

Annual Report 2005



Unity Investments Holdings Limited
合一投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00913



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REVIEW OF OPERATIONS

Unity Investments Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") announced that for the financial year ended 31 December 2005 (the "Year"), the Group registered a turnover of HK\$162,620,520 (2004: HK\$125,003,049) and a net loss of HK\$44,513,118 (2004: HK\$16,810,024). The increase in net loss principally reflected the present value adjustment and impairment loss of loan receivable and unrealised loss on investments held for trading. The Group's investment strategy has been targeting on under-valued, mid- and small-capitalisation companies with quality management and good business prospects in different sectors and industries with calculated risks, with the anticipation that the possible re-rating of the Group's investments will eventually set off the short-term depreciation of investment values. In this regard, the Group did not make frequent unscheduled disposals of assets, leading to unavoidable impairment loss of loan receivable and change in fair value of investments.

To facilitate diversification and reduce market risks, the Company during the Year under review has focused on enhancing its shareholders base and strengthening its shareholders' equity. Through various fund-raising exercises, the Company witnessed a 27.59% increase in the size of its shareholders' equity. As at 31 December 2004, the Company's shareholders' equity amounted to only HK\$106,914,474 and managed to grow significantly to HK\$136,408,333 as at 31 December 2005. In terms of diversification, the Group also earmarked significant improvements during the Year. As at 31 December 2004, the Group had investments in a mere of 13 items, including securities in 12 listed companies and equity interest in 1 unlisted company. By 31

December 2005, the Group has already expanded its investment portfolio by adding more than 6 investment projects into its portfolio. Currently, the Group's portfolio covers a wide range of industries and sectors, including, but not limited to, securities investment companies and companies engaged in the businesses of infrastructure, trading, information technologies, media, energy etc. The Group also invested in fixed income instruments during the Year so as to build its recurrent revenue base. In fact, the Group's dividend income from listed investment securities grew by approximately 77.25% to HK\$1,802,376.

LIQUIDITY AND CAPITAL RESOURCES

During the Year, the Company completed several corporate exercises to enhance its equity base.

On 10 January 2005, the board of directors (the "Directors") proposed to issue 15,998,000 shares of HK\$0.10 each at HK\$0.14 (the "Placing Shares") to an individual investor (the "Investor"), raising approximately HK\$2,180,000. The Investor has undertaken to the Company that he will not, within a period of 12 months from completion of the agreement, sell, transfer, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights or interests in respect of any of the Placing Shares. The Placing Shares were allotted on 28 January 2005.

On 1 April 2005, the Company granted share options to 11 parties under the share option scheme adopted on 2 May 2003 at an exercise price of HK\$0.10 each. All grantees opted to vest and, as a result, a total of 39,900,000 shares of HK\$0.10 each were subsequently issued.



Management Discussion and Analysis

On 1 June 2005, the Company further issued 87,978,000 shares of HK\$0.01 each at HK\$0.041 by way of placing of shares.

On 30 June 2005, shareholders of the Company approved the issuance of HK\$20,000,000 notes convertible into the ordinary shares of the Company (the "Convertible Notes"). During the Year, all Convertible Notes were converted and, as a result, an aggregate of 146,627,563 shares of HK\$0.10 each were issued.

On 6 May 2005, the Company reorganized its capital by reducing the paid-up and nominal value of the issued shares by HK\$0.09 per share to HK\$0.01 per share.

By a special resolution passed at the extraordinary general meeting held on 7 October 2005, the Company allotted 10 Rights Shares for every Consolidated Share, which was created by consolidating 10 issued shares of HK\$0.01 each into 1 share of HK\$0.10 on 13 September 2005, by way of Rights Issue. As a result, a total of 527,876,000 ordinary shares of HK\$0.1 each was issued.

On 7 December 2005, the Directors proposed to issue 250,000,000 shares at HK\$0.14 each by way of placing of shares (the "Proposal") and the Proposal was subsequently approved by shareholders at an extraordinary general meeting held on 26 January 2006. The Placing Shares were allotted on 27 February 2006.

The Group's overall liquidity and capital positions have improved as a result of these exercises. As defined by short-term borrowings (unsecured) to shareholders' equity, the Group's gearing ratio as at 31 December 2005 was 14.94% (2004: Nil).

As most of the Group's transactions and bank deposits were denominated in Hong Kong dollars, the Group's exposure to foreign exchange risk was minimal.

INVESTMENT PORTFOLIO

The breakdown of the Group's portfolio as at 31 December 2005 was:

| | Market value HK\$ | Percentage of the Group's Portfolio |
|--|----------------------|---|
| Available-for-sale investments/Investment securities | 43,481,071 | 25.55 |
| Loan receivable | 12,500,000 | 7.34 |
| Investments held for trading/Trading securities | 114,155,712 | 67.07 |
| Bank balances and cash | 61,060 | 0.04 |
| | 170,197,843 | 100.00 |

Management Discussion and Analysis

The size of the Group's investment portfolio had experienced substantial growth when compared with the portfolio size of HK\$111,408,477 recorded on the previous balance sheet date. The Group's portfolio covers a wide array of industries and sectors including, but not limited to, securities investment companies and companies engaging in the

businesses of infrastructure, trading, information technologies, media, energy etc.

Pursuant to the requirements stipulated in chapter 21.12 of the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Group discloses its 10 largest investments as follows:

| Code | Name | No. of Shares | Cost HK\$ | Market Value HK\$ | Unrealised Gain/(Loss) HK\$ | Dividends/ Interest Income HK\$ |
|------|--|---------------|---------------|----------------------|-----------------------------------|---------------------------------------|
| 273 | Willie International Holdings Limited | 168,704,000 | 36,483,544.00 | 45,550,080.00 | 9,066,536.00 | - |
| 613 | Yugang International Limited | 322,400,000 | 14,055,901.34 | 34,174,400.00 | 20,118,498.66 | 1,064,886.00 |
| 412 | Heritage International Holdings Limited | 406,840,000 | 20,657,385.34 | 15,459,920.00 | (5,197,465.34) | - |
| 1224 | Qualipak International Holdings Limited | 157,920,000 | 21,809,710.43 | 14,528,640.00 | (7,281,070.43) | 348,000.00 |
| 032 | The Cross-Harbour (Holdings) Limited | 1,497,000 | 9,945,100.00 | 8,607,750.00 | (1,337,350.00) | 257,780.00 |
| 985 | China Sci-Tech Holdings Limited - Convertible Notes | - | 8,100,000.00 | 8,100,000.00 | - | 223,063.00 |
| 651 | Wonson International Holdings Limited | 191,468,000 | 11,392,078.00 | 6,126,976.00 | (5,265,102.00) | - |
| 622 | Enerchina Holdings Limited | 6,000,000 | 4,363,636.36 | 5,040,000.00 | 676,363.64 | - |
| 901 | Radford Capital Investment Limited | 77,776,000 | 6,734,896.00 | 4,666,560.00 | (2,068,336.00) | - |
| 021 | Beauforte Investors Corporation Limited | 13,500,000 | 4,590,000.00 | 4,455,000.00 | (135,000.00) | - |

Willie International Holdings Limited ("Willie"), incorporated in Hong Kong, is a holding company principally engaging in trading securities, brokerage and financial services, property investment, and investment holding.

For the financial year ended 31 December 2004, the audited consolidated loss from ordinary activities attributable to shareholders of Willie was HK\$336,868,000. As at 31 December 2004, its audited consolidated net asset was HK\$91,451,000. During the Period, the Group

has not received any dividend from this investment. As at 31 December 2005, market value of this investment represented 33.39% of the Group's consolidated net asset value.

Yugang International Limited ("Yugang"), incorporated in Bermuda, is a consolidated enterprise principally engaging in trading in goods including industrial equipment, automobile parts, metal and plastic materials; property investment; and manufacture and sale of gift boxes, watch boxes and spectacles cases.



Management Discussion and Analysis



For the financial year ended 31 December 2004, the audited consolidated profit from ordinary activities attributable to shareholders of Yugang was HK\$227,416,000 with the basic earnings per share being HK\$2.69 cents. As at 31 December 2004, its audited consolidated net asset was HK\$2,011,341,000. During the Year, the Group has received aggregate dividend of HK\$1,064,886 from this investment. As at 31 December 2005, market value of this investment represented 25.05% of the Group's consolidated net asset value.

Heritage International Holdings Limited ("Heritage"), incorporated in Bermuda, is a holding company principally engaging in property development and investment, and investment holding.

For the financial year ended 31 March 2005, the audited consolidated loss from ordinary activities attributable to shareholders of Heritage was HK\$19,547,000. As at 31 March 2005, its audited consolidated net asset was HK\$337,600,000. During the Year, the Group has not received any dividend from this investment. As at 31 December 2005, market value of this investment represented 11.33% of the Group's consolidated net asset value.

Qualipak International Holdings Limited ("Qualipak"), incorporated in Bermuda, is an industrial group principally engaging in sales of watch boxes, gift boxes, spectacles cases, bags and pouches, display units and stationery and property rental.

For the financial year ended 31 December 2005, the audited consolidated profit from ordinary activities attributable to shareholders of

Qualipak was HK\$42,112,000 with the basic earnings per share being HK\$1.07 cents. As at 31 December 2004, its audited consolidated net asset was HK\$554,500,000. During the Year, the Group has received aggregate dividend of HK\$348,000 from this investment. As at 31 December 2005, market value of this investment represented 10.65% of the Group's consolidated net asset value.

The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), incorporated in Hong Kong, is a consolidated enterprise principally engaging in motoring school operations, tunnel operations, electronic toll operation, and treasury operation.

For the financial year ended 31 December 2004, the audited consolidated profit from ordinary activities attributable to shareholders of Cross-Harbour was HK\$134,979,000 with the basic earnings per share being HK\$52.86 cents. As at 31 December 2004, its audited consolidated net asset was HK\$1,957,506,000. During the Year, the Group has received aggregate dividend of HK\$257,780 from this investment. As at 31 December 2005, market value of this investment represented 6.31% of the Group's consolidated net asset value.

China Sci-Tech Holdings Limited ("China Sci-Tech"), incorporated in the Cayman Islands, is a consolidated enterprise principally engaging in strategic investment holding.

For the financial year ended 31 March 2005, the audited consolidated loss from ordinary activities attributable to shareholders of China Sci-Tech was HK\$10,090,000. As at 31 March 2005, its audited consolidated net asset was HK\$335,922,000. During the Year, the Group



Management Discussion and Analysis

has received interest of HK\$223,063 from this investment. As at 31 December 2005, market value of this investment represented 5.94% of the Group's consolidated net asset value.

Wonson International Holdings Limited ("Wonson"), incorporated in Bermuda, is a consolidated enterprise principally engaging in metal trading, sales of communication products and investment in securities.

For the financial year ended 31 December 2004, the audited consolidated loss from ordinary activities attributable to shareholders of Wonson was HK\$2,215,000 with the basic. As at 31 December 2004, its audited consolidated net asset was HK\$39,212,000. During the Year, the Group has not received any dividend from this investment. As at 31 December 2005, market value of this investment represented 4.49% of the Group's consolidated net asset value.

Enerchina Holdings Limited ("Enerchina"), incorporated in Bermuda, is a utilities company principally engaging in electricity supplies and investment holding.

For the financial year ended 31 December 2004, the audited consolidated profit from ordinary activities attributable to shareholders was HK\$80,229,000 with the basic earnings per share being HK 3.98 cents. As at 31 December 2004, its audited consolidated net asset was HK\$1,342,792,000. During the Year, the Group has not received any dividend from this investment. As at 31 December 2005, market value of this investment represented 3.69% of the Group's consolidated net asset value.

Radford Capital Investment Limited ("Radford"), incorporated in the Cayman Islands, is an investment company principally engaging in

investing in a diversified portfolio of listed or unlisted enterprises established and/or conducting business in Hong Kong and/or the PRC.

For the financial year ended 31 December 2004, the audited consolidated loss from ordinary activities attributable to shareholders of Radford was HK\$28,435,675. As at 31 December 2004, its audited consolidated net asset was HK\$161,983,104. During the Year, the Group has not received any dividend from this investment. As at 31 December 2005, market value of this investment represented 3.42% of the Group's consolidated net asset value.

Beauforte Investors Corporation Limited ("Beauforte"), incorporated in Hong Kong, is a finance company principally engaging in treasury operation, investment and property.

For the financial year ended 31 December 2004, the audited consolidated loss from ordinary activities attributable to shareholders was HK\$249,700,000. As at 31 December 2004, its audited consolidated net asset was HK\$381,400,000. During the Year, the Group has not received any dividend from this investment. As at 31 December 2005, market value of this investment represented 3.27% of the Group's consolidated net asset value.

PROSPECTS

Given the fact that the overall economic conditions globally and domestically have been improving, the long-term investment environment is anticipated to become more favourable. However, the strong performances of the local stock market and overseas equity markets, in particular the American stock exchanges, have led to higher valuations. Meanwhile, outbreak of wide-spread avian flu

is possible, potentially sparking off short-term securities prices volatility in the capital market. Against such backdrop, the Group remains cautiously optimistic towards the market and will build a more balanced portfolio through diversification and further enhancement in the size of its assets base.

Through a series of corporate exercises, the Group had already enhanced its equity base to the extent facilitating diversification of the Group's portfolio. To achieve a more balanced risk and return profile, the Group will continue to diversify its portfolio if appropriate investment opportunities arise while maintaining its investment strategy of investing in under-valued, mid- and small-capitalisation companies with good quality management and good business prospects in various industries and sectors.

PLEDGE OF ASSETS

As at the balance sheet date, the Group's investment in listed investments held for trading with an aggregate net book value of HK\$17,167,218 (2004: HK\$3,876,000) were pledged to brokers to secure margin financing provided to the Group.

EMPLOYEES

As at 31 December 2005, the Group had 7 employees, including 3 executive directors and 3 independent non-executive directors. They are remunerated based on their performance, working experience and prevailing market standards. For the Year, the total staff costs paid/payable amounted to HK\$601,816 (2004: HK\$599,026) and there has been no significant change in the Group's remuneration policy. A comprehensive disclosure of directors' emoluments was made pursuant to section 161 of the Hong Kong Companies Ordinance is made in Note 10 to the financial statements.

By order of the Board

PANG Shuen Wai, Nichols

Chairman and Executive Director

Hong Kong, 10 April 2006



Biographical Details of Directors and Senior Management



EXECUTIVE DIRECTORS

Dr. PANG Shuen Wai, Nichols (“Dr. Pang”), aged 46, has more than 16 years of experience in investment. Dr. Pang is a director of CU Investment Management Limited, an investment manager of another publicly listed investment holding company. He obtained a master’s degree of applied finance from Macquaire University, Sydney, and a Ph.D. degree from the University of South Australia, Adelaide. He is a fellow member of the Australasian Institute of Financial Services. Dr. Pang is an investment adviser registered under the Securities and Futures Ordinance. He was appointed as an executive director of the Company with effect from 1 September 2002 and took up the chairmanship of the Company on 22 July 2005.

Mr. KITCHELL, Osman Bin (“Mr. Kitchell”), aged 41, a Canadian citizen, had his high-school education in Hong Kong and undergraduate studies in Canada. Mr. Kitchell had obtained a honorary diploma from Pickering College in Canada in 1985. He studied Economics in the University of Toronto, Canada, in 1985-1988. Mr. Kitchell is a veteran investor mainly in the Hong Kong equity markets with approximately 11 years’ experience. He has been an investor managing private fund. Mr. Kitchell was appointed as an executive director of the Company with effect from 10 January 2005 and became the chief executive officer on 17 January 2006.

Mr. WONG Man Hon, Frederick (“Mr. Wong”), aged 47, received his education in Hong Kong and has more than 29 years’ experience in treasury operations and capital markets. He had been a treasurer for an international bank and for a major transportation company prior to becoming the General Manager of an American investment

bank in Taiwan and a director of a Taiwan investment fund. Since 1990, Mr. Wong has been actively involving in the business of securities investment in Hong Kong. Mr. Wong is also the managing director of U.B.C. (HK) Commercial Consulting Agency Ltd., a private company which is engaged in the businesses of commercial consulting and investments. Mr. Wong was appointed as an executive director of the Company on 24 January 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Ping Cheung (“Mr. Lam”), aged 54, is a solicitor and the partner of Messrs. Andrew Lam & Co. He is also an independent non-executive director of Golden Resources Development International Limited, Kith Holdings Limited, Qualipak International Holdings Limited, Inner Mongolia Development (Holdings) Limited, Willie International Holdings Limited, China Velocity Group Limited, Espco Technology Holdings Limited and a non-executive director of Ngai Lik Industrial Holdings Limited. Mr. Lam graduated from the Chinese University of Hong Kong with a bachelor’s degree in social science. Mr. Lam was appointed as an independent non-executive director of the Company with effect from 1 September 2002.

Mr. CHUNG Kong Fei, Stephen (“Mr. Chung”), aged 50, is one of the founders and executive directors of SDM Dental Inc., an investment holding company which operates 6 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



Biographical Details of Directors and Senior Management

Computech Holdings Limited, a publicly listed company. During 1997, he was an executive director of Qualipak International Holdings Limited, a manufacturer of packaging materials. From 1987 to 1996, he was the deputy managing director of another listed company in Hong Kong which had extensive investments in the PRC and the computer software industry. Mr. Chung holds a bachelor of science degree from the Wharton School of Business, University of Pennsylvania, U.S.A. He was appointed as an independent non-executive director of the Company since 16 March 2004.

Mr. TSANG Wing Ki (“Mr. Tsang”), aged 44, graduated from the Hong Kong Polytechnic University, is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has more than 18 years of experience in the accounting profession. Mr. Tsang was appointed as an independent non-executive director as well as a member of the Audit Committee of the Company on 28 August 2004.

SENIOR MANAGEMENT

Mr. LIU Kwong Sang (“Mr. Liu”), aged 44, is the company secretary and qualified accountant of the Company. He has more than 15 years of experience in the accounting profession. Mr. Liu graduated from Hong Kong Polytechnic University with a bachelor degree in Accountancy (with honours) and obtained a master’s degree in business administration from the University of Lincoln, United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants and a fellow member of the National Institute of Accountants, Australia. Mr. Liu is also a fellow member of the Taxation Institute of Hong Kong, a fellow member of the Society of Registered Financial Planners. Mr. Liu acts as independent non-executive directors of certain listed companies listed on the Stock Exchange of Hong Kong and a company listed on the American Stock Exchange.

The directors of the Company (the “Directors”) submit their report together with the audited financial statements for the year ended 31 December 2005 (the “Year”).

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the “Group”) are investment holding. During the Year, the Group has been engaged principally in the investments in listed and unlisted companies.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated income statements on page 23.

The directors do not recommend the payment of a final dividend.

CAPITAL STRUCTURE AND SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 17 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out in note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the Year.

DIRECTORS

Dr. PANG Shuen Wai, Nichols

Mr. KITCHELL, Osman Bin

(appointed as executive director on 10 January 2005)

Mr. WONG Man Hon, Frederick

(appointed as executive director on 24 January 2006)

Ms. AU Shuk Yee, Sue

(resigned as executive director on 17 January 2006)

Mr. QI Qing

(resigned as non-executive director on 9 January 2005)

Mr. LAM Ping Cheung[#]

Mr. CHUNG Kong Fei, Stephen[#]

Mr. TSANG Wing Ki[#]

Mr. WONG Ying Seung, Asiong[#]

(resigned as independent non-executive director on 28 December 2005)

[#] *Independent non-executive directors*

In accordance with Article 157 of the Company’s Articles of Association, Mr. LAM Ping Cheung and Mr. TSANG Wing Ki will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 123 of the Company’s Articles of Association, Mr. KITCHELL, Osman Bin and Mr. WONG Man Hon, Frederick will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

On 5 November 2004, the Company and CU Investment Management Limited ("CUIM") entered into an investment management agreement ("Investment Management Agreement") with revision in the investment management fee which was adjusted to HK\$50,000 per month, instead of referring to the net asset value. The Investment Management Agreement expired on 31 December 2005 and a one-year extension was agreed with the terms and conditions remain unchanged.

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

Apart from the above, no other contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

(I) ORDINARY SHARES OF HK\$0.10 EACH IN THE COMPANY ("SHARES")

As at 31 December 2005, no interests of the directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as notified to the Company. Mr. WONG Man Hon, Frederick ("Mr. Wong"), who was appointed as an executive director of the Company on 24 January 2006, reported that he held 86,910,000 ordinary shares in the Company. On 8 March 2006, Mr. Wong notified the Company that he had increased his holding in the Company to 87,590,000 ordinary shares, representing approximately 8.96% of the Company's issued shares.

As at 31 December 2005, no short positions were recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be kept under section 352 of the SFO or so notified to the Company.

(II) OPTIONS

Under the option scheme which was approved by the shareholders of the Company on 2 May 2003 (the "Option Scheme"), the directors of the Company may grant Options to those Participants including (i) any employee (whether full time or part time and including executive director) of any member(s) of the Group or any entity in which the Group holds any equity interest ("Invested Entity");

(ii) any non-executive director (including independent non-executive directors) of any member of the Group or any Invested Entity; (iii) any consultant, adviser or agent (legal, financial or professional) engaged by any member of the Group or any Invested Entity, who, under the terms of relevant engagement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company; and (iv) any vendor, supplier of goods or services or customer of or to any member of the Group or Invested Entity who, under the terms of relevant agreement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company.

For the purpose of (i) to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group or any Invested Entity; (ii) to recognize the significant contributions of the participants to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company; and (iii) to further motivate and give incentives to these persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

During the Year under review, the Company granted options convertible into a total of 39,900,000 ordinary shares (representing approximately 9.98% of the issued share capital of the Company of 399,998,005 ordinary shares as at 1 April 2005) to 11 allottees who opted to exercise their options subsequently.

At no time during the Year was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the directors of the Company (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised any rights to subscribe for, shares in the Company and its associated corporations within the meaning of the SFO.

As the Company had utilized most of its options under the Option Scheme, the Directors proposed to refresh the 10% general limit on the grant of options under all option schemes (the "Refreshment Proposal") on 7 December 2005 and the Proposal was subsequently approved by shareholders in an extraordinary general meeting held on 26 January 2006.

Subject to the requirements of the prevailing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the subscription price shall be such price determined by the board of directors at its absolute discretion. The maximum entitlement of each Participant under the Scheme is equivalent to the maximum limit permitted under the Scheme is 72,729,116 shares and represent 10% of the issued share capital of the Company on 26 January 2006, being the date of approving the Refreshment Proposal.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate. The Company did not grant any rights to subscribe for the shares in the Company to any directors or chief executive of the Company or their respective spouse or children under the age of 18 during the Year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register maintained by the Company pursuant to section 336 of the SFO recorded interests (as defined in the SFO) in the Company by the following:

| Name of substantial shareholder | Capacity and nature of interest | Number of shares interested | % of issued share capital |
|---|---------------------------------|-----------------------------|---------------------------|
| Radford Capital Investment Limited (<i>Note 1</i>) | Investor | 103,930,000 | 14.29 |
| Wong Man Hon, Frederick (<i>Note 2</i>) | Investor | 86,910,000 | 11.95 |
| Heritage International Holdings Limited (<i>Note 3</i>) | Investor | 68,000,000 | 9.35 |

Note 1: These shares were held by Winning Horsee Limited which is wholly and beneficially owned by Radford Capital Investment Limited.

Note 2: Wong Man Hon, Frederick was appointed as an executive director of the Company on 24 January 2006.

Note 3: These shares were held by Dollar Group Limited, which is a wholly-owned subsidiary of Coupeville Limited, a company wholly-owned by Heritage International Holdings Limited.

All the interests stated above represent long positions. As at 31 December 2005, no short positions were recorded in the register of interests in shares and short positions of substantial shareholders required to be kept under section 336 of the SFO.

On 1 December 2005, the Company entered into a placing agreement with Chung Nam Securities Limited ("CNSL") to place a total of 250,000,000 ordinary shares at HK\$0.14 each (the "Placing Agreement"). On 27 February 2006, a total of 250,000,000 ordinary shares issued under the Placing Agreement were duly allotted. As a result, the percentage of issued share capital held by the substantial shareholders (as defined in the SFO) has been changed and on 8 March 2006, Mr. Wong Man Hon, Frederick increased his holding in the Company by 680,000 ordinary shares of HK\$0.1 each.

The register has been updated as follows:

| Name of substantial shareholder | Capacity and nature of interest | Number of shares interested | % of issued share capital |
|---|---------------------------------|-----------------------------|---------------------------|
| Radford Capital Investment Limited (<i>Note 1</i>) | Investor | 103,930,000 | 10.63 |
| Wong Man Hon, Frederick (<i>Note 2</i>) | Investor | 87,590,000 | 8.96 |
| Heritage International Holdings Limited (<i>Note 3</i>) | Investor | 68,000,000 | 6.96 |

Note 1: These shares were held by Winning Horsee Limited which is wholly and beneficially owned by Radford Capital Investment Limited.

Note 2: Wong Man Hon, Frederick was appointed as an executive director of the Company on 24 January 2006.

Note 3: These shares were held by Dollar Group Limited, which is a wholly-owned subsidiary of Coupeville Limited, a company wholly-owned by Heritage International Holdings Limited.

RENEWAL OF INVESTMENT MANAGEMENT AGREEMENT

On 5 November 2004, the Company and CU Investment Management Limited (“CUIM”) entered into a new investment management agreement (“New Investment Management Agreement”) with revision in the investment management fee which was adjusted to HK\$50,000 per month, instead of referring to the net asset value. The New Investment Management Agreement expired on 31 December 2005 and was renewed for another year with no changes in terms and conditions.

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

CHANGE OF CUSTODIAN

Liu Chong Hing Bank was appointed as the custodian of the Company (the “Custodian”) in relation to the investments which the Company may from time to time deposit with the Custodian.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its ordinary shares during the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s ordinary shares during the Year.

PUBLIC FLOAT

The Company confirmed that a minimum of 25 per cent of total issued share capital of the Company is in public hands based on the information currently available to the Board and is in compliance with Rule 8.08 of the Listing Rules.

POST BALANCE SHEET EVENT

On 1 December 2005, the Company entered into a placing agreement with CNSL to place 250,000,000 ordinary shares of HK\$0.10 each (the “Placing Shares”) at HK\$0.14 per share, raising net proceeds of approximately HK\$34.2 million for working capital, investment and repayment of margin loans. The Placing Shares of 250,000,000 ordinary shares of HK\$0.10 each were subsequently allotted and issued to not less than six placees on 27 February 2006.

RETIREMENT SCHEME

The Group provides a defined contribution retirement scheme under the Mandatory Provident Fund Scheme (the “Scheme”) in Hong Kong to all staff. Under the Scheme, employer and employees are each required to make contributions to the Scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000 and contributions to the Scheme vested immediately.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has complied with the requirements for director’s securities transactions stated in the Model Code for Securities Transactions (the “Model Code”) as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standards as set out in the Model Code for the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s articles of association although there are no restrictions against such rights under the laws in the Cayman Islands.



Report of the Directors

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee of the Company comprises three independent non-executive directors, namely Messrs. LAM Ping Cheung, CHUNG Kong Fei, Stephen and TSANG Wing Ki. Three meetings were held during the Year.

AUDITORS

During the Year, the auditors, Messrs. PricewaterhouseCoopers retired and Messrs. Moores Rowland Mazars were appointed auditors of the Group.

The accounts have been audited by Moores Rowland Mazars who are due to retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

KITCHELL, Osman Bin

Chief Executive Officer and Executive Director

Hong Kong, 10 April 2006

SUMMARY

The Board of Directors (the "Board") of the Company is committed to maintain high standards of corporate governance. Since 1 January 2005, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code Provision") stipulated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For the financial year ended 31 December 2005 (the "Year"), the Company, in the opinion of the Board, has complied with the Code Provision save as the following deviations in respect of specific term of the appointment of non-executive directors and the availability of independent non-executive directors in the general meeting.

Code Provision A.4.2 stipulates that any director appointed to fill a casual vacancy should be subject to election by members of the Company (the "Members") at the first general meeting after their appointment. To comply with the Code Provision, an amendment to the Company's articles of association (the "Articles of Association") was proposed and subsequently approved by the Members on the extraordinary general meeting held on 13 September 2005. The new amended article specifies that any director appointed to fill a casual vacancy shall hold office until the next following general meeting instead of the next following annual general meeting.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term. The Company has not fixed the term of appointment for non-executive directors, which constitutes a deviation from Code Provision of A.4.1. However, all non-executive directors are also subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company pursuant to Article 157 in the Articles of Association amended on 13 September 2005.

Code Provision E.1.2 stipulates that chairmen of the audit and remuneration committees or in the absence of the chairmen of such committees, another member of the committee or failing this his duly appointed delegate, should be available to answer questions at the general meeting. Neither of the Chairmen nor the members of the board committees has attended and been available to answer questions in the annual general meeting and extraordinary general meeting. However, opinions of Independent Non-executive Directors had been expressed and endorsed in the letters from independent board committees, which were included in circulars for the extraordinary general meetings held on 30 June 2005 and 13 September 2005.

The current practices of the corporate governance of the Company will be reviewed and updated in a timely manner in order to comply with the requirements of the Code Provision.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements for director's securities transactions stated in the Model Code for Securities Transactions (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors of the Company (the "Directors") have confirmed that they have complied with the required standards as set out in the Model Code for the Year.

BOARD OF DIRECTORS AND BOARD MEETING

As at 31 December 2005, the Board comprises six directors, including:

Executive Directors

PANG Shuen Wai, Nichols (*Chairman*)
KITCHELL, Osman Bin (*Chief Executive Officer*)
AU Shuk Yee, Sue
(*resigned on 17 January 2006*)

(*collectively the "Executive Directors"*)

Independent non-executive Directors

LAM Ping Cheung
CHUNG Kong Fei, Stephen
TSANG Wing Ki

(*collectively the "Independent Non-executive Directors"*)

WONG Man Hon, Frederick was appointed as an executive director on 24 January 2006.

Details of the backgrounds and qualifications of the directors are set out in the Biographical Details of the Directors and Senior Management on pages 8 and 9 of the annual report for the Year (the "Annual Report"). All directors of the Board (the "Directors") have grave concern, sufficient time and attention to all the significant issues and affairs of the Company and its subsidiaries (collectively the "Group"). Each Executive Director has accumulated sufficient and valuable experience to hold his position in order to ensure that his fiduciary duties can be carried out in an effective and efficient manner. None of the Directors have, in any respect, related to each other in any circumstances.

To improve the transparency and independency of the corporate governance of the Company, the fiduciary duties of the chairman and the chief executive officer of the Company are segregated and not exercised by the same individual. Messrs. PANG Shuen Wai, Nichols was appointed as the chairman of the Company (the "Chairman") while KITCHELL, Osman Bin was appointed as the chief executive officer of the Company (the "Chief Executive Officer") on 22 July 2005. The Chairman is responsible for the management of the Board and external corporate communication. The Chief Executive Officer is responsible for the day-to-day operation, including but not limited to, the implementation of the overall strategy of the Company. As at 31 December 2005, the Company had 7 employees, including three Executive Directors and three Independent Non-executive Directors. The Board is responsible for all management functions of the Company.

To act in the best interest of the Members, the Company has appointed Messrs. CHUNG Kong Fei, Stephen, LAM Ping Cheung and TSANG Wing Ki as Independent Non-executive Directors. All of them have relevant and sufficient experience in listed companies.

The Company has received annual confirmation of independence from the three Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that they are independent under the definition of the Listing Rules.

The Directors had four full Board meetings for the Year. Statistics of Directors' attendance at the Board meetings are:

| Executive Directors | Attendance |
|--|------------|
| PANG Shuen Wai, Nichols | 4/4 |
| AU Shuk Yee, Sue | 4/4 |
| KITCHELL, Osman Bin | 4/4 |
| Independent non-executive Directors | |
| LAM Ping Cheung | 4/4 |
| CHUNG Kong Fei, Stephen | 1/4 |
| TSANG Wing Ki | 4/4 |
| WONG Ying Seung, Asiong | 3/4 |

To ensure the compliance of the Code Provision, the Board will communicate among themselves on other occasions should a decision on a particular matter from the Board is sought save for the regular Board meetings. Notice of each board meeting and details of its agenda would be delivered 14 days in advance to the Board. Minutes of each board meeting would be sent to Directors within 7 days after the meetings.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "Remuneration Committee") was established in September 2005. As at 31 December 2005, the Remuneration Committee comprises two of the three Independent Non-executive Directors and one Executive Director:

LAM Ping Cheung (*Independent Non-executive Director*)

TSANG Wing Ki (*Independent Non-executive Director appointed as committee member on 28 December 2005*)

PANG Shuen Wai, Nichols (*Executive Director*)

WONG Ying Seung, Asiong (*Independent Non-executive Director resigned as committee member on 28 December 2005*)

During the Year, the Remuneration Committee and the other directors held one meeting to adopt the terms of reference of the Remuneration Committee and in the opinion of the Board, the adopted terms of reference of the Remuneration Committee is in compliance with B.1.3 of the Code Provision.

NOMINATION OF DIRECTORS

Nomination committee has not been set up to deal with the nomination of directors in the Company after having an assessment and a review. The Board, however, will review the profile of each Director and nominated directors (if any) on a regular basis to ensure that the composition of the Company's Board meets the general requirements under the Listing Rules and other compliance issues and that the Company's Board is capable to fulfill its obligations in terms of fiduciary duties and can act in the best interest of the Members of the Company.

AUDITORS' REMUNERATION

The audit committee of the Company (the "Audit Committee") is responsible for considering the appointment of external auditors and reviewing any non-audit functions performed by external auditors. On 20 April 2005, Messrs. Moores Rowland Mazars was appointed to act as the auditors of the Group. During the Year, amounts of HK\$240,000 and HK\$130,364 have been paid to the Company's auditors, Messrs Moores Rowland Mazars, for the provision of audit services and the purpose of reviewing the financial information included in the circular and prospectus relating to the Company's rights issue, respectively.

AUDIT COMMITTEE

The Company's Audit Committee was established in January 2003. The primary duties of the Audit Committee are to communicate with the Executive Directors of the Company from time to time, including but not limited to, to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors; to discuss with the external auditors on the nature and scope of audit prior to commencement of the auditing procedures; to review the accounting principles and practices adopted by the Company; to monitor the effectiveness of its internal control systems; and to approve the interim and annual accounts of the Company. All members of the Audit Committee are Independent Non-executive Directors. As at 31 December 2005, members of the Audit Committee are:

LAM Ping Cheung
CHUNG Kong Fei, Stephen
TSANG Wing Ki

On 20 April 2005, a meeting of the Audit Committee was held for the purpose of agreeing the Board's decision to appoint Messrs. Moores Rowland Mazars to act as the auditors of the Group and to fill the vacancy occasioned by the retirement of PricewaterhouseCoopers.

In addition, the Audit Committee held two meetings for the purpose of reviewing and considering the Company's financial results during the Year. Statistics of attendance of the Audit Committee meetings are as follows:

| Committee members | Attendance |
|-------------------------|------------|
| LAM Ping Cheung | 3/3 |
| CHUNG Kong Fei, Stephen | 0/3 |
| TSANG Wing Ki | 3/3 |
| WONG Ying Seung, Asiong | 3/3 |

The Group's unaudited interim results for the six months ended 30 June 2005 and audited annual results for the financial year ended 31 December 2005 were reviewed by the Audit Committee, which opined that the preparations of the two sets of results announcements were in compliance with the applicable accounting standards and practices.

INTERNAL CONTROL REVIEW

The principal activities of the Group are engaged in trading of securities of listed and unlisted companies. Recommendations were principally made by CU Investment Management Limited and were reviewed and executed by the Board. The Board believed that provisions stipulated in Chapter 21 of the Listing Rules are followed when making investment decisions. The Board is of the view that the internal control of the Company to be considered sufficient for the time being.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

Responsibilities of the Directors and the Auditors are set out on page 22 of the Annual Report. The Directors acknowledge their responsibilities in relation to the preparation of financial accounts (the "Accounts") for each financial year for the purposes of giving a true and fair view of the state of financial affairs of the Group and the presentation of interim and annual Accounts and announcements to Members. The Directors aim to present a fair and reasonable assessment of the Company's position and prospects to the Members and to disclose proper and relevant information required under the Listing Rules. Given that the Board is not aware of any material uncertainties relating to the events or conditions that may cause any significant doubt upon the going concern of the Company, the Board therefore continues to adopt going concern approach when preparing the Accounts for the Year.

COMMUNICATIONS WITH SHAREHOLDERS

Individual resolution in response to specific issues (including proposals related to capital reorganization, issue of convertible bonds and rights issue) has been put forward to Members to consider in the general meetings during the Year. During the Year, the Company had held one annual general meeting and three extraordinary general meetings.

Neither chairmen nor members of the committees had attended and been made available to answer questions in the general meetings, which constitute a deviation from the Code Provision E.1.2. However, opinions of the Independent Non-executive Directors had been expressly stated in the letters issued by the independent board committees, which were included in the circulars for the general meetings held on 30 June 2005 and 13 September 2005.

VOTING BY POLL

In compliance with the requirements on the poll voting procedures, the Company has informed the Members in respect of the procedures for voting by poll and the rights of the Members in demanding for poll in each general meeting. Pursuant to Article 100 of the Company's Articles of Association, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded at any general meeting.

In the general meetings held during the Year, the Company counted all proxy votes, and except where polls were required, chairman of each general meeting had expressly indicated to the members attending the meetings the levels of proxies lodged on each resolution, and the balance for and against the resolution, after each of the resolution had been dealt with on a show of hands.

Furthermore, Article 100 of the Articles of Association, a vote by poll may be demanded by:

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

In the general meetings held during the Year, there were resolutions requiring polls either demanded by the chairmen of the meetings or required under the Listing Rules. In each occasion, votes cast were properly counted and recorded. Tengis Limited, the Company's Hong Kong Branch Registrar, acted as scrutineer in each occasion. In each general meeting held during the Year, the Company had ensured that:

- (i) the procedure for demanding a poll by the Shareholders before putting a resolution to the vote on a show of hands; and
- (ii) the detailed procedures for conducting a poll and then answer any questions from the Shareholders whenever voting by way of a poll is required.

As such, the Company has complied with the requirements in relation to vote by poll.

Moores Rowland Mazars

摩斯倫·馬賽會計師事務所

To the members of
Unity Investments Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 23 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It

also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

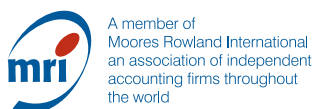
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong, 10 April 2006



Consolidated Income Statement

For the year ended 31 December 2005

| | <i>Note</i> | 2005 HK\$ | 2004 <i>HK\$</i> |
|--|-------------|----------------------------|---------------------|
| Turnover | 4 | 162,620,520 | 125,003,049 |
| Other revenue | 4 | 2,025,440 | 1,017,217 |
| Cost of sales | | (175,856,857) | (133,065,935) |
| Loan receivable: | | | |
| – Present value adjustment | | (5,770,914) | – |
| – Impairment loss | | (6,729,086) | – |
| Unrealised (loss)/gain on investments held for trading | | (9,328,737) | 14,787,456 |
| Impairment loss on available-for-sale investments | | (3,000,000) | (20,000,000) |
| Other operating expenses | | (5,422,312) | (3,372,820) |
| Finance costs | 6 | (3,051,172) | (1,178,991) |
| Loss before taxation | 6 | (44,513,118) | (16,810,024) |
| Taxation | 7 | – | – |
| Loss attributable to shareholders | 8 | (44,513,118) | (16,810,024) |
| Loss per share – Basic | 9 | (7.64) cents | (7.19) cents |

Consolidated Balance Sheet

As at 31 December 2005

| | <i>Note</i> | 2005 HK\$ | 2004 <i>HK\$</i> |
|--|-------------|----------------------------|---------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 55,563 | 141,954 |
| Available-for-sale investments/Investment securities | 13 | 43,481,071 | 56,753,110 |
| Loan receivable | 14 | 12,500,000 | – |
| | | 56,036,634 | 56,895,064 |
| Current assets | | | |
| Investments held for trading/Trading securities | 15 | 114,155,712 | 53,600,270 |
| Deposits, prepayments and other receivables | | 4,281,835 | 108,926 |
| Bank balances and cash | | 61,060 | 1,055,097 |
| | | 118,498,607 | 54,764,293 |
| Current liabilities | | | |
| Other payables and accruals | | 17,748,826 | 4,744,883 |
| Short-term borrowings, unsecured | 16 | 20,378,082 | – |
| | | 38,126,908 | 4,744,883 |
| Net current assets | | 80,371,699 | 50,019,410 |
| NET ASSETS | | 136,408,333 | 106,914,474 |
| CAPITAL AND RESERVES | | | |
| Share capital | 17 | 72,729,116 | 38,400,000 |
| Reserves | 18(a) | 63,679,217 | 68,514,474 |
| | | 136,408,333 | 106,914,474 |

Approved and authorised for issue by the Board of Directors on 10 April 2006.

PANG Shuen Wai, Nichols
Director

KITCHELL, Osman Bin
Director

Balance Sheet

As at 31 December 2005

| | Note | 2005 HK\$ | 2004 HK\$ |
|--|-------|--------------------|--------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 55,563 | 141,954 |
| Investments in subsidiaries | 12 | 12,500,079 | 20,574,473 |
| Available-for-sale investments/Investment securities | 13 | 43,481,032 | 56,753,110 |
| | | 56,036,674 | 77,469,537 |
| Current assets | | | |
| Investments held for trading/Trading securities | 15 | 114,155,712 | 53,600,270 |
| Deposits, prepayments and other receivables | | 4,281,836 | 108,926 |
| Bank balances and cash | | 61,045 | 1,055,082 |
| | | 118,498,593 | 54,764,278 |
| Current liabilities | | | |
| Other payables and accruals | | 17,748,826 | 4,744,883 |
| Short-term borrowings, unsecured | 16 | 20,378,082 | – |
| | | 38,126,908 | 4,744,883 |
| Net current assets | | 80,371,685 | 50,019,395 |
| NET ASSETS | | 136,408,359 | 127,488,932 |
| CAPITAL AND RESERVES | | | |
| Share capital | 17 | 72,729,116 | 38,400,000 |
| Reserves | 18(b) | 63,679,243 | 89,088,932 |
| | | 136,408,359 | 127,488,932 |

Approved and authorised for issue by the Board of Directors on 10 April 2006.

PANG Shuen Wai, Nichols
Director

KITCHELL, Osman Bin
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2005

| | Note | 2005 HK\$ | 2004 HK\$ |
|---|------|---------------------|--------------|
| OPERATING ACTIVITIES | | | |
| Cash used in operations | 23 | (78,974,060) | (5,682,975) |
| Interest paid | | (2,673,090) | (1,178,991) |
| Net cash used in operating activities | | (81,647,150) | (6,861,966) |
| INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | | (51,780) | (62,999) |
| Proceeds from disposal of property, plant and equipment | | 8,300 | 3,000 |
| Acquisition of available-for-sale investments | | (3,000,039) | (20,000,000) |
| Proceeds from disposal of available-for-sale investments | | 6,295,076 | 22,803,908 |
| Acquisition of subsidiaries, net of cash acquired | | – | (8,999,984) |
| Dividends received | | 1,802,376 | 1,016,819 |
| Interest received | | 223,064 | 398 |
| Loan advances to an investee | | (25,000,000) | – |
| Net cash used in investing activities | | (19,723,003) | (5,238,858) |
| FINANCING ACTIVITIES | | | |
| Proceeds from rights issue | | 52,787,600 | 13,440,000 |
| Proceeds from placements of shares | | 5,846,818 | 15,520,000 |
| Proceeds from shares issued under share option scheme | | 3,990,000 | – |
| Share issue expenses | | (2,248,302) | (1,256,479) |
| Proceeds from issue of convertible notes | | 20,000,000 | – |
| New short-term borrowings | | 81,500,000 | – |
| Repayment of short-term borrowings | | (61,500,000) | – |
| Net cash from financing activities | | 100,376,116 | 27,703,521 |
| Net (decrease) increase in cash and cash equivalents | | (994,037) | 15,602,697 |
| Cash and cash equivalents at beginning of year | | 1,055,097 | (14,547,600) |
| Cash and cash equivalents at balance sheet date, represented by bank balances and cash | | 61,060 | 1,055,097 |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

| | 2005 <i>HK\$</i> | 2004 <i>HK\$</i> |
|--|---------------------|---------------------|
| Opening balance – Total equity | 106,914,474 | 97,777,597 |
| Placements of shares | 5,846,818 | 15,520,000 |
| Issue of shares under share option scheme | 3,990,000 | – |
| Rights issue | 52,787,600 | 13,440,000 |
| Conversion of convertible notes to shares | 20,000,000 | – |
| Share issue expenses | (2,248,302) | (1,256,479) |
| Change in fair value of available-for-sale investments | (6,827,288) | (1,756,620) |
| Transfer to income statement on disposal of available-for-sale investments | 458,149 | – |
| Loss for the year | (44,513,118) | (16,810,024) |
| Closing balance – Total equity | 136,408,333 | 106,914,474 |



Notes to the Financial Statements

For the year ended 31 December 2005

1. GENERAL INFORMATION

The Company is a public company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information of the annual report. The principal activities of the Group are described in note 4.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for accounting periods beginning on or after 1 January 2005. The major impacts on the changes in accounting policies are summarized below:

HKFRS 2: “Share-based payment”

The adoption of HKFRS 2 has resulted in a change in the accounting policy for the recognition of an expense and a corresponding entry to equity in respect of directors’ and employees’ share options. The Group has applied HKFRS 2 retrospectively and has taken advantage of the transitional provisions provided therein. As a result, the Group has applied HKFRS 2 only to share options granted after 7 November 2002 which had not vested on 1 January 2005. The accounting policy of share-based payment transactions is described in note 3 to the financial statements.

The adoption of HKFRS 2 had no significant impact on the results and financial position for the current and prior accounting years. The options granted during the year have been fully exercised and the expense so calculated is immaterial to the financial statements for the year ended 31 December 2005.

HKAS 32: “Financial instruments: Disclosure and presentation” and HKAS 39: “Financial instruments: Recognition and measurement”

HKAS 32 requires retrospective application and primarily addresses the classification of financial instruments issued by an entity and prescribes disclosure requirements of financial instruments. HKAS 39 deals with recognition, measurement, derecognition of financial instruments and also prescribes requirements for hedge accounting. HKAS 39 generally does not permit the recognition, derecognition, or measurement of financial assets and liabilities on a retrospective basis. The principal effects of the adoption of the requirements of HKAS 32 and HKAS 39 are summarized below:



Notes to the Financial Statements

For the year ended 31 December 2005

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 32: “Financial instruments: Disclosure and presentation” and HKAS 39: “Financial instruments: Recognition and measurement” *(Continued)*

Up to 31 December 2004, the Group classified its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 *Accounting for Investments in Securities* (“SSAP 24”). Under SSAP 24, investments in debt or equity securities were classified as “investment securities” or “trading securities”. Both investment securities and trading securities were measured at fair value. Unrealised gains or losses of investment securities were reported in equity until the securities were sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity was included in income statement for that period. Unrealised gains or losses of trading securities were reported in profit or loss for the period in which gains or losses arose.

In accordance with HKAS 39, investments are classified into held-to-maturity investments, loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Upon adoption of this Standard, the Group has redesignated its investment securities and trading securities as “available-for-sale investments” and financial assets at fair value through profit or loss, described as “investments held for trading” respectively. Details of their accounting policies are set out in note 3 to the financial statements.

Apart from certain changes in presentation and disclosures, the adoption of HKAS 32 and 39 has no impact on the Group’s financial statements.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of Standards and Interpretations that are not yet effective and the Group has not early adopted them.

The directors anticipate that the adoption of these new Standards and Interpretations in future periods will have no material impact on the Group’s financial statements.



Notes to the Financial Statements

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of preparation

The measurement basis used in the preparation of these financial statements is historical cost, except for available-for-sale investments and investments held for trading, which are measured at fair value.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year. Subsidiaries are those entities in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power to govern the financial and operating policies, so as to obtain benefits from their activities.

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

All inter-company transactions and balances within the Group are eliminated on consolidation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account of their estimated residual values, using the straight-line balance method, at the annual rate of 33 $\frac{1}{3}$ %.



Notes to the Financial Statements

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine the carrying amounts of its property, plant and equipment have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on a trade date basis when the Group becomes a party to the contractual provisions of the instrument.

Investments

Investments are classified as either investments held for trading or as available-for-sale, and are measured at fair value subsequent to initial recognition. Gains and losses arising from changes in fair value or disposal of investments held for trading are included in income statement in the period they arise. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In case of equity securities classified as available-for-sale investments are impaired, the cumulative loss less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Such impairment losses recognised in income statement are not subsequently reversed through income statement. Impairment losses recognised in income statement for debt instruments classified as available-for-sale are subsequently reversed through income statement if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.



Notes to the Financial Statements

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and the amortization is taken to income statement, over the period to maturity. Any gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired.

Convertible notes

On the issue of convertible notes, the proceeds are split into liability and equity components. The fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount, net of transaction costs, is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Payables and short-term borrowings

Payables and short-term borrowings are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Proceeds from sale of investments held for trading are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Dividend income is recognised when the Group's rights to receive payment have been established.

Interest income is recognised as the interest accrues, using the effective interest method, to the net carrying amount of the financial asset.



Notes to the Financial Statements

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independent administered fund.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Share-based payment

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments 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 contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effort of non market-based vesting conditions.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.



Notes to the Financial Statements

For the year ended 31 December 2005

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

A party is related to the Group if (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group; (b) the party is an associate of the Group; (c) the party is a joint venture in which the Group is a venturer; (d) the party is a member of the key management personnel of the Group or its parent; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. TURNOVER AND REVENUE

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

| | 2005 HK\$ | 2004 HK\$ |
|---|--------------------|--------------|
| Turnover | | |
| Proceeds from sale of investments held for trading | 162,620,520 | 125,003,049 |
| Other revenue | | |
| Interest income | 223,064 | 398 |
| Dividend income – listed investments | 1,802,376 | 1,016,819 |
| | 2,025,440 | 1,017,217 |
| Total revenue | 164,645,960 | 126,020,266 |

5. SEGMENT INFORMATION

The Group has determined not to present any business segment information as the Group's turnover, contribution to operating profit (loss), assets and liabilities are attributable to the investments in listed and unlisted companies.

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

Notes to the Financial Statements

For the year ended 31 December 2005

6. LOSS BEFORE TAXATION

| | 2005 HK\$ | 2004 HK\$ |
|--|------------------|--------------|
| This is stated after charging (crediting): | | |
| Finance costs | | |
| Interest on bank overdrafts | – | 698,334 |
| Interest on short-term borrowings | 2,742,473 | 480,657 |
| Interest on convertible notes | 308,699 | – |
| | 3,051,172 | 1,178,991 |
| Staff costs | | |
| Employee benefits expense, excluding directors' remuneration | 26,501 | 43,310 |
| Contributions to defined contribution plans | 16,370 | 2,116 |
| | 42,871 | 45,426 |
| Other items | | |
| Auditors' remuneration | 240,000 | 240,000 |
| Depreciation | 135,661 | 170,294 |
| (Gain)/loss on disposal of property, plant and equipment | (5,790) | 3,838 |
| Loss on disposal of available-for-sale investments | 607,864 | – |
| Operating leases in respect of: | | |
| – land and buildings | 374,000 | 740,796 |
| – hire of machinery | 20,796 | – |
| Negative goodwill recognised | – | (369,016) |



Notes to the Financial Statements

For the year ended 31 December 2005

7. TAXATION

Hong Kong profits tax has not been provided in the financial statements as the Group has no estimated assessable profit during the year (2004: Nil).

Reconciliation of tax expense

| | 2005 <i>HK\$</i> | 2004 <i>HK\$</i> |
|---|---------------------|---------------------|
| Loss before taxation | (44,513,118) | (16,810,024) |
| Income tax at applicable tax rate of 17.5% (2004: 17.5%) | (7,789,796) | (2,941,754) |
| Tax exempt revenue | (316,433) | (178,013) |
| Non-deductible expenses | 3,024,439 | 5,250 |
| Utilisation of previously unrecognised tax losses | – | (401,233) |
| Unrecognised tax losses | 5,065,845 | 3,515,750 |
| Unrecognised temporary difference | 15,945 | – |
| | – | – |

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders dealt with in the financial statements of the Company is HK\$65,087,550 (2004: Profit of HK\$3,619,966).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the shareholders of HK\$44,513,118 (2004: HK\$16,810,024) and the weighted average number of 582,963,638 (2004: 233,651,275) ordinary shares in issue during the year.

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

Notes to the Financial Statements

For the year ended 31 December 2005

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments of the Group are as follows:

| | 2005 | | | Total HK\$ |
|--|----------------------------|--|---|----------------|
| | Directors' fees HK\$ | Salaries, allowances and benefits in kind HK\$ | Retirement scheme contributions HK\$ | |
| Executive directors | | | | |
| Pang Shuen Wai, Nichols | – | – | – | – |
| Au Shuk Yee, Sue | – | 276,000 | 12,000 | 288,000 |
| Kitchell, Osman Bin | – | 87,900 | 3,045 | 90,945 |
| Independent non-executive directors | | | | |
| Lam Ping Cheung | 120,000 | – | – | 120,000 |
| Wong Ying Seung, Asiong | – | – | – | – |
| Chung Kong Fei, Stephen | – | – | – | – |
| Tsang Wing Ki | 60,000 | – | – | 60,000 |
| | 180,000 | 363,900 | 15,045 | 558,945 |
| | 2004 | | | Total HK\$ |
| | Directors' fees HK\$ | Salaries, allowances and benefits in kind HK\$ | Retirement scheme contributions HK\$ | |
| Executive directors | | | | |
| Pang Shuen Wai, Nichols | – | – | – | – |
| Au Shuk Yee, Sue | – | 384,000 | 12,000 | 396,000 |
| Qi Qing | – | – | – | – |
| Wong Man Ho, William | – | 21,600 | 1,000 | 22,600 |
| Independent non-executive directors | | | | |
| Lam Ping Cheung | 120,000 | – | – | 120,000 |
| Wong Ying Seung, Asiong | – | – | – | – |
| Chung Kong Fei, Stephen | – | – | – | – |
| Tsang Wing Ki | 15,000 | – | – | 15,000 |
| | 135,000 | 405,600 | 13,000 | 553,600 |



Notes to the Financial Statements

For the year ended 31 December 2005

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Individuals with highest emoluments

Of the five individuals with highest emoluments of the Group, four (2004: two) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the other one (2004: three) individual is as follows:

| | 2005 <i>HK\$</i> | 2004 <i>HK\$</i> |
|---------------------------------|---------------------|---------------------|
| Salaries and other emoluments | 26,501 | 43,310 |
| Retirement scheme contributions | 1,370 | 2,166 |
| | 27,871 | 45,476 |

(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 issued to the directors under the Scheme during the year.

Notes to the Financial Statements

For the year ended 31 December 2005

11. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements <i>HK\$</i> | Office equipment <i>HK\$</i> | Furniture and fixtures <i>HK\$</i> | Total <i>HK\$</i> |
|--|--|------------------------------------|--|----------------------|
| Group and Company | | | | |
| Reconciliation of carrying amount year ended 31 December 2004 | | | | |
| At beginning of year | 97,927 | 76,237 | 81,923 | 256,087 |
| Additions | – | 62,999 | – | 62,999 |
| Disposals | – | (6,838) | – | (6,838) |
| Depreciation | (55,668) | (60,119) | (54,507) | (170,294) |
| At balance sheet date | 42,259 | 72,279 | 27,416 | 141,954 |
| Reconciliation of carrying amount year ended 31 December 2005 | | | | |
| At beginning of year | 42,259 | 72,279 | 27,416 | 141,954 |
| Additions | 48,500 | 3,280 | – | 51,780 |
| Disposals | – | – | (2,510) | (2,510) |
| Depreciation | (58,427) | (52,328) | (24,906) | (135,661) |
| At balance sheet date | 32,332 | 23,231 | – | 55,563 |
| At beginning of year | | | | |
| Cost | 167,170 | 176,445 | 163,681 | 507,296 |
| Accumulated depreciation | (124,911) | (104,166) | (136,265) | (365,342) |
| | 42,259 | 72,279 | 27,416 | 141,954 |
| At balance sheet date | | | | |
| Cost | 215,670 | 179,725 | 119,236 | 514,631 |
| Accumulated depreciation | (183,338) | (156,494) | (119,236) | (459,068) |
| | 32,332 | 23,231 | – | 55,563 |

Notes to the Financial Statements

For the year ended 31 December 2005

12. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|------------------------------|--------------|--------------|
| | 2005 HK\$ | 2004 HK\$ |
| Unlisted shares, at cost | 79 | 79 |
| Due from subsidiaries | 49,018,787 | 20,574,394 |
| Provision for doubtful debts | (36,518,787) | – |
| | 12,500,000 | 20,574,394 |
| Total | 12,500,079 | 20,574,473 |

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following is a list of the details of the subsidiaries held by the Company at 31 December 2005:

| Name of subsidiary | Place of incorporation and type of legal entity | Principal activities | Particulars of issued share capital | Proportion of nominal value of issued capital held by the Company | |
|---------------------------------|---|----------------------|-------------------------------------|---|------------|
| | | | | Directly | Indirectly |
| Anchor Talent Limited | The British Virgin Islands, limited liability company | Investment holding | 1 ordinary share of US\$1 each | – | 100% |
| Moving Target Company Limited | The British Virgin Islands, limited liability company | Investment holding | 10 ordinary shares of US\$1 each | 100% | – |
| Vision Gate Enterprises Limited | The British Virgin Islands, limited liability company | Investment holding | 1 ordinary share of US\$1 each | 100% | – |

Notes to the Financial Statements

For the year ended 31 December 2005

13. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

| | Group | | Company | |
|--|---------------------|------------------|-------------------|------------------|
| | 2005 | 2004 (Note c) | 2005 | 2004 (Note c) |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| Equity investment – listed Listed in Hong Kong (Note a) | 43,481,032 | 56,753,110 | 43,481,032 | 56,753,110 |
| Equity investment – unlisted (Note b) | 23,000,039 | 20,000,000 | – | – |
| Impairment loss | (23,000,000) | (20,000,000) | – | – |
| | 39 | – | – | – |
| Total | 43,481,071 | 56,753,110 | 43,481,032 | 56,753,110 |

As at 31 December 2005, the carrying amount of the Company's shareholding in the following companies exceeded 10% of total assets of the Group and the Company.

Notes:

| | Name | Place of incorporation | Principal activities | Particulars of issued share capital | Interest held |
|----|--|------------------------------------|---|-------------------------------------|---------------|
| a. | Yugang International Limited | Bermuda | Packaging business and property investment business | Ordinary shares of HK\$0.1 each | 3.7% |
| b. | Hennabun Management International Limited ("HMIL") | The British Virgin Islands ("BVI") | Provision of brokerage and financial services | Ordinary shares of HK\$0.01 each | 3.86% |

During the year, the Group invested HK\$3 million to purchase an additional 1.27% interest in HMIL. HMIL is a company incorporated in BVI with limited liability, which is principally engaged in investment holding and its subsidiaries are engaged in securities trading, investment holding and provision of brokerage and financial services.

- c. As mentioned in note 2 to the financial statements, following the adoption of HKAS 39, the Company's and the Group's investment securities as at 31 December 2004 have been reclassified as available-for-sale investments on 1 January 2005.



Notes to the Financial Statements

For the year ended 31 December 2005

14. LOAN RECEIVABLE

| | Group and Company | |
|--------------------|-------------------|------|
| | 2005 | 2004 |
| | HK\$ | HK\$ |
| At carrying amount | 12,500,000 | – |

During the year, the Company, through its wholly-owned subsidiary, (i) acquired approximate 5% equity interest in Found Macau Investments International Limited (“Found Macau”) at the consideration of US\$5 (included in available-for-sale investments); (ii) became a party to a shareholders agreement relating to Found Macau; and (iii) made a shareholder loan of HK\$25 million to Found Macau (the “Found Macau Loan”). Found Macau is incorporated in BVI and its subsidiaries are principally engaged in investment holding and trading of prestige Hi-Fi equipment in Macau.

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

The carrying amount of the Found Macau Loan at the balance sheet date is measured at amortised cost less impairment loss.

Notes to the Financial Statements

For the year ended 31 December 2005

15. INVESTMENTS HELD FOR TRADING/TRADING SECURITIES

| | Group and Company | |
|---|-------------------|------------------|
| | 2005 | 2004 (Note b) |
| | HK\$ | HK\$ |
| Held for trading | | |
| Equity investment, listed in Hong Kong (Note a) | 106,055,712 | 53,600,270 |
| Debt investment, unlisted | 8,100,000 | – |
| | 114,155,712 | 53,600,270 |

Notes:

- a. At 31 December 2005, the carrying amount of the Company's shareholding 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 share capital | Interest held |
|---------------------------------------|------------------------|---|-------------------------------------|---------------|
| Willie International Holdings Limited | Hong Kong | Investment in trading securities, brokerage and financial services, property investment, and investment holding | Ordinary shares of HK\$0.1 each | 5.92% |

- b. As mentioned in note 2 to the financial statements, following the adoption of HKAS 39, the Company's and the Group's trading securities as at 31 December 2004 have been reclassified as investments held for trading on 1 January 2005.

16. SHORT-TERM BORROWINGS, UNSECURED

The amounts represent the loans from third parties and are unsecured, interest bearing ranging from prime rate plus 1% or 2% per annum and repayable within one year.

Notes to the Financial Statements

For the year ended 31 December 2005

17. SHARE CAPITAL

| | <i>Note</i> | Number of ordinary shares of HK\$0.1 each | Number of ordinary shares of HK\$0.01 each | Nominal value HK\$ |
|---|---------------|--|---|--------------------------|
| Authorised: | | | | |
| At 1 January 2004, 31 December 2004 and 1 January 2005 | | 400,000,000 | – | 40,000,000 |
| Subdivision of shares | <i>(i)(c)</i> | (400,000,000) | 4,000,000,000 | – |
| | | – | 4,000,000,000 | – |
| Increase by the creation of additional 46,000,000,000 shares of HK\$0.01 each | <i>(i)(d)</i> | – | 46,000,000,000 | 460,000,000 |
| Share consolidation | <i>(iv)</i> | 5,000,000,000 | (50,000,000,000) | – |
| At balance sheet date | | 5,000,000,000 | – | 500,000,000 |
| Issued and fully paid: | | | | |
| At 1 January 2004 | | 200,000,004 | – | 20,000,000 |
| Placement of new shares | | 88,000,000 | – | 8,800,000 |
| Rights issue | | 96,000,001 | – | 9,600,000 |
| At 31 December 2004 and 1 January 2005 | | 384,000,005 | – | 38,400,000 |
| Issuance of shares | <i>(ii)</i> | 15,998,000 | – | 1,599,800 |
| Issuance of shares under share option scheme | <i>(iii)</i> | 39,900,000 | – | 3,990,000 |
| Capital reduction | <i>(i)(a)</i> | (439,898,005) | 439,898,005 | (39,590,820) |
| | | – | 439,898,005 | 4,398,980 |
| Issuance of shares | <i>(ii)</i> | – | 87,978,000 | 879,780 |
| Share consolidation | <i>(iv)</i> | 52,787,600 | (527,876,005) | – |
| Rights issue | <i>(v)</i> | 527,876,000 | – | 52,787,600 |
| Conversion of convertible notes | <i>(vi)</i> | 146,627,563 | – | 14,662,756 |
| At balance sheet date | | 727,291,163 | – | 72,729,116 |



Notes to the Financial Statements

For the year ended 31 December 2005

17. SHARE CAPITAL *(Continued)*

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 the Effective Date, the issued share capital of the Company of HK\$43,989,800 consisting of 439,898,005 ordinary shares of HK\$0.1 each was reduced by HK\$39,590,820 to HK\$4,398,980 consisting of 439,898,005 ordinary shares of HK\$0.01 each;
 - (b) the credit amount of HK\$39,590,820 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 fully utilised to eliminate the accumulated losses of the Company;
 - (c) 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; and
 - (d) the authorised share capital of the Company has been increased to HK\$500,000,000 by the creation of 460,000,000 shares of HK\$0.01 each.
- (ii) Pursuant to the placing agreement dated 10 January 2005, the Company agreed conditionally to place 15,998,000 ordinary shares of HK\$0.1 each of the Company on a fully underwritten basis 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 ordinary 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.



Notes to the Financial Statements

For the year ended 31 December 2005

17. SHARE CAPITAL *(Continued)*

Notes: (Continued)

- (iii) By an ordinary resolution passed on 1 April 2005, 39,900,000 ordinary shares of HK\$0.1 each were issued to qualified individuals under share option scheme at an exercise price of HK\$0.1 each.
- (iv) By an ordinary resolution passed on 13 September 2005 at the extraordinary general meeting, every 10 issued shares and unissued shares of HK\$0.01 each in the capital of the Company was consolidated into 1 Consolidation Share of HK\$0.10 each.
- (v) By an extraordinary resolution passed on 7 October 2005 at the extraordinary general meeting, the Company allot 10 Rights Shares for every Consolidated Share by way of the Rights Issue. As a result, 527,876,000 Rights Shares of HK\$0.1 each at a price of HK\$0.1 per Rights Share were issued and payable in full on acceptance.
- (vi) During the year, an aggregate of 146,627,563 ordinary shares of HK\$0.1 each of the Company were issued to holders of convertible notes as set out in note 19 to the financial statement.

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

Notes to the Financial Statements

For the year ended 31 December 2005

18. RESERVES

(a) Group

| | Share premium HK\$ | Investment revaluation reserve HK\$ | Contributed surplus HK\$ | Accumulated losses HK\$ | Total HK\$ |
|--|--------------------------|--|--------------------------------|-------------------------------|---------------|
| 2004 | | | | | |
| At beginning of year | 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 |
| Shares issue expenses | (1,256,479) | – | – | – | (1,256,479) |
| At balance sheet date | 83,335,443 | 20,002,327 | – | (34,823,296) | 68,514,474 |
| 2005 | | | | | |
| At beginning of year | 83,335,443 | 20,002,327 | – | (34,823,296) | 68,514,474 |
| Issues of shares | 8,704,482 | – | – | – | 8,704,482 |
| Shares issue expenses | (2,248,302) | – | – | – | (2,248,302) |
| Change in fair value of available-for-sale investments | – | (6,827,288) | – | – | (6,827,288) |
| Transfer to accumulated losses upon disposal of available-for-sale investments | – | 458,149 | – | – | 458,149 |
| Creation of contributed surplus pursuant to the Capital Reorganisation | – | – | 39,590,820 | – | 39,590,820 |
| Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation | – | – | (39,590,820) | 39,590,820 | – |
| Loss for the year | – | – | – | (44,513,118) | (44,513,118) |
| At balance sheet date | 89,791,623 | 13,633,188 | – | (39,745,594) | 63,679,217 |

Notes to the Financial Statements

For the year ended 31 December 2005

18. RESERVES (Continued)

(b) Company

| | Share premium HK\$ | Investment revaluation reserve HK\$ | Contributed surplus HK\$ | Accumulated losses HK\$ | Total HK\$ |
|--|--------------------------|--|--------------------------------|-------------------------------|---------------|
| 2004 | | | | | |
| At beginning of year | 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 |
| Shares issue expenses | (1,256,479) | – | – | – | (1,256,479) |
| At balance sheet date | 83,335,443 | 20,002,327 | – | (14,248,838) | 89,088,932 |
| 2005 | | | | | |
| At beginning of year | 83,335,443 | 20,002,327 | – | (14,248,838) | 89,088,932 |
| Issues of shares | 8,704,482 | – | – | – | 8,704,482 |
| Shares issue expenses | (2,248,302) | – | – | – | (2,248,302) |
| Change in fair value of available-for-sale investments | – | (6,827,288) | – | – | (6,827,288) |
| Transfer to profit or loss on disposal of available-for-sale investments | – | 458,149 | – | – | 458,149 |
| Creation of contributed surplus pursuant to the Capital Reorganisation | – | – | 39,590,820 | – | 39,590,820 |
| Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation | – | – | (39,590,820) | 39,590,820 | – |
| Loss for the year | – | – | – | (65,087,550) | (65,087,550) |
| At balance sheet date | 89,791,623 | 13,633,188 | – | (39,745,568) | 63,679,243 |



Notes to the Financial Statements

For the year ended 31 December 2005

18. RESERVES *(Continued)*

(b) Company *(Continued)*

The Company had a distributable reserve of HK\$50,046,055 as at 31 December 2005 (2004: HK\$69,086,605), represented by the sum of share premium and 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.

As mentioned in note 17 (i) (b) to the financial statement, an amount of approximately HK\$39,590,820 arising from the Capital Reduction was transferred to the contributed surplus account of the Company. Such credit amount can be utilised for such purposes as permitted by the laws of the Cayman Islands, including setting off the accumulated losses of the Company.

19. CONVERTIBLE NOTES

| | Group and Company | |
|------------------------------|-------------------|--------------|
| | 2005 HK\$ | 2004 HK\$ |
| Issuance during the year | 20,000,000 | – |
| Conversion | (20,000,000) | – |
| At balance sheet date | – | – |

Notes:

During the year, the Company issued convertible notes with principal sum of HK\$20,000,000 to third parties. The convertible notes bear interest at 5.0% per annum and can be converted into ordinary shares of the Company at a conversion price of HK\$0.5 or an adjustment conversion price per share in amounts or integral multiples of HK\$1,000,000 at any time from date of issue and up to 7 days before (and excluding) the maturity of the convertible notes. The convertible notes will mature on 19 August 2010. The conversion price of the convertible notes was adjusted from HK\$0.5 to HK\$0.1364 with effect from 27 October 2005 as a result of the rights issue during the year.

During the year, the convertible notes with principal sum of HK\$20,000,000 were converted into 146,627,563 ordinary shares of HK\$0.1 each of the Company at a conversion price of HK\$0.1364 per share.



Notes to the Financial Statements

For the year ended 31 December 2005

20. PLEDGE OF ASSETS

As at 31 December 2005, margin facilities from several securities brokers were granted to the Company which were secured by the Company's available-for-sale investments and investments held for trading. As at 31 December 2005, a total amount of HK\$17,167,218 (2004: HK\$3,876,000) has been utilised against these facilities.

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

Unrecognised deferred tax assets arising from

| | Group | |
|----------------------------------|-------------------|------------|
| | 2005 | 2004 |
| | HK\$ | HK\$ |
| Deductible temporary difference | 169,478 | – |
| Tax losses | 54,619,245 | 31,611,322 |
| At the balance sheet date | 54,788,723 | 31,611,322 |

Both the tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Notes to the Financial Statements

For the year ended 31 December 2005

22. SHARE OPTION SCHEME

In prior years, 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 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.

(a) Change in number of share options under share option scheme

| <i>Note</i> | 2005 Number | 2004 Number |
|------------------------------|------------------------|----------------|
| At the beginning of year | – | – |
| Issued | 39,900,000 | – |
| Exercised | (39,900,000) | – |
| At balance sheet date | – | – |

(b) Details of share options exercised during the year

| Exercise date | Exercise price HK\$ | Market value per share at exercise date HK\$ | Proceeds received HK\$ | Number |
|----------------------|--------------------------------|---|---------------------------------------|-------------------|
| 7 April 2005 | 0.1 | 0.054 | 360,000 | 3,600,000 |
| 13 April 2005 | 0.1 | 0.056 | 2,920,000 | 29,200,000 |
| 15 April 2005 | 0.1 | 0.056 | 710,000 | 7,100,000 |
| | | | 3,990,000 | 39,900,000 |

At the balance sheet date, no share option has been granted by the Company but not vested under the share option scheme.

Notes to the Financial Statements

For the year ended 31 December 2005

23. CASH USED IN OPERATIONS

| | 2005 <i>HK\$</i> | 2004 <i>HK\$</i> |
|--|---------------------|---------------------|
| Loss before taxation | (44,513,118) | (16,810,024) |
| Depreciation | 135,661 | 170,294 |
| (Gain)/Loss on disposals of property, plant and equipment | (5,790) | 3,838 |
| Unrealised loss/(gain) on investments held for trading | 9,328,737 | (14,787,456) |
| Impairment loss on available-for-sale investments | 3,000,000 | 20,000,000 |
| Loss on disposal of available-for-sale investments | 607,864 | – |
| Interest income | (223,064) | (398) |
| Interest expenses | 3,051,172 | 1,178,991 |
| Dividend income | (1,802,376) | (1,016,819) |
| Negative goodwill | – | (369,016) |
| Loan receivable | | |
| – Present value adjustment | 5,770,914 | – |
| – Impairment loss | 6,729,086 | – |
| Change in working capital | | |
| Investments held for trading | (69,884,179) | 1,364,722 |
| Deposits, prepayments and other receivables | (4,172,910) | 84,553 |
| Other payables and accruals | 13,003,943 | 4,498,340 |
| Cash used in operations | (78,974,060) | (5,682,975) |

24. COMMITMENTS UNDER OPERATING LEASES

At the balance sheet date, the Group had total future aggregate minimum lease payments under non-cancellable operating leases, which are payable as follows:

| | 2005 <i>HK\$</i> | 2004 <i>HK\$</i> |
|--|---------------------|---------------------|
| Within one year | 20,796 | 740,796 |
| In the second to fifth years inclusive | 58,922 | 679,718 |
| | 79,718 | 1,420,514 |



Notes to the Financial Statements

For the year ended 31 December 2005

25. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the following related party transaction was transacted by the Group during the year, details of which are set out below:

| Related party relationship | Nature of transaction | 2005 HK\$ | 2004 HK\$ |
|--------------------------------|--|--------------|--------------|
| A company under common control | Investment management fee paid (<i>Note</i>) | 600,000 | 995,386 |

Note:

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 4 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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debt and equity investments, other receivables and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Financial risk factors

Interest rate risk

The Group's interest rates on its short-term borrowings are mainly the bank's prime rate plus certain percentage. The interest rates and terms of repayment have been disclosed in note 16.

Liquidity risk

The Group's liquidity risk is minimal and is managed by matching the settlement of trading in securities.



Notes to the Financial Statements

For the year ended 31 December 2005

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Price risk

The Group's available-for-sale investments and investment held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Fair value estimation

The fair value of financial instruments traded in active markets such as available-for-sale investments or investments held for trading is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

For the loan receivable valued at fair value, the Group uses the discounted cash flows valuation method together with impairment assessment if required to determine the carrying amount at the balance sheet date.

Certain unlisted securities included in available-for-sale investments are stated at fair value after the carrying amounts are determined to be impaired.

Certain unlisted securities included in investments held for trading are stated at cost at the balance sheet date as the Group determines the fair value of such assets closely approximated the cost.

27. POST BALANCE SHEET EVENT

On 27 February 2006, the Company allotted and issued 250,000,000 ordinary shares of HK\$0.1 each of the Company to independent investors at the placing price of HK\$0.14 per share. As a result of such issue, the issued and fully paid share capital and the share premium net off share issuing cost have been increased by HK\$25,000,000 and HK\$9,296,500 respectively.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Unity Investments Holdings Limited (the "Company") will be held at 30th Floor, China United Centre, 28 Marble Road, Hong Kong on Friday, 19 May 2006 at 9:00 a.m. for the following purposes:

1. To receive and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2005.
2. To re-elect retiring directors and to authorise the directors to fix the remuneration of the directors.
3. To re-appoint auditors and authorise the directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without amendments; the following resolutions as ordinary resolutions:

ORDINARY RESOLUTION

4.(A) "THAT:

- (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of the Company ("Shares") or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise

of such powers, be and is hereby generally and unconditionally approved;

- (b) the approval given in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or



Notice of Annual General Meeting

- (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the articles of association of the Company from time to time,

shall not in total exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly;

- (d) for the purpose of this Resolution, 'Relevant Period' means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held;

- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company (the

"Shareholders") in general meeting; and

'Rights Issue' means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares whose names stand on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company)."

(B) "THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock



Notice of Annual General Meeting

- Exchange under the Hong Kong Code on Share Repurchases, subject to and in accordance all applicable laws and regulations and the articles of association of the Company, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be repurchased by the Company pursuant to paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution, and the approval granted under paragraph (a) of this Resolution shall be limited accordingly;
- (c) for the purpose of this Resolution:
- ‘Relevant Period’ means the period from the passing of this Resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Shareholders in general meeting.”
- (C) **“THAT** conditional upon the passing of Resolutions 4(A) and 4(B), the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with additional securities of the Company pursuant to Resolution 4(A) as set out in the notice convening the Meeting of which this Resolution forms part be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 4(B) as set out in the notice convening the Meeting of which this Resolution forms part, provided that such amount shall not exceed 10% of the aggregate nominal amount of such securities of the Company in issue at the date of the passing of this Resolution.”

By Order of the Board
LIU Kwong Sang
Company Secretary

Hong Kong, 24 April 2006



Notice of Annual General Meeting

Notes:

- (a) A Member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

- (b) A form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority (if any) must be deposited at Tengis Limited, the Company's share registrars and transfer office in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.

Financial Summary

| | 2005 HK\$ | 2004 HK\$ | 2003 HK\$ | 2002 HK\$ | 2001 HK\$ |
|---|---------------------|--------------|--------------|--------------|--------------|
| Results | | | | | |
| Turnover | 162,620,520 | 125,003,049 | 15,525,940 | 38,667,190 | 46,446,974 |
| (Loss)/profit after finance cost | (44,513,118) | (16,810,024) | (25,433,132) | 520,547 | 1,105,058 |
| Taxation | – | – | – | – | 9,007 |
| (Loss)/profit attributable to shareholders | (44,513,118) | (16,810,024) | (25,433,132) | 520,547 | 1,114,065 |
| Assets and liabilities | | | | | |
| Total assets | 174,535,241 | 111,659,357 | 112,930,251 | 137,105,247 | 112,964,317 |
| Total liabilities | (38,126,908) | (4,744,883) | (15,152,654) | (12,562,943) | (233,082) |
| Shareholders' funds | 136,408,333 | 106,914,474 | 97,777,597 | 124,542,304 | 112,731,235 |

DIRECTORS

Executive Directors

PANG Shuen Wai, Nichols, *Chairman*
KITCHELL, Osman Bin, *Chief Executive Officer*
WONG Man Hon, Frederick

Independent Non-executive Directors

CHUNG Kong Fei, Stephen
LAM Ping Cheung
TSANG Wing Ki

COMPANY SECRETARY

LIU Kwong Sang

QUALIFIED ACCOUNTANT

LIU Kwong Sang

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

INVESTMENT MANAGER

CU Investment Management Limited
Office B, 31st Floor
China United Centre
28 Marble Road
North Point
Hong Kong

AUDITORS

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

PRINCIPAL BANK

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

CUSTODIAN

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

SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong