unlisted securities in Hong Kong. Revenues recognised during the six months ended 30 June 2005 are as follows:

	Unaudited	
	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>		
Proceeds from sale of trading securities	101,312	61,774
<b>Other revenues</b>		
Dividend income from investments in securities	1,592	1,017
Amortisation of fair value of loan receivables	182	–
	<u>1,774</u>	<u>1,017</u>
Turnover and revenues	<u><u>103,086</u></u>	<u><u>62,791</u></u>

## 4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Unaudited	
	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
This is stated after charging:		
<b>(a) Finance costs</b>		
Interest on loans from financial institutions	240	170
Interest on other loans	1,131	12
Interest on bank overdraft	–	486
	<u>1,371</u>	<u>668</u>
<b>(b) Other items</b>		
Depreciation	82	86
Staff cost, including directors' remuneration	296	362
Operating lease charges in respect of office premises	300	360
	<u><u>678</u></u>	<u><u>814</u></u>

## 5. TAXATION

Hong Kong Profits Tax has not been provided as the Group has no estimated assessable profit for the six months ended 30 June 2005 (2004: Nil).



## 6. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the Period of HK\$16,039,000 (2004: HK\$10,723,000) and on the weighted average number of 429,688,580 shares (2004: 262,725,279 shares) in issue during the Period. The weighted average number of shares in issue used in the basic loss per share calculation for the six months ended 30 June 2005 has been adjusted to reflect the effect of the reduction of the nominal value of share from HK\$0.1 to HK\$0.01 during the current Period, which is treated as became effective on 1 January 2005.

The calculation of the diluted loss per share is based on the loss for the six months ended 30 June 2005 of HK\$16,039,000 and on the weighted average number of 388,644,597 shares in issue during the Period. No diluted loss per share for the six months ended 30 June 2004 as there were no dilutive potential ordinary shares.

## 7. INVESTMENTS

	<b>Unaudited 30 June 2005 HK\$'000</b>	<b>Audited 31 December 2004 HK\$'000</b>
<b>Available-for-sale investments</b>		
Equity securities:		
Listed in Hong Kong, at fair value	52,544	56,753
Unlisted, at cost	23,000	20,000
Less: Provision for impairment loss	(23,000)	(20,000)
	<u>          </u>	<u>          </u>
	–	–
	<u>          </u>	<u>          </u>
	<u>52,544</u>	<u>56,753</u>
<b>Investments held for trading</b>		
Equity securities:		
Listed in Hong Kong, at fair value	52,876	53,600
	<u>          </u>	<u>          </u>
Debt securities:		
Unlisted, at cost	8,100	–
	<u>          </u>	<u>          </u>
	<u>60,976</u>	<u>53,600</u>

## 8. FAIR VALUE LOAN RECEIVABLES

	<b>Unaudited 30 June 2005 HK\$'000</b>	<b>Audited 31 December 2004 HK\$'000</b>
At amortised cost	<u>20,336</u>	<u>–</u>

During the Period, the Company, through its wholly-owned subsidiary, (i) to acquire 5% equity interest in Found Macau Investments International Limited (“Found Macau”) at the consideration of US\$5 (included in available-for-sale investments); (ii) to become a party to a shareholders agreement relating to Found Macau (the “Found Macau Loan”); and (iii) to make a shareholders loan of HK\$25 million to Found Macau.

The Found Macau Loan is interest-free, unsecured and is repayable on demand after 8 years from 28 February 2005.

## 9. INTEREST-BEARING BORROWINGS

The amount represents the loans from third parties and is unsecured, interest-bearing and repayable within one year.

## 10. ISSUED CAPITAL

	<i>Note</i>	Number of ordinary shares of HK\$0.1 each	Number of ordinary shares of HK\$0.01 each	Nominal value <i>HK\$'000</i>
<i>Authorised:</i>				
At 1 January 2004, 31 December 2004 (audited) and 1 January 2005		400,000,000	–	40,000
Capital reduction	<i>10(i)(c)</i>	(400,000,000)	400,000,000	(36,000)
		–	400,000,000	4,000
Increase by creation of additional 49,600,000,000 shares of HK\$0.01 each	<i>10(i)(d)</i>		49,600,000,000	496,000
<b>At balance sheet date (unaudited)</b>			<b>50,000,000,000</b>	<b>500,000</b>
<i>Issued and fully paid:</i>				
At 1 January 2004, 31 December 2004 (audited) and 1 January 2005		384,000,005	–	38,400
Issuance of shares	<i>10(ii)</i>	15,998,000	–	1,599
Capital reduction	<i>10(i)(a)</i>	(399,998,005)	399,998,005	(35,999)
		–	399,998,005	4,000
Issuance of shares	<i>10(ii)</i>		87,978,000	880
Issuance of shares under share option scheme	<i>10(iii)</i>		39,900,000	399
<b>At balance sheet date (unaudited)</b>			<b>527,876,005</b>	<b>5,279</b>

*Notes:*

- (i) At the extraordinary general meeting of the Company held on 28 February 2005, the resolutions in respect of the Capital Reorganisation including reduction of capital, adjustment of nominal value of the issued shares of the Company, cancellation and increase in authorised but unissued share capital (“Capital Reduction”) and the increase in authorised share capital of the Company to HK\$500,000,000 were approved by the shareholders. The Capital Reduction was approved by the Grand Court of the Cayman Islands on 6 May 2005 (“Effective Date”) and the effects of the Capital Reorganisation were as follows:
- (a) the paid-up and nominal value of the issued shares was reduced by HK\$0.09 per share by cancelling an equivalent amount of paid-up capital per share so that the nominal value of each such share will be reduced from HK\$0.1 to HK\$0.01. Based upon the number of shares in issue

as at 28 February 2005, the issued share capital of the Company of HK\$39,999,000 consisting of 399,998,005 shares of HK\$0.1 each was reduced by HK\$35,999,000 to HK\$4,000,000 consisting of 399,998,005 shares of HK\$0.01 each;

- (b) the credit amount of HK\$35,999,000 arising from the reduction referred to in (a) above was credited to the contributed surplus account of the Company. The amounts in the contributed surplus account can be applied to a distributable reserve of the Company at the discretion of the directors of the Company in accordance with the Articles of Association of the Company and all applicable laws, including to eliminate the accumulated losses of the Company as at the Effective Date;
- (c) subject to and forthwith upon the Capital Reduction became effective, the authorised but unissued share capital of the Company has been sub-divided by sub-dividing each of the authorised but unissued shares of HK\$0.01 each in the capital of the Company.
- (d) subject to the Capital Reduction became effective, the authorised share capital of the Company has been increased to HK\$500,000,000 by the creation of 49,600,000,000 shares of HK\$0.01 each.
- (ii) Pursuant to the subscription agreement dated 10 January 2005, the Company agreed conditionally to issue 15,998,000 shares of HK\$0.1 each of the Company to an independent investor at a price of HK\$0.14 per share.

Pursuant to the placing agreement dated 19 May 2005, the Company agreed conditionally to place 87,978,000 shares of HK\$0.01 each of the Company on a fully underwritten basis to independent investors at a price of HK\$0.041 per share.

- (iii) By an ordinary resolution passed on 1 April 2005, 39,900,000 ordinary shares of HK\$0.01 each were issued to qualified individuals under share option scheme at an exercise price of HK\$0.1 each.

All the shares issued during the Period rank pari passu in all respects with the then existing shares.

## 11. RESERVES

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At beginning of Period (audited)	83,335	20,002	–	(34,823)	68,514
Shares issued at premium, net of issuing expenses	3,232	–	–	–	3,232
Shares issued under share option scheme	3,591	–	–	–	3,591
Creation of contributed surplus pursuant to the Capital Reorganisation	–	–	35,999	–	35,999
Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation	–	–	(20,250)	20,250	–
Surplus on valuation of investment securities	–	1,330	–	–	1,330
Loss for the Period	–	–	–	(16,039)	(16,039)
<b>At balance sheet date (unaudited)</b>	<b>90,158</b>	<b>21,332</b>	<b>15,749</b>	<b>(30,612)</b>	<b>96,627</b>

As mentioned in note 10 (i) (b), the credit amount of approximately HK\$35,999,000 arising from the Capital Reduction was transferred to the contributed surplus account of the Company. Accordingly, the credit amount of approximately HK\$20,250,000 included in the contributed surplus account has been used to eliminate the accumulated losses of the Company as at 30 April 2005.

## 12. SHARE OPTION SCHEME

- (i) Under the existing scheme mandate limit, the directors were only authorised to grant options to subscribe for up to 20,000,000 shares, representing 10% of the issued share capital of the Company as at the date of the adoption of the share option scheme. The Company has not granted any options under the share option scheme prior to the date of Capital Reorganisation.

Pursuant to the Capital Reorganisation, it was approved on 28 February 2005 by the ordinary resolution that the exercise of share options can be granted under the Refreshed Scheme Mandate Limit, the refreshment of the limit in respect of the granting of share options under the share option scheme of the Company adopted on 2 May 2003 up to a new 10 per cent limit (the "Refreshed Scheme Mandate Limit").

- (ii) On 1 April 2005, 39,900,000 share options were granted to and immediately vested by certain individuals under the share option scheme pursuant to the Refreshed Scheme Mandate Limit. The exercise price of the granted options was HK\$0.1 and the closing price of the share of the Company immediately before the date of grant was HK\$0.053.

## 13. COMMITMENTS UNDER OPERATING LEASES

At the balance sheet date, the Company had total future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment, which are payable as follows:

	<b>Unaudited</b> <b>30 June 2005</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December 2004</b> <i>HK\$'000</i>
Within one year	21	741
In the second to fifth years inclusive	69	680
	<u>90</u>	<u>1,421</u>

## 14. PLEDGE OF ASSETS

As at 30 June 2005, the Company has pledged all its investments and trading securities to secure margin financing facilities obtained from financial institutions. As at 30 June 2005, a total amount of approximately HK\$9,750,000 (31 December 2004: approximately HK\$3,870,000) has been utilised against these facilities.

## 15. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the Group had the following transactions with a related party during the six months ended 30 June 2005.

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2005</b>	<b>2004</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment management fee paid to a related company	<i>(i)</i>	<u>300</u>	<u>617</u>

- (i) Pursuant to an investment management agreement (“the Agreement”) dated 5 November 2004 between the Company and CU Investment Management Limited (“CUIM”), CUIM has agreed to provide the Group with investment management services with effect from 5 November 2004. Under this arrangement, CUIM is entitled to a monthly management fee payable at a flat rate of HK\$50,000.

Dr. Pang Shuen Wai, Nichols, an executive director of the Company, is a director of CUIM.

## 16. POST BALANCE SHEET EVENTS

### (i) Issue of convertible notes

Pursuant to a placing agreement dated 19 May 2005, the Company agreed conditionally to place convertible notes with principal sum of HK\$20,000,000 on a fully underwritten basis to independent investors. The convertible notes bear interest at 5% per annum and can be converted into shares of the Company in the amount or integral multiples of HK\$100,000 at any time from the date of issue of the new convertible notes up to 5 days prior to and excluding the maturity date at a conversion price of HK\$0.05. The convertible notes are redeemable and will mature on 20 July 2010.

The convertible notes were subsequently allotted and issued to independent investors on 21 July 2005.

### (ii) Proposed Share Consolidation, change of board lot size, the Rights Issue and amendments to the articles

On 26 July 2005, the Company announced that it intended to put forward the proposals including the Share Consolidation, change of board lot size, the Rights Issue and amendments to the articles. Details of proposed Share Consolidation and the Rights Issue are listed as follows:

- (a) to consolidate every 10 issued shares and unissued shares of HK\$0.01 each in the capital of the Company into 1 Consolidation Share of HK\$0.10 each (“Share Consolidation”). The Share Consolidation is conditional upon, inter alia, the approval of the Shareholders at the extraordinary general meeting to be held on 13 September 2005 (the “EGM”).
- (b) Subject to the Share Consolidation, the Company will propose to allot 10 Rights Shares for every Consolidated Share by way of the Rights Issue. The estimated net proceeds of the Rights Issue will be from approximately HK\$50.5 million (assuming no conversion of the Convertible Notes) to HK\$90.1 million (assuming full conversion of the Convertible Notes).

The proposals mentioned in the above will become effective subject to the fulfilment of the following conditions:

- (a) Approval of the Share Consolidation by Shareholders at the EGM to enable both the Share Consolidation and the Rights Issue becoming effective;
- (b) Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in the Consolidated shares and the Rights shares;
- (c) Compliance with obligations under the Underwriting Agreement by the Company for the Rights Issue.

**4. 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.

**5. INDEBTEDNESS**

At the close of business on 31 August 2005, being the latest practicable date for the purpose of this indebtedness statement prior to printing the Prospectus, the total indebtedness of the Group amounted to approximately HK\$21.6 million, in which HK\$1.6 million represented loan and interest payable and HK\$20 million represented the principal sum of convertible notes, of which approximately HK\$1.3 million represented the equity component convertible notes under the new accounting standards.

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

As at 31 August 2005, the Group had no material contingent liabilities.

Save as aforesaid, at the close of business on 31 August 2005, the Group did not have 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.

**6. 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.

**7. STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP****Unaudited Pro Forma Consolidated Net Tangible Assets**

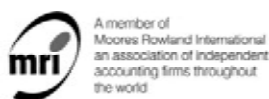
The unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2005.

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.

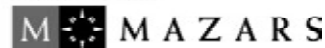
The following statement of unaudited pro forma consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 30 June 2005, as shown in the financial statements of the Group for the period ended 30 June 2005 of this Prospectus, and adjusted to reflect the effect of the Rights Issue as follows:

	<b>Unaudited consolidated net tangible assets of the Group as at 30 June 2005</b> <i>HK\$</i>	<b>Estimated net proceeds from the Rights Issue</b> <i>HK\$</i>	<b>Unaudited pro forma consolidated net tangible assets of the Group</b> <i>HK\$</i>
Based on the subscription price of HK\$0.1 per Rights Share	<u>101,906,000</u>	<u>50,300,000</u>	<u>152,206,000</u>
		<b>Unaudited consolidated net tangible assets per share as at 30 June 2005</b> <i>HK\$</i>	<b>Unaudited pro forma adjusted consolidated net tangible assets per share</b> <i>HK\$</i>
Based on the subscription price of HK\$0.1 per Rights Share		<u>0.19</u>	<u>0.26</u>

*Note:* 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 Shares in issue on the Record Date, after deduction of the expenses directly attributable to the Rights Issue.

**8. LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

A member firm of Mazars



Moores Rowland Mazars  
摩斯倫·馬賽會計師事務所

Chartered Accountants  
Certified Public Accountants

10 October 2005

The Directors  
Unity Investments Holdings Limited  
30 Floor, China United Center  
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 56 to 57 under the heading of unaudited pro forma consolidated net tangible assets of the Group in Appendix II of the Company’s prospectus dated 10 October 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 30 June 2005.

**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 30 June 2005 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,  
**Moore Rowland Mazars**  
*Chartered Accountants*  
*Certified Public Accountants*  
Hong Kong

## 1. RESPONSIBILITY STATEMENT

This Prospectus 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 Prospectus 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 (i) as at the Latest Practicable Date; and (ii) upon completion of the Rights Issue were as follows:

<i>Authorised</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares as at the Latest Practicable Date	<u>500,000,000</u>
<i>Issued and fully paid</i>		<i>HK\$</i>
<u>52,787,600</u>	Shares as at the Latest Practicable Date	<u>5,278,760</u>
<i>Issued share capital upon completion of the Rights Issue (assuming no further Shares would be issued from the Latest Practicable Date to the completion date of the Rights Issue)</i>		<i>HK\$</i>
<u>580,663,600</u>	Shares	<u>58,066,360</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 Old Shares at the conversion price of HK\$0.05 per Old Share, which is subject to adjustment for the dilutive events including, amongst other matters, sub-division or consolidation of the Old 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 Shares as determined by dividing the principal amount of the relevant Convertible Notes outstanding at the time of conversion by the conversion price subject to adjustments.

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 Old Shares at the conversion price of HK\$0.05 per Old 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.

Save as disclosed in the section headed “Material Contracts” in this appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

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 of the Company 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:

<b>Name</b>	<b>Nature</b>	<b>Number of Shares</b>	<b>Approximate Percentage</b>
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	5,250,000	9.95%

Name	Nature	Number of Shares	Approximate Percentage
Coupeville Limited (Note 2)	Interest in controlled corporation	5,250,000	9.95%
Dollar Group Limited (Note 2)	Beneficial owner	5,250,000	9.95%
Chau Tuk Shun	Beneficial owner	2,900,000	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 or sub-underwriting agreements.

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 of the Company 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 Prospectus 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 and the supplemental agreement to the Underwriting Agreement between the Company and the Underwriter on 16 September 2005.

## **6. LITIGATION**

As at the 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. QUALIFICATION OF EXPERT AND CONSENT**

The following is the qualification of the professional adviser who has given opinion or advice contained in this Prospectus:

<b>Name</b>	<b>Qualifications</b>
Moores Rowland Mazars	Certified Public Accountants

Moores Rowland Mazars has given and has not withdrawn its written consent to the issue of this Prospectus 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 the Latest Practicable Date, 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; or (iii) proposed to be acquired to or disposed of by; or (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\$2.5 million and are payable by the Company.

**11. MISCELLANEOUS**

The English texts of this Prospectus 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 27 October 2005:

- (a) the memorandum of association and articles of association of the Company;
- (b) the material contracts referred to in the section headed "Material Contracts";
- (c) the interim report of the Company for the six months ended 30 June 2005;
- (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 10 October 2005, the text of which is set out on pages 58 to 59; and
- (f) the letter of consent referred to in the section headed "Qualification of expert and consent".