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

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

This circular is not an offer of, nor is it intended to invite offers for, securities of the Company.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 913)

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY SHARE HELD ON THE RECORD DATE AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser



結好融資有限公司
GET NICE CAPITAL LIMITED

Underwriters of the Rights Issue



結好證券有限公司
GET NICE SECURITIES LIMITED

**Independent Financial Adviser to
the Independent Board Committee and the Shareholders**



Menlo Capital Limited

It should be noted that the Shares (as defined herein) will be dealt in on an ex-rights basis from Thursday, 5 March 2009. Dealings in the Rights Shares (as defined therein) in the nil-paid form will take place from Wednesday, 18 March 2009 to Thursday, 26 March 2009 (both dates inclusive). If the conditions of the Rights Issue (as defined herein) are not fulfilled or the Underwriting Agreement (as defined herein) is terminated by the Underwriter (as defined herein), the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Wednesday, 18 March 2009 to Thursday, 26 March 2009 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A notice convening an extraordinary general meeting of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Friday, 13 March 2009 is set out on pages 182 to 184 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Tricor Tengis Limited, the Company's branch share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

A letter of advice from Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the Shareholders (both as defined herein) is set out on pages 28 to 41 of this circular.

It should be noted that the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date (as defined herein) if there occurs:

1. an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
2. any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
3. any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group (as defined herein) as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

if, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties thereunder shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees as may then be agreed by the parties to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

24 February 2009

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

2009

Last day of dealings in Shares on a cum-rights basis	Wednesday, 4 March
First day of dealings in Shares on an ex-rights basis	Thursday, 5 March
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 6 March
Register of members to be closed	Monday, 9 March to Friday, 13 March (both dates inclusive)
Latest time for return of form of proxy for the EGM (not less than 48 hours)	9:00 a.m. on Wednesday, 11 March
Record Date	Friday, 13 March
EGM	9:00 a.m. on Friday, 13 March
Announcement of results of the EGM	Friday, 13 March
Register of members to be re-opened	Monday, 16 March
Prospectus Documents to be posted	Monday, 16 March
First day of dealings in nil-paid Rights Shares	Wednesday, 18 March

EXPECTED TIMETABLE

2009

Latest time for splitting of nil-paid Rights Shares 4:30 p.m. on Monday, 23 March

Last day of dealings in nil-paid Rights Shares Thursday, 26 March

Latest time for acceptance of and payment for
Rights Shares and for application and
payment for excess Rights Shares 4:00 p.m. on Tuesday, 31 March

Rights Issue expected to become unconditional after 4:00 p.m. on
Thursday, 2 April

Announcement of results of acceptance and
excess application of the Rights Issue Monday, 6 April

Refund cheques for wholly and partially
unsuccessful applications for excess
Rights Shares expected to be posted on or before Tuesday, 7 April

Certificates for fully-paid Rights Shares expected
to be despatched on or before Tuesday, 7 April

First day of dealings in the fully-paid Rights Shares Thursday, 9 April

All times and dates in this circular refer to Hong Kong local times and dates.

Dates or deadlines specified above for events in the expected timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company. Any change to the expected timetable will be announced as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

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

“Acceptance Date”	31 March 2009 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of and payment of Rights Shares and for application and payment for excess Rights Shares)
“Announcement”	the announcement of the Company dated 2 February 2009 relating to, inter alia, the Rights Issue
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business more than five hours (other than a Saturday and Sunday) in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	The Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Unity Investments Holdings Limited 合一投資控股有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the zero coupon convertible notes due 2011 in the aggregate principal amount of HK\$38,000,000 issued by the Company on 26 November 2008, all of which remain outstanding as at the Latest Practicable Date
“Custodian”	Chong Hing Bank Limited (formerly known as Liu Chong Hing Bank Limited)

DEFINITIONS

“Custodian Agreement”	the custodian agreement dated 8 November 2005 entered into between the Company and the Custodian
“Directors”	the directors of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Friday, 13 March 2009 for the purpose of approving the Rights Issue
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of independent non-executive Directors formed for the purpose of advising the Shareholders in relation to the Rights Issue
“Investment Management Agreement”	the management agreement dated 5 November 2003 entered into between the Company and the Investment Manager and renewed on 15 December 2008 for another one-year up to 31 December 2009 with revision in the management fee of HK\$60,000 per month payable in advance
“Investment Manager”	CU Investment Management Limited, a company incorporated in Hong Kong
“Last Trading Day”	30 January 2009, being the last trading day before the suspension of the trading of Shares pending the release of the Announcement
“Latest Practicable Date”	20 February 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum of association of the Company
“Menlo Capital”	Menlo Capital Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO, which is not a connected person of the Company and is appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Rights Issue
“Net Asset Value”	the net asset value of the Company calculated in accordance with the provisions of the Articles
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	16 March 2009 or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan

DEFINITIONS

“Prospectus”	the prospectus to be despatched to Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders
“Record Date”	13 March 2009 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Registrar”	Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Results Announcement”	the announcement of the Company on 20 February 2009 in respect of the financial results of the Group for the financial year ended 31 December 2008
“Rights Issue”	the proposed issue by way of rights of one Rights Share for every one Share in issue and held on the Record Date at the Subscription Price
“Rights Shares”	Shares to be issued and allotted under the Rights Issue, being not less than 375,791,474 Shares and not more than 663,670,261 Shares
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Settlement Date”	2 April 2009, being the second Business Day following the Acceptance Date (or such other time or date as the Underwriter and the Company may agree in writing)
“Shares”	existing ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Price”	HK\$0.10 per Rights Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Get Nice Securities Limited, a corporation deemed licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 30 January 2009 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	not less than 375,791,474 Rights Shares and not more than 663,670,261 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“%” or “per cent.”	percentage or per centum

LETTER FROM THE BOARD



Unity Investments Holdings Limited

合一投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 913)

Executive Directors:

Mr. KITCHELL Osman Bin

(Chairman and Chief Executive Officer)

Ms. DAVIS Angela Hendricks

Ms. CHOI Ka Wing

Independent non-executive Directors:

Mr. CHUNG Kong Fei, Stephen

Mr. TSANG Wing Ki

Ms. SWARTZ Kristi Lynn

Mr. NGAI Wai Kin

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Room 2206, 22nd Floor

China United Centre

28 Marble Road

North Point

Hong Kong

24 February 2009

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY SHARE HELD ON THE RECORD DATE**

INTRODUCTION

On 2 February 2009, the Board announced that the Company proposed to raise between approximately HK\$37.58 million (assuming no conversion of the Convertible Notes on or before the Record Date) and approximately HK\$66.37 million (assuming full conversion of the Convertible Notes on or before the Record Date), before expenses, by way of the Rights Issue of not less than 375,791,474 Rights Shares and not more than 663,670,261 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share payable in full on acceptance.

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Shareholders in respect of the Rights Issue and Menlo Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

The purpose of this circular is to provide you, among others, (i) further details about the Rights Issue; (ii) the recommendation of the Independent Board Committee to the Shareholders in relation to the Rights Issue; (iii) the advice of Menlo Capital to the Independent Board Committee and the Shareholders in relation to the Rights Issue; and (iv) a notice of the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Rights Issue.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	one Rights Share for every Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	375,791,474 Shares
Number of Rights Shares	:	not less than 375,791,474 Rights Shares (assuming no conversion of the Convertible Notes on or before the Record Date) and not more than 663,670,261 Rights Shares (assuming full conversion of the Convertible Notes on or before the Record Date) (<i>Note 1</i>)
Subscription Price per Rights Share	:	HK\$0.10 per Rights Share with nominal value of HK\$0.10 each

Note 1: As at the Latest Practicable Date, there were outstanding Convertible Notes with an aggregate principal amount of HK\$38,000,000 which may be convertible into 287,878,787 Shares at the conversion price of HK\$0.132 per Share (subject to adjustments). Assuming full conversion of the Convertible Notes on or before the Record Date, a total of 287,878,787 new Shares would fall to be issued, which would result in the issue of an additional 287,878,787 Rights Shares and in that event, the maximum number of Rights Shares that may be issued by the Company would become 663,670,261.

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

LETTER FROM THE BOARD

Assuming no conversion of the Convertible Notes on or before the Record Date, the 375,791,474 nil-paid Rights Shares proposed to be provisionally allotted to the Qualifying Shareholders represent 100% of the Company's issued share capital as at the Latest Practicable Date and 50% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

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

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 6 March 2009.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company, there was one Overseas Shareholder with registered address in the PRC as at the Latest Practicable Date. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries with its legal advisers on the laws of the PRC regarding the legal restrictions of the PRC or the requirements of the relevant regulatory body or stock exchange in the PRC with respect to the offer of Rights Shares to that Overseas Shareholder. The Company has been advised by its legal advisers on the laws of PRC that it would be lawful for the Company to offer the Rights Shares to that Overseas Shareholder even though the Prospectus Documents are not registered in the PRC. In view of this, the Directors have resolved to extend the Rights Issue to such Overseas Shareholder.

LETTER FROM THE BOARD

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

Closure of register of members

The register of members of the Company will be closed from 9 March 2009 to 13 March 2009, both dates inclusive. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 23.66% to the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 13.42% to the theoretical ex-rights price of approximately HK\$0.1155 per Share based on the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 26.47% to the average closing price of approximately HK\$0.136 per Share for the five trading days ended on the Last Trading Day; and
- (iv) a discount of approximately 29.08% to the closing price of HK\$0.141 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Share prior to the Last Trading Day. The Directors consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (assuming no conversion of the Convertible Notes on or before the Record Date) will be approximately HK\$0.093.

Basis of provisional allotment

The basis of the provisional allotment shall be one Rights Share for every Share in issue and held on the Record Date, being not less than 375,791,474 Rights Shares and not more than 663,670,261 Rights Shares at a price of HK\$0.10 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

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

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be achieved, and the Company will retain the proceeds from such sale(s). Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

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

LETTER FROM THE BOARD

Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares).

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on 6 March 2009.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 7 April 2009. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 7 April 2009 by ordinary post to the applicants at their own risk.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on 9 April 2009.

LETTER FROM THE BOARD

Application for listing

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

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

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 10,000), which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

1. the passing at the EGM to be convened by the notice set out in this circular (or any adjournment thereof) on or before the Posting Date of resolution(s) to approve the Rights Issue in accordance with the Listing Rules;
2. the signing by or on behalf of all of the Directors on or before the Posting Date of two copies of each of the Prospectus Documents and the certification by two Directors of two copies of each of the Prospectus Documents;
3. the delivery on or before the Posting Date of one such signed copy of each of the Prospectus Documents to the Underwriter;
4. the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified by two Directors (or by their agents duly authorised in writing) in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
5. the posting on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders;
6. compliance by the Company with all its obligations under the Underwriting Agreement; and
7. the Listing Committee of the Stock Exchange agreeing to grant listing of, and permission to deal in, the Rights Shares in its nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the Posting Date and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date.

LETTER FROM THE BOARD

In the event that the above conditions (other than condition 7) have not been satisfied and/or waived in whole or in part by the Underwriter on or before the respective dates referred to therein or in the event that condition 7 has not been satisfied on or before 4:00 p.m. on the Settlement Date (or in each case, such later date as the Underwriter and the Company may agree), all liabilities of the parties thereto shall cease and determine and no party shall have any claim against the other party save that all such reasonable costs, fees and other out of pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall to the extent agreed by the Company be borne by the Company and the Rights Issue will not proceed.

The Underwriting Agreement

Date	:	30 January 2009
Underwriter	:	Get Nice Securities Limited. To the best of the Directors' knowledge and information, Get Nice Securities Limited and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons
Total number of Rights Shares being underwritten by the Underwriter	:	The Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being not less than 375,791,474 Rights Shares (assuming no conversion of the Convertible Notes on or before the Record Date) and not more than 663,670,261 Rights Shares (assuming full conversion of the Convertible Notes on or before the Record Date), subject to the terms and conditions of the Underwriting Agreement
Commission	:	2.5% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares as determined on the Record Date

The Board considers the terms of the Underwriting Agreement including the commission rate accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

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

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

if, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or

LETTER FROM THE BOARD

- (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties thereunder shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees as may then be agreed by the parties to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 5 March 2009. Dealings in the Rights Shares in the nil-paid form will take place from 18 March 2009 to 26 March 2009 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

LETTER FROM THE BOARD

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 18 March 2009 to 26 March 2009 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 18 March 2009 to 26 March 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

FUND RAISING EXERCISE OF THE COMPANY

Date of announcement	Capital raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
12 December 2007	Rights issue of 1,565,797,810 rights shares on the basis of five rights shares for every one adjusted share held by qualifying shareholders, which was completed in June 2008	HK\$181.7 million	To be used for investment purpose	Used as intended
19 May 2008	Placing of 62,630,000 new Shares	HK\$12.07 million	HK\$6 million to be used for investment in equity and the remaining balance of approximately HK\$6.07 million for general working capital of the Group	This placing was terminated as disclosed in the Company's announcement on 18 June 2008
9 October 2008	Issue of the Convertible Notes	HK\$38 million	For the settlement of (i) a loan due to a wholly-owned subsidiary of Mascotte Holdings Limited; and (ii) a loan due to a wholly-owned subsidiary of Heritage International Holdings Limited	Used as intended

Save as abovementioned, the Company had not conducted any fund raising exercise in the past 12 months from the Latest Practicable Date.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is principally engaged in investments in listed securities in Hong Kong and other main stock market around the world and also in unlisted companies.

The Directors consider that it is in the interests of the Company and the Shareholders to raise additional funding through the Rights Issue in order to enlarge the Company's capital base and to pursue the Group's investment strategy as stated above. As set out in the section headed "Fund raising exercise of the Company" of this circular, (i) the net proceeds of approximately HK\$181.7 million from the rights issue as announced on 12 December 2007 were utilised for investment purpose as intended; (ii) the placing as announced on 19 May 2008 was terminated resulting in no funds being raised; and (iii) the net proceeds from the issue of the Convertible Notes as announced on 9 October 2008 was used for the repayment of several loans. Accordingly, only the net proceeds of approximately HK\$181.7 million raised from (i) above were available for the Group's investment purpose.

The recent turmoil in the global financial markets and the resulting credit crunch has tightened the availability of external borrowings and increased the cost of funding to the Group. The Directors consider it appropriate for the Company to raise the requisite funding for the business operation of the Group through the Rights Issue, which will be fully underwritten by the Underwriter and will allow all Qualifying Shareholders to participate in the Rights Issue in proportion to their shareholdings. The estimated net proceeds of the Rights Issue will be between approximately HK\$34.94 million (assuming no conversion of the Convertible Notes on or before the Record Date) to HK\$63.00 million (assuming full conversion of the Convertible Notes on or before the Record Date). The Company intends to utilise the entire net proceeds as the general working capital of the Group. Notwithstanding that there is no specific investment plan identified by the Company as at the Latest Practicable Date, the Directors remain optimistic about the long-term prospects of the economy and stock markets in Hong Kong and the PRC. The Directors believe that more investments opportunities could be identified once the economy of Hong Kong becomes less volatile. For non-investment companies, the investment decisions may take a relatively longer time involving selection process, feasibility studies, negotiation process, due diligence review which allow more time to raise funds for such investments. However, for investment companies listed pursuant to Chapter 21 of the Listing Rules such as the Company, the decision of making investments in listed and unlisted companies may take a very short time and there is no certainty that the requisite cash resources would be available for those investments that may be identified by the Group. In the event that the Group does not have sufficient cash resources on hand or fails to secure other alternatives in a timely manner to finance the acquisition of any suitable investment opportunity which may arise, the Group may lose its bid in an otherwise favourable investment. As most of the Company's investments are held for medium-term to long-term capital appreciation,

LETTER FROM THE BOARD

the Directors consider that it is inappropriate to make unscheduled liquidation of its investments to generate additional cash for general working capital before the investments achieving the pre-determined targets. Accordingly, the Directors consider that the Rights Issue provides the Group with sufficient flexibility and financial resources for making timely and suitable investments which is in the interests of the Company and the Shareholders as a whole.

As set out in the section headed “Shareholding in the Company” of this circular, immediately after completion of the Rights Issue, the shareholding of the existing public Shareholders will be diluted (i) from 100.00% to 50.00% (assuming no change in the shareholding structure of the Company between the Latest Practicable Date and immediately before completion of the Rights Issue and no conversion of the Convertible Notes on or before the Record Date); or (ii) 100.00% to 26.27% (assuming no change in the shareholding structure of the Company between the Latest Practicable Date and immediately before completion of the Rights Issue and full conversion of the Convertible Notes on or before the Record Date).

For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. For those Qualifying Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. The nil-paid Rights Shares will be traded on the Stock Exchange.

As the Qualifying Shareholders can choose between participating in the Rights Issue and, if they are unwilling or unable to do so, disposing of their nil-paid entitlements in the market at a premium if one can be obtained, the Board considers that the Rights Issue is an equitable method for all the Qualifying Shareholders to raise new equity capital for the Company. The Board further considers that the Rights Issue, which is effected on a pro-rata basis, can offer all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their respective proportionate interest in the Company and to continue to participate in the future development of the Group. Accordingly, the Board is of the view that the Rights Issue is a fair and reasonable method to raise funds and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING IN THE COMPANY

Set out below is the shareholding structure of the Company as a result of the Rights Issue:

Scenario 1:

Assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue; and (ii) no conversion of the Convertible Notes on or before the Record Date:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Heritage International Holdings Limited <i>(Note 1)</i>	10,992,800	2.93	21,985,600	2.93	10,992,800	1.46
Mascotte Holdings Limited <i>(Note 1)</i>	16,086,200	4.28	32,172,400	4.28	16,086,200	2.14
Other public Shareholders <i>(Note 1)</i>	348,712,474	92.79	697,424,948	92.79	348,712,474	46.40
Underwriter <i>(Note 2)</i>	–	–	–	–	375,791,474	50.00
Total	<u>375,791,474</u>	<u>100.00</u>	<u>751,582,948</u>	<u>100.00</u>	<u>751,582,948</u>	<u>100.00</u>

LETTER FROM THE BOARD

Scenario 2:

Assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue; and (ii) full conversion of the Convertible Notes on or before the Record Date:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Heritage International Holdings Limited <i>(Note 1)</i>	10,992,800	2.93	325,015,902	24.49	162,507,951	12.24
Mascotte Holdings Limited <i>(Note 1)</i>	16,086,200	4.28	304,899,672	22.97	152,449,836	11.49
Other public Shareholders <i>(Note 1)</i>	348,712,474	92.79	697,424,948	52.54	348,712,474	26.27
Underwriter <i>(Note 2)</i>	–	–	–	–	663,670,261	50.00
Total	<u>375,791,474</u>	<u>100.00</u>	<u>1,327,340,522</u>	<u>100.00</u>	<u>1,327,340,522</u>	<u>100.00</u>

Notes:

- Heritage International Holdings Limited and Mascotte Holdings Limited are public Shareholders and substantial Shareholders under Scenario 1 and Scenario 2 respectively. In the case of Scenario 1, the shareholding of the public in the Company ranges from 50.00% to 100.00%. In the case of Scenario 2, the shareholding of the public in the Company ranges from 26.27% to 52.54%. Accordingly, it is expected that the Company can comply with the public float requirements under Rule 8.08 of the Listing Rules for both Scenario 1 and Scenario 2.
- The Underwriter has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective parties acting in concert (as defined in the Takeovers Code) with any of them) will not own 20% or more of the issued share capital of the Company after completion of the Rights Issue (for both scenarios 1 and 2 referred to above). Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

LETTER FROM THE BOARD

ADJUSTMENTS IN RELATION TO THE CONVERTIBLE NOTES

The Rights Issue may lead to adjustments to the conversion price and/or the number of Shares to be issued upon conversion of the Convertible Notes. The Company will notify the holders thereof by the way of announcement regarding adjustments to be made (if any) pursuant to the terms of the Convertible Notes (as and when appropriate).

GENERAL

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on the approval by the Shareholders at the EGM where the controlling Shareholders or, in the case that the Company has no controlling Shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue at the EGM. As at the Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors, the chief executive of the Company and their respective associates holds any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the Rights Issue at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner set out in Rule 13.39(5) of the Listing Rules.

Upon the approval of the Rights Issue by the Shareholders at the EGM, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

EGM

The notice convening the EGM is set out on pages 182 to 184 of this circular. The EGM will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Friday, 13 March 2009 for the purpose of considering and, if thought fit, approving the Rights Issue.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Tengis Limited, the Company's branch share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Menlo Capital set out on page 27 and pages 28 to 41 respectively of this circular. The Independent Board Committee, having taken into account the advice of Menlo Capital, considers that the terms of the Rights Issue are fair and reasonable so far as the Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the EGM.

The Directors believe that the terms of the Rights Issue are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Unity Investments Holdings Limited
合一投資控股有限公司
KITCHELL Osman Bin
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



Unity Investments Holdings Limited

合一投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 913)

24 February 2009

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 24 February 2009 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Shareholders are concerned. Menlo Capital has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Menlo Capital as set out in its letter of advice to you and us on pages 28 to 41 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. CHUNG Kong Fei, Stephen, Mr. TSANG Wing Ki,

Ms. SWARTZ Kristi Lynn and Mr. NGAI Wai Kin

Independent non-executive Directors

LETTER FROM MENLO CAPITAL

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



Menlo Capital Limited
17/F., Asia Standard Tower
59- 65 Queen's Road Central, Hong Kong

24 February 2009

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

Dear Sirs,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY SHARE HELD ON THE RECORD DATE**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 24 February 2009 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

The Company proposes to raise between approximately HK\$37.58 million (assuming no conversion of the Convertible Notes on or before the Record Date) and approximately HK\$66.37 million (assuming full conversion of the Convertible Notes on or before the Record Date), before expenses, by way of the Rights Issue of not less than 375,791,474 Rights Shares and not more than 663,670,261 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share payable in full on acceptance. The Company will provisionally allot one Rights Share in nil-paid form for every Share in issue and held on the Record Date. The Rights Issue is not available to the Non-Qualifying Shareholders. The Company intends to utilise the entire net proceeds as the general working capital of the Group.

LETTER FROM MENLO CAPITAL

Pursuant to the requirements of the Listing Rules, the Rights Issue is conditional on the approval by the Shareholders at the EGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors, the chief executive of the Company and their respective associates holds any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the Rights Issue at the EGM. All votes of the Shareholders at the EGM to be convened for the purpose of approving the Rights Issue will be taken on a poll.

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

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Company. We have taken all reasonable steps pursuant to Rule 13.80 including notes of the Listing Rules which include the following:

- (a) obtaining all the information and documents relevant to an assessment of the fairness and reasonableness of the terms of the Rights Issue, including but not limited to, the Announcement, the Board Letter, the terms of the Rights Issue and the annual report of the Company for the year ended 31 December 2007;
- (b) researching the market, the other conditions and the trend relevant to the pricing of the rights issues;
- (c) reviewing the fairness, reasonableness and completeness of any assumptions or projections relevant to the Rights Issue, the performance and financial situation of the Company as well as the reasons and background of the Rights Issue;

LETTER FROM MENLO CAPITAL

- (d) confirming that no third party expert provides any opinion or valuation is relevant to the Rights Issue; and
- (e) reviewing and assessing the alternative ways of fund raising other than Rights Issue and the reasons given by the management of the Company for rejecting other alternatives.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

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

(I) Background

The Company is principally engaged in investments in listed securities in Hong Kong and other main stock markets around the world and also in unlisted companies. The Directors consider that it is in the interest of the Company and the Shareholders to raise further capital through the Rights Issue, and that the Rights Issue will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

(II) Reasons for the Rights Issue

The Directors consider that the recent turmoil in the global financial markets and the resulting credit crunch has tightened the availability of external borrowings and increased the cost of funding to the Group. The Directors consider it appropriate for the Company to raise the requisite funding for the business operation of the Group through the Rights Issue, which will be fully underwritten by the Underwriter and will allow all Qualifying Shareholders to participate in the Rights Issue in proportion to their shareholdings.

The Rights Issue is effected on a pro-rata basis and we are of the view that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interest in the Company and to continue to participate in the future development of the Group. The nil-paid Rights Shares will be traded on the Stock Exchange. The Qualifying Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. On this basis, we consider the Rights Issue to be fair and reasonable to the Qualifying Shareholders.

LETTER FROM MENLO CAPITAL

(III) Use of proceeds of the Rights Issue

The estimated net proceeds of the Rights Issue will be between approximately HK\$34.94 million (assuming no conversion of the Convertible Notes on or before the Record Date) and HK\$63.00 million (assuming full conversion of the Convertible Notes on or before the Record Date). The Company intends to utilise the entire net proceeds as the general working capital of the Group.

We share the view of the Directors that the resulting credit crunch has tightened the availability of external borrowings and increased the cost of funding to the Group. Accordingly, we consider that the timing for the Rights Issue being proposed before any immediate need of cash is appropriate.

We have noted that the Shares are traded under the current volatile stock market. The analysis of the Subscription Price is set out under the sub-section “Subscription price” in this letter. In view of the fact that the Rights Issue will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company, we consider that the Subscription Price is fair and reasonable so far as the Shareholders are concerned and the volatility of the stock market does not affect the timing of the Rights Issue.

As set out under the sub-section “Financial effects of the Rights Issue” in this letter, we are of the view that the net proceeds from the Rights Issue could further improve the net assets and the working capital position of the Group while giving the Group greater flexibility to make future possible investments if opportunities arise. Moreover, the overall improvement of the financial position, including but not limited to the net assets and the working capital position of the Group as a results of the proceeds from the Rights Issue could place the Group in a better position to secure future bank borrowings, if required, for funding future investments, which is beneficial to the future development of the Group and therefore is in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company has no intention to secure bank borrowings.

LETTER FROM MENLO CAPITAL

Although the Company has not identified any specific investment plan as at the Latest Practicable Date, the Directors believe that more investments opportunities could be identified once the global financial markets become stable. For those investment companies listed pursuant to Chapter 21 of the Listing Rules such as the Company, the decision of making investments in listed and unlisted companies may take a very short time and there is no certainty that the requisite cash resources would be available for those investments that may be identified by the Group. In the event that the Group does not have sufficient cash resources on hand or fails to secure other alternative financing in a timely manner, the Group may fail to capture an otherwise favourable investment opportunity should it arise in the future. We are of the view that in order to (i) improve the liquidity and financial position of the Company; (ii) enhance the flexibility of the Company for making investments; and (iii) enable the Company to implement investment decisions in a timely manner, it is in the interest of the Company and the Shareholders as a whole to raise the requisite funding for the business operation of the Group through the Rights Issue.

Fund raising activities during the past 12 months

The Company had conducted the following fund raising exercises in the 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Capital raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
12 December 2007	Rights issue of 1,565,797,810 rights shares on the basis of five rights shares for every one adjusted share held by qualifying shareholders, which was completed in June 2008	HK\$181.7 million	To be used for investment purpose	Used as intended
19 May 2008	Placing of 62,630,000 new Shares	HK\$12.07 million	HK\$6 million to be used for investment in equity and the remaining balance of approximately HK\$6.07 million for general working capital of the Group	This placing was terminated as disclosed in the Company's announcement on 18 June 2008
9 October 2008	Issue of the Convertible Notes	HK\$38 million	For the settlement of (i) a loan due to a wholly-owned subsidiary of Mascotte Holdings Limited; and (ii) a loan due to a wholly-owned subsidiary of Heritage International Holdings Limited	Used as intended

LETTER FROM MENLO CAPITAL

Save as abovementioned, the Company had not conducted any fund raising exercise in the past 12 months from the date of the Circular.

We have noted that the net proceeds of the fund raising activities during the past 12 months have already been used as intended:

- (i) the net proceeds of HK\$181.7 million of the rights issue as announced on 12 December 2007 being used for the investment in equity pursuant to the investment purpose adopted by the Company; and
- (ii) the net proceeds of HK\$38 million of the issue of the Convertible Notes as announced on 9 October 2008 being used for the settlement of the loans due to the creditors concerned.

(IV) The major terms of the Rights Issue

Basis of the Rights Issue	:	one Rights Share for every Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	375,791,474 Shares
Number of Rights Shares	:	not less than 375,791,474 Rights Shares (assuming no conversion of the Convertible Notes are exercised on or before the Record Date) and not more than 663,670,261 Rights Shares (assuming full conversion of the Convertible Notes on or before the Record Date) (<i>Note 1</i>)
Subscription price per Rights Share	:	HK\$0.10 per Rights Share with nominal value of HK\$0.10 each

LETTER FROM MENLO CAPITAL

Note 1

As at the Latest Practicable Date, there were outstanding Convertible Notes with an aggregate principal amount of HK\$38,000,000 which may be convertible into 287,878,787 Shares at the conversion price of HK\$0.132 per Share (subject to adjustments). Assuming full conversion of the Convertible Notes on or before the Record Date, a total of 287,878,787 new Shares would fall to be issued, which would result in the issue of an additional 287,878,787 Rights Shares and in that event, the maximum number of Rights Shares that may be issued by the Company would become 663,670,261.

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

Assuming no conversion of the Convertible Notes on or before the Record Date, the 375,791,474 nil-paid Rights Shares proposed to be provisionally allotted to the Qualifying Shareholders represent 100% of the Company's issued share capital as at the Latest Practicable Date and 50% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Subscription price

The Subscription Price for the Rights Shares is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of about 23.66% to the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of about 13.42% to the theoretical ex-rights price of approximately HK\$0.1155 based on the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of about 26.47% to the average closing price of approximately HK\$0.136 per Share for the five trading days ended on the Last Trading Day; and
- (d) a discount of about 29.08% to the closing price of HK\$0.141 as quoted on the Stock Exchange on the Latest Practicable Date.

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The Directors consider that the Subscription Price was determined after arm’s length negotiations between the Company and the Underwriter with reference to the market price of the Shares prior to the Last Trading Day. The Directors consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

We have reviewed and included, so far as we are aware, all the rights issues announced during the last 12 months prior to the date of the Announcement by the companies listed on the Main Board of the Stock Exchange. The pricing of a rights issue may vary under different stock market conditions as well as for companies with different financial standings and business performances. Nevertheless, we consider that the comparison of rights issues announced recently could provide a general reference for the reasonableness of the pricing of the Rights Issue. The terms of all the rights issues (the “Comparables”) during the above mentioned period are summarised as below:

Company name (Stock Code)	Date of Announcement	Offer Ratio	(Discount) of subscription price to the closing price per share on the last trading day (%)	(Discount) of subscription price to the theoretical ex-rights price per share (%)	Underwriting commission (%)
Harbour Centre Development Limited (51)	5/2/2008	1 for 2	(21.0)	(15.0)	1.25
eSun Holdings Limited (571)	7/3/2008	1 for 2	(29.18)	(21.63)	Not available
Shun Cheong Holdings Limited (650)	8/4/2008	3 for 2	(64.03)	(41.59)	2.0
Midas International Holdings Limited (1172)	29/4/2008	1 for 2	(37.5)	(28.57)	2.5
Hong Kong Chinese Limited (655)	17/5/2008	7 for 20	(32.0)	(22.0)	2.5
Lippo Limited (226)	17/5/2008	1 for 4	(28.0)	(21.0)	1.5
Wing On Travel (Holdings) Limited (1189)	20/5/2008	4 for 1	(71.83)	(33.77)	2.5
Citic Resources Holdings Limited (1205)	30/5/2008	3 for 20	(27.77)	(25.06)	0
Sino Katalytics Investment Corporation (2324)	3/6/2008	1 for 2	(27.54)	(20.21)	2.5
ITC Properties Group Limited (199)	6/6/2008	3 for 1	(62.8)	(29.6)	2.5
Mascottee Holdings Limited (136)	13/6/2008	1 for 2	(52.38)	(42.31)	2.5
Green Global Resources Limited (61)	17/6/2008	1 for 1	(30.3)	(18.2)	2.5
Willie International Holdings Limited (273)	19/6/2008	5 for 2	(63.86)	(33.63)	2.5

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Company name (Stock Code)	Date of Announcement	Offer Ratio	(Discount) of subscription price to the closing price per share on the last trading day (%)	(Discount) of subscription price to the theoretical ex-rights price per share (%)	Underwriting commission (%)
UDL Holdings Limited (620)	1/08/2008	1 for 1	(10.26)	(5.41)	2.5
China Resources Logic Limited (1193)	21/8/2008	4 for 1	(14.5)	(3.4)	0
Climax International Company Limited (439)	12/09/2008	4 for 1	(86.81)	(56.83)	2.5
Easyknit enterprises Holdings Limited (616)	12/11/2008	10 for 1	(57.14)	(11.76)	1.0
Standard Chartered PLC (2888)	24/11/2008	30 for 91	(48.7)	(41.6)	2.75
Hycomm Wireless Limited (499)	1/12/2008	7 for 1	(72.31)	(24.61)	2.5
COL Capital Limited (383)	1/12/2008	1 for 1	(48.05)	(31.62)	0
Victory City International Holdings Ltd (539)	3/12/2008	1 for 2	(53.79)	(43.72)	2.0
Freeman Corporation Limited (279)	12/1/2009	1 for 1	(28.57)	(16.67)	2.5
		(Lowest Discount)	(10.26)	(3.4)	0
		(Highest Discount)	(86.81)	(56.83)	2.75
		mean	(44.01)	(26.74)	1.93
		median	(42.78)	(24.84)	2.5
The Company		1 for 1	(23.66)	(13.42)	2.5

Source: The Stock Exchange website, the respective announcements and circulars

As noted from the above table,

- the subscription price to the closing prices on the last trading day prior to the dates of announcements of the Comparables ranged from a discount of approximately 10.26% to a discount of approximately 86.81% (the “First Relevant Range”), with the mean and median at discounts of approximately 44.01% and approximately 42.78% respectively. The discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is approximately 23.66%, which is less than the mean and median, and falls within the First Relevant Range, of the Comparables; and

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2. the subscription price to the theoretical ex-rights prices per share based on the last trading day prior to the dates of the announcements in relation to the Comparables ranged from a discount of approximately 3.4% to a discount of approximately 56.83% (the “Second Relevant Range”), with the mean and median at discounts of approximately 26.74% and approximately 24.84% respectively. The discount of the Subscription Price to the theoretical ex-rights price per Share of approximately 13.42%, based on the closing price of the Shares on the Last Trading Day, is less than the mean and the median, and falls within the Second Relevant Range, of the Comparables.

We note that (i) it is common to offer discount in rights issues in order to enhance their attractiveness to the shareholders as well as the underwriters; (ii) the discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is less than the mean and median, and falls within the First Relevant Range, of the Comparables; (iii) the discount of the Subscription Price to the theoretical ex-rights price per Share is less than the mean and median, and falls within the Second Relevant Range, of the Comparables; and (iv) the Rights Issue will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group. Accordingly, we are of the view the Subscription Price is fair and reasonable so far as the Shareholders are concerned.

The discount of the subscription price to the closing price of the Share on the Last Trading Day and the theoretical ex-right price of the Shares provides an opportunity for the Qualifying Shareholders to take up the Rights Shares at an attractive price while providing the Company with the funding which in turn is in the interest of the Company and the Shareholders as a whole of concern.

The underwriting commission rates of the Comparables ranged from nil to 2.75% (the “Third Relevant Range”), with the mean and median of approximately 1.93% and 2.5% respectively. The underwriting commission of the Right Issue, being 2.5%, is higher than the mean and equivalent to the median but falls within the Third Relevant Range of the Comparables. We consider that the subscription price and the underwriting commission of the Rights Issue are generally in line with that of the Comparables and are fair and reasonable so far as the Shareholders are concerned.

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(V) Other terms of the Rights Issue and the underwriting arrangements

The other terms of the Rights Issue, being set out under the section headed “Rights Issue” in the Board Letter, include the detailed terms relating to:

- the Qualifying Shareholders;
- the rights of Overseas Shareholders;
- the closure of register of members;
- the basis of provisional allotment;
- the status of the Rights Shares;
- the fractions of Rights Shares;
- the application for excess Rights Shares;
- the Share certificates and refund cheques for Rights Issue;
- the application for listing;
- the conditions of the Rights Issue;
- the Underwriting Agreement; and
- the termination of the Underwriting Agreement

Other than the Subscription Price and the underwriting commission of the Rights Issue, we have also reviewed the other terms of the Rights Issue together with the terms of the Underwriting Agreement as listed above, we are of the view that the terms of the Rights Issue together with the terms of the Underwriting Agreement are on normal commercial basis.

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(VI) Effect on shareholding interests of the Shareholders

As set out in the section headed “Shareholding in the Company” in the Board Letter, immediately after completion of the Rights Issue, (i) the shareholding of the existing public Shareholders will be substantially diluted from 100.00% to 50.00% (assuming no change in the shareholding structure of the Company between the Latest Practicable Date and immediately before completion of the Rights Issue and no conversion of the Convertible Notes on or before the Record Date); and (ii) the shareholding of the existing public Shareholders will be substantially diluted from 100.00% to 26.27% (assuming no change in the shareholding structure of the Company between the Latest Practicable Date and immediately before completion of the Rights Issue and full conversion of the Convertible Notes on or before the Record Date). For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

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

The Underwriter has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective parties acting in concert (as defined in the Takeovers Code) with any of them) will not own 20% or more of the issued share capital of the Company after completion of the Rights Issue (for both scenarios described in the section headed “Shareholding in the Company” in the Board Letter). Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

Taking into consideration the foregoing, we consider that as the Qualifying Shareholders can choose to participate in the Rights Issue or, if they are unwilling or unable to do so, to dispose of their nil-paid entitlements in the market at a premium if one can be obtained, the Rights Issue is an equitable method for all the Qualifying Shareholders to raise new equity capital for the Company. The Rights Issue is a fair and reasonable method to raise funds, as the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company.

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(VII) Financial effects of the Rights Issue

(a) Net assets

The effect on the unaudited pro forma consolidated net assets of the Group immediately after completion of the Rights Issue are set out in appendix II to the Circular.

The net proceeds of the Rights Issue proposed to be raised by the Company will be between approximately HK\$34.94 million (assuming no conversion of the Convertible Notes on or before the Record Date) to HK\$63.00 million (assuming full conversion of the Convertible Notes on or before the Record Date). The Company intends to utilise the entire net proceeds as the general working capital of the Group. The net assets of the Company will be correspondingly increased by the amount of the net proceeds of the Rights Issue immediately after the completion of the Rights Issue.

We are also of the view that the improvement of the net assets of the Company is in the interest of the Company and Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders, as a whole.

(b) Working capital

The Rights Issue can raise a net amount of capital in the range from approximately HK\$34.94 million to HK\$63.00 million depending on the amount of the Convertible Notes that may be converted on or before the Record Date. The cash position and working capital (before any specific investments made) of the Group immediately after the Rights Issue will be increased by the same amount of the net proceeds of the Rights Issue.

We are also of the view that the cash position and working capital of the Group to be further improved immediately after the Rights Issue is in the interest of the Company and Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders, as a whole.

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RECOMMENDATION

We have taken into consideration of the above principal factors and reasons, in particular:

- the net proceeds of the fund raising activities completed during the past 12 months have already been used as intended;
- the net proceeds from the Rights Issue will improve the working capital position of the Group;
- the Rights Issue would enlarge the capital base of the Company;
- the Rights Issue would enhance the flexibility and provide the financial resources for the Company to implement investment decisions in a timely manner;
- the Rights Issue would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group;
- the Rights Issue is on normal commercial terms;
- the discounts represented by the Subscription Price to the closing price of the Shares and the theoretical ex-rights price of the Shares fall within the First Relevant Range and the Second Relevant Range respectively; and
- the Rights Issue can improve the net assets of the Company and the working capital position of the Group.

We are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of Rights Issue are fair and reasonable so far as the Company and the Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders, are concerned. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated income statement and balance sheet of the Group for the financial years ended 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005, which are extracted from the Results Announcement and the annual reports of the Company for the years ended 31 December 2007 and 31 December 2006. The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December			
	2008	2007	2006	2005
	HK\$	HK\$	HK\$	HK\$
Turnover	(6,334,669)	(91,529,295)	28,823,065	(13,236,337)
Other revenue	2,121,170	2,656,153	3,367,507	2,025,440
Loan receivable:				
– Present value adjustment	–	–	–	(5,770,914)
– Impairment loss	–	–	(12,500,000)	(6,729,086)
Unrealised (loss) gain on investments held for trading	(38,819,960)	40,037,652	(21,601,011)	(9,328,737)
Unrealised loss on derivative financial instruments	(5,887,591)	(5,257,813)	–	–
Realised (loss) gain on disposal of available-for-sale investments	(217,147,138)	(31,123,307)	25,012,199	(607,864)
Impairment of available-for-sale investments	(179,681,477)	–	–	(3,000,000)
Other operating expenses	(10,180,985)	(11,286,635)	(8,840,660)	(4,814,448)
Finance costs	(2,498,438)	(2,492,396)	(2,056,841)	(3,051,172)
(Loss) Profit before taxation	(458,429,088)	(98,995,641)	12,204,259	(44,513,118)
Taxation	–	–	–	–
(Loss) Profit for the year attributable to equity holders of the Company	<u>(458,429,088)</u>	<u>(98,995,641)</u>	<u>12,204,259</u>	<u>(44,513,118)</u>
(Loss) Earnings per share attributable to equity holders		(Restated)	(Restated)	(Restated)
– Basic	<u>(1.76)</u>	<u>(2.01)</u>	<u>5.39 cents</u>	<u>(67.8) cents</u>

CONSOLIDATED BALANCE SHEET

	As at 31 December			
	2008	2007	2006	2005
	HK\$	HK\$	HK\$	HK\$
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	3,447,082	1,430,491	1,986,770	55,563
Available-for-sale investments	143,437,613	280,991,825	36,093,113	43,481,071
Loan receivable	—	—	—	12,500,000
	<u>146,884,695</u>	<u>282,422,316</u>	<u>38,079,883</u>	<u>56,036,634</u>
Current assets				
Investments held for trading	26,722,407	150,549,641	186,108,664	114,155,712
Other receivables	7,228,963	5,220,030	529,529	4,281,835
Bank balances and cash	4,245,589	9,732,245	576,359	61,060
	<u>38,196,959</u>	<u>165,501,916</u>	<u>187,214,552</u>	<u>118,498,607</u>
Current liabilities				
Other payables and accruals	520,521	865,483	13,033,169	17,748,826
Interest-bearing borrowings, unsecured	9,500,000	25,000,000	—	20,378,082
Derivative financial instruments	5,887,591	5,257,813	—	—
	<u>15,908,112</u>	<u>31,123,296</u>	<u>13,033,169</u>	<u>38,126,908</u>
Net current assets	<u>22,288,847</u>	<u>134,378,620</u>	<u>174,181,383</u>	<u>80,371,699</u>
Total assets less current liabilities	<u>169,173,542</u>	<u>416,800,936</u>	<u>212,261,266</u>	<u>136,408,333</u>
Non-current liabilities				
Zero-coupon convertible notes	15,722,690	—	—	—
NET ASSETS	<u>153,450,852</u>	<u>416,800,936</u>	<u>212,261,266</u>	<u>136,408,333</u>
Capital and reserves				
Share capital	37,579,147	313,159,563	112,229,116	72,729,116
Reserves	115,871,705	103,641,373	100,032,150	63,679,217
TOTAL EQUITY	<u>153,450,852</u>	<u>416,800,936</u>	<u>212,261,266</u>	<u>136,408,333</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(A) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Set out below is the audited consolidated financial statements of the Group for the financial years ended 31 December 2008 and 31 December 2007 together with the relevant notes to the accounts, as extracted from the Results Announcement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Note</i>	2008 <i>HK\$</i>	2007 <i>HK\$</i>
Turnover	4	(6,334,669)	(91,529,295)
Other revenue	4	2,121,170	2,656,153
Unrealised (loss) gain on investments held for trading		(38,819,960)	40,037,652
Unrealised loss on derivative financial instruments		(5,887,591)	(5,257,813)
Impairment of available-for-sale investments		(179,681,477)	–
Realised loss on disposal of available-for-sale investments		(217,147,138)	(31,123,307)
Other operating expenses		(10,180,985)	(11,286,635)
Finance costs	6	<u>(2,498,438)</u>	<u>(2,492,396)</u>
Loss before taxation	6	(458,429,088)	(98,995,641)
Taxation	7	<u>–</u>	<u>–</u>
Loss for the year attributable to equity holders of the Company	8	<u><u>(458,429,088)</u></u>	<u><u>(98,995,641)</u></u>
			<i>(Restated)</i>
Loss per share – Basic	9	<u><u>(1.76)</u></u>	<u><u>(2.01)</u></u>

CONSOLIDATED BALANCE SHEET*As at 31 December 2008*

	2008 <i>HK\$</i>	2007 <i>HK\$</i>
Non-current assets		
Property, plant and equipment	3,447,082	1,430,491
Available-for-sale investments	143,437,613	280,991,825
	<u>146,884,695</u>	<u>282,422,316</u>
Current assets		
Investments held for trading	26,722,407	150,549,641
Other receivables	7,228,963	5,220,030
Bank balances and cash	4,245,589	9,732,245
	<u>38,196,959</u>	<u>165,501,916</u>
Current liabilities		
Other payables and accruals	520,521	865,483
Interest-bearing borrowings, unsecured	9,500,000	25,000,000
Derivative financial instruments	5,887,591	5,257,813
	<u>15,908,112</u>	<u>31,123,296</u>
Net current assets	<u>22,288,847</u>	<u>134,378,620</u>
Total assets less current liabilities	<u>169,173,542</u>	<u>416,800,936</u>
Non-current liabilities		
Zero-coupon convertible notes	15,722,690	–
NET ASSETS	<u><u>153,450,852</u></u>	<u><u>416,800,936</u></u>
Capital and reserves		
Share capital	37,579,147	313,159,563
Reserves	115,871,705	103,641,373
TOTAL EQUITY	<u><u>153,450,852</u></u>	<u><u>416,800,936</u></u>

Notes:

1. General information

Unity Investments Holdings Limited was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activities of the Group are described in note 4.

2. Principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2007 financial statements. The adoption of the new/ revised HKFRSs that are effective from the current year has had no significant effects on the Group’s results and financial position for the current and prior years.

3. Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current year, which the Group has not early adopted. The directors anticipate that the adoption of these new/revised HKFRS in the future periods will have no material impact on the result of the Group.

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HKFRS 2 (Amendments)	Shared-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 39 (Amendments)	Eligible Hedged Items	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HK(IFRIC)-INT 17	Distribution of Non-Cash Assets to Owners	1 July 2009

4. Turnover and revenue

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

	<i>Note</i>	2008 <i>HK\$</i>	2007 <i>HK\$</i>
Turnover			
Loss from the sale of investments held for trading	4(a)	(6,334,669)	(91,529,295)
Other revenue			
Other income		10,860	180,437
Interest income		50,584	695,548
Dividend income			
– listed investments		1,532,020	1,780,168
Exchange gain		125,402	–
Gain on disposal of property, plant and equipment		402,304	–
		<u>2,121,170</u>	<u>2,656,153</u>
Total revenue		<u>(4,213,499)</u>	<u>(88,873,142)</u>

Note 4(a):

The Group's proceeds from the sale of investments at fair value through profit or loss and the corresponding carrying amount were separated into "Turnover" and "Cost of sales", respectively, in the prior year's consolidated income statement. During the current year, the Group changed its presentation, as in the opinion of the directors, it is more appropriate to present the gain/loss from the sale of investments at fair value through profit or loss in "Turnover" on a net basis. The effect of this change in presentation was to decrease revenue and cost of sales for the year ended 31 December 2008 by HK\$164,158,588, representing the carrying amount of investments at fair value through profit or loss disposed of during the year. To conform with the current year's presentation, the carrying amount of investments at fair value through profit or loss disposed of for the year ended 31 December 2007 of HK\$928,768,239 has been offset against revenue, resulting in a decrease in revenue and cost of sales for that year by the same amount. This has resulted in no change in the amount of accumulated losses as at 1 January 2007.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

5. Segment information

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

In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the markets, and assets are attributed to the segments based on the location of the assets.

	2008				
	Hong Kong	Taiwan	United States	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue	3,283,970	132	(7,803,152)	305,551	(4,213,499)
Segment assets	157,837,210	7,756,880	11,294,764	8,192,800	185,081,654
Capital expenditure	3,990,292	–	–	–	3,990,292
	2007				
	Hong Kong	Taiwan	United States	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue					
<i>(restated)</i>	(95,347,455)	171	6,446,724	27,418	(88,873,142)
Segment assets	368,870,541	17,204,265	33,978,097	27,871,329	447,924,232
Capital expenditure	339,678	–	–	–	339,678

6. Loss before taxation

	2008	2007
	<i>HK\$</i>	<i>HK\$</i>
This is stated after charging:		
Finance costs		
Other borrowings wholly repayable within five years	2,106,966	2,492,396
Imputed interest expense from zero-coupon convertible notes	391,472	–
	<u>2,498,438</u>	<u>2,492,396</u>
Staff costs		
Employee benefits expense, excluding directors' remuneration	736,226	545,204
Contributions to defined contribution plans	26,701	18,720
	<u>762,927</u>	<u>563,924</u>
Other items		
Auditors' remuneration		
– under provision in prior year	–	30,000
– current year	395,000	370,000
Depreciation	776,005	895,957
Exchange loss	–	131,615
Operating leases in respect of:		
– office premises	389,019	309,600
– hire of machinery	63,432	58,744
Equity-settled share-based payment	–	2,383,617

7. Taxation

Hong Kong Profits Tax has not been provided in the financial statements as companies within the Group incurred a loss for the years 2008 and 2007.

8. Loss for the year attributable to equity holders of the company

Of the loss for the year attributable to equity holders of the Company of HK\$458,429,088 (2007: HK\$98,995,641), a loss of HK\$539,195,927 (2007: HK\$137,726,609) is dealt with in the financial statements of the Company.

9. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to the equity holders of HK\$458,429,088 (2007: HK\$98,995,641) and the weighted average number of 260,810,781 (2007 as restated: 49,306,054) ordinary shares in issue during the year.

The comparative amount of the basic loss per share for 2007 has been adjusted to reflect the impact of the share consolidation and the rights issue during the year.

No diluted loss per share was presented as there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

(B) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Set out below is the audited consolidated financial statements of the Group for the financial years ended 31 December 2006 and 31 December 2007 together with the relevant notes to the accounts, as extracted from the annual report of the Company for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT*For the year ended 31 December 2007*

		2007	2006
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	<i>4</i>	837,238,944	295,055,810
Other revenue	<i>4</i>	2,656,153	3,367,507
Cost of sales		(928,768,239)	(266,232,745)
Impairment loss on loan receivable		–	(12,500,000)
Unrealised gain (loss) on investments held for trading		40,037,652	(21,601,011)
Unrealised loss on derivative financial instruments		(5,257,813)	–
Realised (loss) gain on disposal of available-for-sale investments		(31,123,307)	25,012,199
Other operating expenses		(11,286,635)	(8,840,660)
Finance costs	<i>6</i>	<u>(2,492,396)</u>	<u>(2,056,841)</u>
(Loss) Profit before taxation	<i>6</i>	(98,995,641)	12,204,259
Taxation	<i>7</i>	<u>–</u>	<u>–</u>
(Loss) Profit for the year and attributable to equity holders	<i>8</i>	<u><u>(98,995,641)</u></u>	<u><u>12,204,259</u></u>
			<i>(Restated)</i>
(Loss) Earnings per share – Basic	<i>9</i>	<u><u>(6.51 cents)</u></u>	<u><u>5.39 cents</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED BALANCE SHEET***As at 31 December 2007*

		2007	2006
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	1,430,491	1,986,770
Available-for-sale investments	<i>13</i>	<u>280,991,825</u>	<u>36,093,113</u>
		<u>282,422,316</u>	<u>38,079,883</u>
Current assets			
Investments held for trading	<i>14</i>	150,549,641	186,108,664
Other receivables	<i>15</i>	5,220,030	529,529
Bank balances and cash		<u>9,732,245</u>	<u>576,359</u>
		<u>165,501,916</u>	<u>187,214,552</u>
Current liabilities			
Other payables and accruals		865,483	13,033,169
Short-term borrowings, unsecured	<i>16</i>	25,000,000	–
Derivative financial instruments	<i>17</i>	<u>5,257,813</u>	<u>–</u>
		<u>31,123,296</u>	<u>13,033,169</u>
Net current assets		<u>134,378,620</u>	<u>174,181,383</u>
NET ASSETS		<u><u>416,800,936</u></u>	<u><u>212,261,266</u></u>
Capital and reserves			
Share capital	<i>18</i>	313,159,563	112,229,116
Reserves	<i>19(a)</i>	<u>103,641,373</u>	<u>100,032,150</u>
TOTAL EQUITY		<u><u>416,800,936</u></u>	<u><u>212,261,266</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****BALANCE SHEET***As at 31 December 2007*

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	359,682	202,089
Investments in subsidiaries	<i>12</i>	352,364,321	29,796,224
Available-for-sale investments	<i>13</i>	<u>25,641,500</u>	<u>30,881,560</u>
		<u>378,365,503</u>	<u>60,879,873</u>
Current assets			
Investments held for trading	<i>14</i>	54,797,627	163,337,389
Other receivables	<i>15</i>	4,867,624	529,529
Bank balances and cash		<u>9,570,719</u>	<u>394,529</u>
		<u>69,235,970</u>	<u>164,261,447</u>
Current liabilities			
Other payables and accruals		707,340	13,033,169
Short-term borrowings, unsecured	<i>16</i>	25,000,000	–
Derivative financial instruments	<i>17</i>	<u>5,257,813</u>	<u>–</u>
		<u>30,965,153</u>	<u>13,033,169</u>
Net current assets		<u>38,270,817</u>	<u>151,228,278</u>
NET ASSETS		<u><u>416,636,320</u></u>	<u><u>212,108,151</u></u>
Capital and reserves			
Share capital	<i>18</i>	313,159,563	112,229,116
Reserves	<i>19(b)</i>	<u>103,476,757</u>	<u>99,879,035</u>
TOTAL EQUITY		<u><u>416,636,320</u></u>	<u><u>212,108,151</u></u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 December 2007*

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
OPERATING ACTIVITIES			
Cash used in operations	23	(40,692,119)	(73,397,018)
Interest paid		(2,427,669)	(2,434,923)
Net cash used in operating activities		<u>(43,119,788)</u>	<u>(75,831,941)</u>
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(339,678)	(2,925,703)
Acquisition of available-for-sale investments		(609,842,771)	(5,058,299)
Proceeds from disposal of available-for-sale investments		209,673,371	38,767,000
Dividends received		1,780,168	3,058,244
Interest received		695,548	165,868
Net cash (used in) from investing activities		<u>(398,033,362)</u>	<u>34,007,110</u>
FINANCING ACTIVITIES			
Proceeds from rights issue		119,499,116	–
Proceeds from placements of shares		254,185,778	64,000,000
Proceeds from shares issued under share option scheme		58,388,888	–
Share issue expenses		(6,774,746)	(1,659,870)
Proceeds from disposal of subsidiary		10,000	–
New short-term borrowings		195,000,000	60,000,000
Repayment of short-term borrowings		(170,000,000)	(80,000,000)
Net cash from financing activities		<u>450,309,036</u>	<u>42,340,130</u>
Net increase in cash and cash equivalents		9,155,886	515,299
Cash and cash equivalents at beginning of year		<u>576,359</u>	<u>61,060</u>
Cash and cash equivalents at balance sheet date, represented by bank balances and cash		<u><u>9,732,245</u></u>	<u><u>576,359</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31 December 2007*

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Total equity at 1 January	<u>212,261,266</u>	<u>136,408,333</u>
(Expense) Income recognised directly in equity:		
Change in fair value of		
available-for-sale investments	(155,270,649)	26,320,743
Transfer to income statement on disposal of		
available-for-sale investments	<u>31,123,307</u>	<u>(25,012,199)</u>
	<u>(124,147,342)</u>	<u>1,308,544</u>
Recognised income and expense:		
(Loss) Profit for the year	<u>(98,995,641)</u>	<u>12,204,259</u>
Placements of shares	254,185,778	64,000,000
Issue of shares under share option scheme	58,388,888	–
Issue of shares under rights issue	119,499,116	–
Share issue expenses	(6,774,746)	(1,659,870)
Equity-settled share-based payment	<u>2,383,617</u>	<u>–</u>
Total equity at 31 December	<u><u>416,800,936</u></u>	<u><u>212,261,266</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. General information

Unity Investments Holdings Limited was 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. Principal accounting policies***Basis of preparation***

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2006 financial statements except for the adoption of the following new/revised HKFRS that are effective from the current year. A summary of the principal accounting policies adopted by the Company is set out below.

Adoption of new/revised HKFRS***HKAS 1 (Amendment): Capital disclosures***

The amendment requires financial statements to provide additional disclosures in relation to the Group’s objectives, policies and processes for managing capital. These new disclosures are shown in note 27 to the financial statements.

HKFRS 7: Financial instruments: Disclosures

HKFRS 7 superseded *HKAS 30 Disclosures in the financial statements of banks and similar financial institution* and incorporated all the disclosure requirements previously in *HKAS 32*, while the presentation requirements in *HKAS 32* remain unchanged. *HKFRS 7* requires financial statements to disclose information for the purpose of evaluating the significance of the Group's financial instruments, the nature and risks arising from those financial instruments to which the Group is exposed to and how the Group manages them. The new disclosures are included throughout the financial statements.

HK(IFRIC)-Int 8: Scope of HKFRS 2

This interpretation clarifies the presumption under *HKFRS 2* that for transactions in which share-based payments are made to parties other than employees, the fair value of goods or services can be measured reliably even the entity cannot specifically identify some or all of the goods or services received. During the year, the Group had issued equity instruments to parties other than employees ("qualified allottees") in accordance with share option schemes. The interpretation had been adopted and the fair value had been measured and accounted for in the financial statements.

Basis of measurement

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investments is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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. 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 their estimated residual values, using the straight-line method, at the annual rate of 33-1/3%.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets held for trading and financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Financial assets or financial liabilities are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Loans and receivables

Loans and receivables including other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the income statement. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through income statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to income statement. Reversal of impairment loss of available-for-sale equity instrument is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Financial liabilities

The Group's financial liabilities include other payables, unsecured short-term borrowings and derivative financial instruments. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Cash equivalents

For the purpose of consolidated 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 from financial assets is accrued on a time-apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services with a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Inter-segment pricing are principally on a cost plus basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise interest-bearing borrowings, corporate and financing expenses.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet date;
- Income and expenses for each income statement are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity and recognised in consolidated income statement on disposal of foreign operations.

Impairment loss of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether 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.

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.

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.

Share-based payment

Equity-settled share-based payments is offered 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. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value of share options granted is expensed to the income statement with a corresponding increase in a reserve within equity 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 effect 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 recognised 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.

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.

Critical accounting estimates and judgements***Impairment of available-for-sale investments***

For available-for-sale investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account financial information regarding the issuers/investees.

3. Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current year, which the Group has not early adopted. The directors anticipate that the adoption of these new/revised HKFRS in the future periods will have no material impact on the result of the Group.

		Effective for annual periods beginning on or after
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1 March 2007
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (Revised December 2007)	Presentation of Financial Statements	1 January 2009

4. Turnover and revenue

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

	2007 HK\$	2006 HK\$
Turnover		
Proceeds from sale of investments held for trading	837,238,944	295,055,810
Other revenue		
Other income	180,437	3,000
Interest income	695,548	306,263
Dividend income – listed investments	1,780,168	3,058,244
	2,656,153	3,367,507
Total revenue	839,895,097	298,423,317

5. Segment information

The Group has determined not to present further business segment information as the Group’s turnover, contribution to operating loss (2006: *operating profit*), assets and liabilities are attributable to the investments in listed and unlisted companies.

In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the markets, and assets are attributed to the segments based on the location of the assets.

	2007				
	Hong Kong	Taiwan	United States	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue	787,660,284	171	50,495,726	1,738,916	839,895,097
Segment assets	368,870,541	17,204,265	33,978,097	27,871,329	447,924,232
Capital expenditure	339,678	–	–	–	339,678
	2006				
	Hong Kong	Taiwan	United States	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue	298,423,067	250	–	–	298,423,317
Segment assets	197,129,816	22,953,105	–	5,211,514	225,294,435
Capital expenditure	2,925,703	–	–	–	2,925,703

6. (Loss) profit before taxation

	2007 HK\$	2006 HK\$
This is stated after charging:		
Finance costs		
Other borrowings wholly repayable within five years	2,492,396	2,056,841
Staff costs		
Employee benefits expense, excluding directors' remuneration	545,204	620,632
Contributions to defined contribution plans	18,720	24,935
	563,924	645,567
Other items		
Auditors' remuneration		
– understatement in last year	30,000	8,000
– current year	370,000	320,000
Depreciation	895,957	568,240
Exchange loss	131,615	316,520
Impairment loss on deposit paid for the acquisition of equity interest in an investee company	–	1,500,000
Loss on disposal of property, plant and equipment	–	426,256
Operating leases in respect of:		
– land and buildings	309,600	171,995
– hire of machinery	58,744	48,569
Equity-settled share-based payment	2,383,617	–

7. Taxation

Hong Kong Profits Tax has not been provided in the financial statements as companies within the Group incurred a loss for the year. No provision was made for the year of 2006 as the Group either incurred a loss or their estimated assessable profits for the year of 2006 were wholly absorbed by unrelieved tax losses brought forward from previous years.

Reconciliation of tax expense

	2007 HK\$	2006 HK\$
(Loss) Profit before taxation	(98,995,641)	12,204,259
Income tax at applicable tax rate of 17.5% (2006: 17.5%)	(17,324,238)	2,135,746
Tax exempt revenue	(1,351,940)	(535,243)
Non-deductible expenses	1,930,492	4,146,633
Utilisation of previously unrecognised tax losses	–	(5,734,394)
Unrecognised tax losses	16,733,573	–
Unrecognised temporary difference	12,113	(12,742)
	–	–

8. (Loss) profit attributable to equity holders

The (loss) profit attributable to equity holders dealt with in the financial statements of the Company is HK\$137,726,609 (2006: profit of HK\$12,204,332).

9. (Loss) earnings per share

The calculation of basic loss (2006: *earnings*) per share is based on the Group's loss (2006: *profit*) attributable to the equity holders of HK\$98,995,641 (2006: *profit of HK\$12,204,259*) and the weighted average number of 1,521,380,506 (2006 as restated: 226,603,782) ordinary shares in issue during the year.

The comparative amount of the basic earnings per share for 2006 has been adjusted to reflect the impact of the share consolidation and the rights issue effected during the year.

No diluted loss per share is presented for the year of 2007 as conversion of the Company's share options, which are fully exercised during the year, has an anti-dilutive effect. No diluted earnings per share were presented for the year of 2006 as there were no potential ordinary shares in issue.

10. Directors' and senior management's emoluments

(a) Directors' emoluments

Directors' emoluments of the Group are as follows:

	2007				
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Share-based payment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Executive directors					
Kitchell Osman Bin	–	545,000	11,625	35,090	591,715
Chung Wilson	–	564,000	12,000	35,090	611,090
Choi Ka Wing	–	378,000	11,400	35,090	424,490
Non-executive director					
Wong Man Hon, Frederick	–	–	–	–	–
Independent non-executive directors					
Chung Kong Fei, Stephen	60,000	–	–	–	60,000
Chen Henri Wei Hwa	110,000	–	–	–	110,000
Tsang Wing Ki	90,000	–	–	–	90,000
Swartz Kristi Lynn	20,000	–	–	–	20,000
	<u>280,000</u>	<u>1,487,000</u>	<u>35,025</u>	<u>105,270</u>	<u>1,907,295</u>

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	2006				
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Share-based payment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Executive directors					
Au Shuk Yee, Sue	–	26,000	1,000	–	27,000
Kitchell Osman Bin	–	400,200	9,410	–	409,610
Chung Wilson	–	291,867	7,000	–	298,867
Choi Ka Wing	–	76,774	2,755	–	79,529
Wong Man Hon, Frederick	–	88,000	4,400	–	92,400
Pang Shuen Wai, Nichols	–	–	–	–	–
Non-executive director					
Wong Man Hon, Frederick	–	–	–	–	–
Independent non-executive directors					
Lam Ping Cheung	60,000	–	–	–	60,000
Chen Henri Wei Hwa	61,000	–	–	–	61,000
Chung Kong Fei, Stephen	–	–	–	–	–
Tsang Wing Ki	60,000	–	–	–	60,000
	181,000	882,841	24,565	–	1,088,406

Note: All executive directors are the key management personnel, also as the related parties, of the Company.

(b) *Individuals with highest emoluments*

Of the five individuals with highest emoluments of the Group, four (2006: two) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the other one (2006: three) individual is as follows:

	2007 HK\$	2006 HK\$
Salaries and other emoluments	390,000	512,951
Retirement scheme contributions	<u>12,000</u>	<u>19,470</u>
	<u>402,000</u>	<u>532,421</u>

Their emoluments were within the following band:

	Number of employee	
	2007	2006
HK\$Nil to HK\$1,000,000	<u>1</u>	<u>3</u>

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

Under the share option scheme (the “Scheme”) approved by the shareholders of the Company in 2003, the directors of the Company may grant options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. During the year, 3,300,000 share options were granted to the directors, which were properly disclosed in more details in note 20(a). No share options were issued to the directors under the Scheme in 2006.

11. Property, plant and equipment

Group	Leasehold improvements <i>HK\$</i>	Office equipment <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Motor vehicle <i>HK\$</i>	Total <i>HK\$</i>
Reconciliation of carrying amount – year ended 31 December 2006					
At beginning of year	32,332	23,231	–	–	55,563
Additions	533,200	87,424	163,462	2,141,617	2,925,703
Disposals	(426,256)	–	–	–	(426,256)
Depreciation	(139,276)	(37,305)	(34,723)	(356,936)	(568,240)
At balance sheet date	<u>–</u>	<u>73,350</u>	<u>128,739</u>	<u>1,784,681</u>	<u>1,986,770</u>
Reconciliation of carrying amount – year ended 31 December 2007					
At beginning of year	–	73,350	128,739	1,784,681	1,986,770
Additions	250,720	46,778	42,180	–	339,678
Depreciation	(73,701)	(39,836)	(68,548)	(713,872)	(895,957)
At balance sheet date	<u>177,019</u>	<u>80,292</u>	<u>102,371</u>	<u>1,070,809</u>	<u>1,430,491</u>
At 1 January 2007					
Cost	–	267,149	282,698	2,141,617	2,691,464
Accumulated depreciation	<u>–</u>	<u>(193,799)</u>	<u>(153,959)</u>	<u>(356,936)</u>	<u>(704,694)</u>
	<u>–</u>	<u>73,350</u>	<u>128,739</u>	<u>1,784,681</u>	<u>1,986,770</u>
At 31 December 2007					
Cost	250,720	313,927	324,878	2,141,617	3,031,142
Accumulated depreciation	<u>(73,701)</u>	<u>(233,635)</u>	<u>(222,507)</u>	<u>(1,070,808)</u>	<u>(1,600,651)</u>
	<u>177,019</u>	<u>80,292</u>	<u>102,371</u>	<u>1,070,809</u>	<u>1,430,491</u>

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Company	Leasehold improvements <i>HK\$</i>	Office equipment <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Total <i>HK\$</i>
Reconciliation of carrying amount – year ended 31 December 2006				
At beginning of year	32,332	23,231	–	55,563
Additions	533,200	87,424	163,462	784,086
Disposals	(426,256)	–	–	(426,256)
Depreciation	(139,276)	(37,305)	(34,723)	(211,304)
At balance sheet date	<u>–</u>	<u>73,350</u>	<u>128,739</u>	<u>202,089</u>
Reconciliation of carrying amount – year ended 31 December 2007				
At beginning of year	–	73,350	128,739	202,089
Additions	250,720	46,778	42,180	339,678
Depreciation	(73,701)	(39,836)	(68,548)	(182,085)
At balance sheet date	<u>177,019</u>	<u>80,292</u>	<u>102,371</u>	<u>359,682</u>
At 1 January 2007				
Cost	–	267,149	282,698	549,847
Accumulated depreciation	<u>–</u>	<u>(193,799)</u>	<u>(153,959)</u>	<u>(347,758)</u>
	<u>–</u>	<u>73,350</u>	<u>128,739</u>	<u>202,089</u>
At 31 December 2007				
Cost	250,720	313,927	324,878	889,525
Accumulated depreciation	<u>(73,701)</u>	<u>(233,635)</u>	<u>(222,507)</u>	<u>(529,843)</u>
	<u>177,019</u>	<u>80,292</u>	<u>102,371</u>	<u>359,682</u>

12. Investments in subsidiaries

	Company	
	2007	2006
	HK\$	HK\$
Unlisted shares, at cost		
At 1 January	25	79
Addition	17	24
Disposal	(1)	–
Write-off	–	(78)
	<u>41</u>	<u>25</u>
At 31 December		
Due from subsidiaries	421,509,113	85,685,464
Provision for doubtful debts	<u>(69,144,833)</u>	<u>(55,889,265)</u>
	<u>352,364,280</u>	<u>29,796,199</u>
Total	<u><u>352,364,321</u></u>	<u><u>29,796,224</u></u>

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

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The following is a list of the details of the subsidiaries held by the Company at 31 December 2007:

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	
				<i>Directly</i>	<i>Indirectly</i>
Ample Spring International Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US\$1 each	100%	–
Anchor Talent Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US\$1 each	100%	–
Gedaulia Investments Limited	The British Virgin Islands, limited liability company	Dormant	1 ordinary share of US\$1 each	100%	–
Great Panorama International Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US\$1 each	–	100%
Gufalore Investments Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US\$1 each	100%	–
Pacific Kingdom International Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US\$1 each	100%	–
Runway Group Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US\$1 each	100%	–
Triumph Way Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1 each	100%	–
Visionary Limited	The Cayman Islands, limited liability company	Dormant	1 ordinary share of US\$1 each	–	100%

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13. Available-for-sale investments

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Equity investment				
Listed in Hong Kong	275,764,113	30,881,560	25,641,500	30,881,560
Listed overseas	5,227,712	5,211,514	—	—
	<u>280,991,825</u>	<u>36,093,074</u>	<u>25,641,500</u>	<u>30,881,560</u>
Unlisted in Hong Kong	23,000,000	23,000,039	—	—
Impairment loss	<u>(23,000,000)</u>	<u>(23,000,000)</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>39</u>	<u>—</u>	<u>—</u>
Total	<u><u>280,991,825</u></u>	<u><u>36,093,113</u></u>	<u><u>25,641,500</u></u>	<u><u>30,881,560</u></u>

As at 31 December 2007, the carrying amount of the Group’s shareholding in the following Hong Kong listed company exceeded 10% of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Mascotte Holdings Ltd.	Bermuda	Manufacture and sale of accessories for photographic, electrical and multimedia products, and property holding	Ordinary share of HK\$0.1 each	5.57%
Poly Investments Holdings Ltd.	Hong Kong	Power generation, trading of goods, provision of finance, property investment and management and brokerage and securities investments	Ordinary share of HK\$0.1 each	3.05%

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14. Investments held for trading

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Equity investment				
– listed in Hong Kong	81,221,325	133,362,389	2,513,700	133,362,389
– listed overseas	69,328,316	41,746,275	52,283,927	18,975,000
	150,549,641	175,108,664	54,797,627	152,337,389
Debt investment, unlisted	–	11,000,000	–	11,000,000
	150,549,641	186,108,664	54,797,627	163,337,389

As at 31 December 2007, the carrying amount of the Group’s shareholding in the following Hong Kong listed company exceeded 10% of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Wonson International Holdings Ltd.	Bermuda	Metal trading, sales of communication products and investments in securities	Ordinary share of HK\$0.001 each	2.12%

As at 31 December 2007, the carrying amount of the Group’s shareholding in the following Taiwan company exceeded 20% of the total issued share of the investee company:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Universal Technology Systems Inc. (“Universal”)	Taiwan	System solutions and integrations, sourcing of computer softwares and hardwares	Ordinary share of NTD10 each	29.96% (note)

Note:

- (i) Universal is not considered as an associate of the Group as the Group has no significant influence over its financial and operating policy decision.
- (ii) A director of Universal had an option to purchase certain of these investments subject to certain conditions. However, the option had not been exercised during the 5 day’s exercisable period and lapsed in January 2008.

15. Other receivables

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Deposits and prepayments	530,426	529,529	529,837	529,529
Other receivables	4,689,604	–	4,337,787	–
	<u>5,220,030</u>	<u>529,529</u>	<u>4,867,624</u>	<u>529,529</u>

16. Short-term borrowings, unsecured

The amounts represented the loans from third parties and were unsecured, interest bearing at prime rate and repayable within one year.

17. Derivative financial instruments

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Forward contracts:				
Listed equity investments	5,173,359	–	5,173,359	–
Foreign currencies	84,454	–	84,454	–
	<u>5,257,813</u>	<u>–</u>	<u>5,257,813</u>	<u>–</u>

Note: The fair value of derivative financial instruments is measured by reference to open market value at the balance sheet date provided by a securities broker.

18. 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 <i>HK\$</i>
Authorised:				
At 31 December 2006 and 1 January 2007		5,000,000,000	–	500,000,000
Increase by the creation of additional 15,000,000,000 shares of HK\$0.1 each	(vi)	<u>15,000,000,000</u>	<u>–</u>	<u>1,500,000,000</u>
At 31 December 2007		<u>20,000,000,000</u>	<u>–</u>	<u>2,000,000,000</u>
Issued and fully paid:				
At 1 January 2006		727,291,163	–	72,729,116
Issuance of shares		<u>395,000,000</u>	<u>–</u>	<u>39,500,000</u>
At 31 December 2006 and 1 January 2007		1,122,291,163	–	112,229,116
Capital reduction	(i)(a)	(1,122,291,163)	1,122,291,163	(101,006,204)
Share consolidation	(i)(b)	112,229,116	(1,122,291,163)	–
Issuance of shares under share option scheme	(ii),(v)&(ix)	309,592,833	–	30,959,283
Rights issue	(iii)	1,194,991,160	–	119,499,116
Placements of shares	(iv),(vii), (viii)&(x)	<u>1,514,782,520</u>	<u>–</u>	<u>151,478,252</u>
At balance sheet date		<u>3,131,595,629</u>	<u>–</u>	<u>313,159,563</u>

Note:

- (i) At the extraordinary general meeting of the Company held on 17 November 2006, the resolutions in respect of the capital reorganisation, including capital reduction, adjustment of nominal value of the issued shares and share consolidation, were approved by the shareholders. The capital reorganisation was approved by the Grand Court of the Cayman Islands on 9 February 2007 and become effective after 4:00 p.m. on 13 February 2007 (the “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 share was 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\$112,229,116 consisting of 1,122,291,163 ordinary shares of HK\$0.1 each was reduced by HK\$101,006,204 to HK\$11,222,912 consisting of 1,122,291,163 ordinary shares of HK\$0.01 each (the “Reduced Shares”);
 - (b) every 10 issued Reduced Shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.1. As a result, the adjusted share capital of the Company became HK\$11,222,912 consisting of 112,229,116 ordinary shares of HK\$0.1 each; and
 - (c) the credit amount of HK\$101,006,204 arising from the capital reduction referred to in note (i)(a) 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 elimination against the accumulated losses of the Company. During the year, contributed surplus of HK\$11,421,407 had been applied to set off against accumulated loss pursuant to the capital reorganisation.
- (ii) On 15 February 2007, 7,270,000 share options were granted to the directors and qualified allottees under the share option scheme at an exercise price of HK\$0.53 per ordinary share of HK\$0.1 each. These share options were fully exercised on 2 March 2007.
- (iii) At the extraordinary general meeting held on 19 April 2007, a resolution was passed for the issue of 1,194,991,160 Rights Shares of HK\$0.1 each to qualifying shareholders on the basis of ten Rights Shares for every share held on 19 April 2007. The rights shares were issued on 17 May 2007.
- (iv) On 4 June 2007, the Company entered into a placing agreement with a placing agent to place 262,898,055 ordinary shares to independent investors at HK\$0.269 per share. The placing was completed on 12 June 2007.

- (v) On 31 May 2007, 131,440,000 share options were granted to qualified allottees under the share option scheme at an exercise price of HK\$0.255 per ordinary share of HK\$0.1 each. These share options were fully exercised on 20 June 2007.
- (vi) Pursuant to an ordinary resolution passed on 11 July 2007, the authorised share capital of the Company was increased from HK\$500,000,000 divided into 5,000,000,000 ordinary shares to HK\$2,000,000,000 divided into 20,000,000,000 ordinary shares by the creation of additional 15,000,000,000 unissued ordinary shares of HK\$0.10 each.
- (vii) On 12 July 2007, the Company entered into a placing agreement with a placing agent, Chung Nam Securities Limited, for the issue of 341,765,666 ordinary shares of the Company of HK\$0.1 each at the placing price of HK\$0.2 per share to independent investors. The placing was completed on 25 July 2007.
- (viii) On 18 July 2007, a subscription agreement was entered into with Ms. LO Ki Yan, Karen for the subscription of 500,000,000 ordinary shares at HK\$0.192 per share. Supplemental agreement was signed on 20 August 2007 for the revision of the subscription price from HK\$0.192 per share to HK\$0.14 per share. The subscription was approved by the shareholders of the Company at extraordinary general meeting held on 14 September 2007 and was completed on 17 September 2007.
- (ix) On 31 October 2007, 170,882,833 share options were granted to qualified allottees under the share option scheme at an exercise price of HK\$0.123 per ordinary share of HK\$0.1 each. These share options had been fully exercised on 1 November 2007.
- (x) On 29 October 2007, a subscription agreement was entered into with Pearl Decade Limited for the subscription of 410,118,799 ordinary shares at HK\$0.11 per share. The subscription was completed on 7 November 2007.

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

19. Reserves

(a) Group

	2007					
	Share	Investment	Share	Contributed	Accumulated	Total
	premium	revaluation	option	surplus	losses	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At beginning of year	112,631,753	14,941,732	–	–	(27,541,335)	100,032,150
Creation of contributed surplus pursuant to the capital reorganisation	–	–	–	101,006,204	–	101,006,204
Contributed surplus set off against accumulated loss pursuant to the capital reorganisation	–	–	–	(11,421,407)	11,421,407	–
Equity-settled share-based payment	–	–	2,383,617	–	–	2,383,617
Issue of share under share option	27,429,605	–	–	–	–	27,429,605
Transfer to share premium on exercise of share option	2,383,617	–	(2,383,617)	–	–	–
Issues of shares	102,707,526	–	–	–	–	102,707,526
Share issue expenses	(6,774,746)	–	–	–	–	(6,774,746)
Change in fair value of available-for-sale investments	–	(155,270,649)	–	–	–	(155,270,649)
Transfer to profit or loss upon disposal of available-for-sale investments	–	31,123,307	–	–	–	31,123,307
Loss for the year	–	–	–	–	(98,995,641)	(98,995,641)
At balance sheet date	238,377,755	(109,205,610)	–	89,584,797	(115,115,569)	103,641,373

	2006					
	Share	Investment	Share	Contributed	Accumulated	Total
	premium	revaluation	option	surplus	losses	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At beginning of year	89,791,623	13,633,188	–	–	(39,745,594)	63,679,217
Issues of shares	24,500,000	–	–	–	–	24,500,000
Share issue expenses	(1,659,870)	–	–	–	–	(1,659,870)
Change in fair value of available-for-sale investments	–	26,320,743	–	–	–	26,320,743
Transfer to profit or loss upon disposal of available-for-sale investments	–	(25,012,199)	–	–	–	(25,012,199)
Profit for the year	–	–	–	–	12,204,259	12,204,259
At balance sheet date	112,631,753	14,941,732	–	–	(27,541,335)	100,032,150

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(b) Company

	2007					
	Share premium HK\$	Investment revaluation reserve HK\$	Share option reserve HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At beginning of year	112,631,753	14,788,518	–	–	(27,541,236)	99,879,035
Creation of contributed surplus pursuant to the capital reorganisation	–	–	–	101,006,204	–	101,006,204
Contributed surplus set off against accumulated loss pursuant to the capital reorganisation	–	–	–	(11,421,407)	11,421,407	–
Equity-settled share-based payment	–	–	2,383,617	–	–	2,383,617
Issue of share under share option	27,429,605	–	–	–	–	27,429,605
Transfer to share premium on exercise of share option	2,383,617	–	(2,383,617)	–	–	–
Issues of shares	102,707,526	–	–	–	–	102,707,526
Share issue expenses	(6,774,746)	–	–	–	–	(6,774,746)
Change in fair value of available-for-sale investments	–	(22,423,479)	–	–	–	(22,423,479)
Transfer to profit or loss on disposal of available-for-sale investments	–	(63,004,396)	–	–	–	(63,004,396)
Loss for the year	–	–	–	–	(137,726,609)	(137,726,609)
At balance sheet date	238,377,755	(70,639,357)	–	89,584,797	(153,846,438)	103,476,757

	2006					
	Share premium HK\$	Investment revaluation reserve HK\$	Share option reserve HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At beginning of year	89,791,623	13,633,188	–	–	(39,745,568)	63,679,243
Issues of shares	24,500,000	–	–	–	–	24,500,000
Share issue expenses	(1,659,870)	–	–	–	–	(1,659,870)
Change in fair value of available-for-sale investments	–	26,167,529	–	–	–	26,167,529
Transfer to profit or loss on disposal of available-for-sale investments	–	(25,012,199)	–	–	–	(25,012,199)
Profit for the year	–	–	–	–	12,204,332	12,204,332
At balance sheet date	112,631,753	14,788,518	–	–	(27,541,236)	99,879,035

Under the Companies Law of the Cayman Islands, share premium, share option reserve and contributed surplus of the Company is distributable to the shareholders, which is subject to a solvency test. The Company had a distributable reserve of HK\$103,476,757 as at 31 December 2007 (2006: HK\$85,090,517).

20. Share option scheme

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.

(a) Movement in share option scheme during the year ended 31 December 2007:

Name of category of participant	Date of grant	As at 1 January 2007	Granted during the year	Exercised during the year	As at 31 December 2007	Exercise price HK\$	Share price at the date of grant (note i) HK\$	Share price at the date of exercise (note ii) HK\$
Directors in aggregate	15 February 2007	–	3,300,000	(3,300,000)	–	0.530	0.510	0.500
Other in aggregate	15 February 2007	–	3,970,000	(3,970,000)	–	0.530	0.510	0.500
	31 May 2007	–	131,440,000	(131,440,000)	–	0.255	0.233	0.275
	31 October 2007	–	170,882,833	(170,882,833)	–	0.123	0.124	0.113
		–	309,592,833	(309,592,833)	–			

Notes:

- (i) The share price at the date of grant is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.
- (ii) The share price at the date of exercise is the weighted average closing price of the shares immediately before the dates on which the options were exercised.

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The inputs into the model were as follows:

	2007	2006
<i>Fair value of share options and assumptions</i>		
Fair value at measurement date		
Average share price	HK\$0.123 – HK\$0.526	–
Exercise price	HK\$0.123 – HK\$0.53	–
Expected volatility	81.03% – 127.49%	–
Expected option life	1 – 20 days	–
Risk-free interest rate	<u>0.05% – 2.5%</u>	<u>–</u>

The expected volatility is based on the historic volatility of share prices of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

21. Pledge of assets

As at 31 December 2007, margin facilities from several securities brokers were granted to the Group which were secured by the Group’s available-for-sale investments and investments held for trading. As at 31 December 2007, a total amount of HK\$131,142 (2006: HK\$12,202,326) had been utilised against these facilities and the total carrying amount of the available-for-sale investments and investments held for trading pledged to the securities brokers is HK\$265,520,798 (2006: HK\$163,844,749).

22. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

Unrecognised deferred tax assets arising from

	2007 HK\$	2006 HK\$
Deductible temporary difference	158,126	88,907
Tax losses	118,242,451	22,622,037
At the balance sheet date	118,400,577	22,710,944

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.

23. Cash used in operations

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
(Loss) Profit before taxation	(98,995,641)	12,204,259
Depreciation	895,957	568,240
Loss on disposals of property, plant and equipment	–	426,256
Unrealised (gain) loss on investments held for trading	(40,037,652)	21,601,011
Unrealised loss on derivative financial instruments	5,257,813	–
Loss (Gain) on disposal of available-for-sale investments	31,123,307	(25,012,199)
Impairment loss on deposit paid for acquisition of an investee company	–	1,500,000
Equity-settled share-based payment	2,383,617	–
Interest income	(695,548)	(306,263)
Interest expenses	2,492,396	2,056,841
Dividend income	(1,780,168)	(3,058,244)
Gain on disposal of a subsidiary	(9,961)	–
Change in fair value of loan receivable	–	12,500,000
Change in working capital:		
Investments held for trading	75,596,675	(93,553,963)
Other receivables	(4,690,501)	2,392,701
Other payables and accruals	(12,232,413)	(4,715,657)
Cash used in operations	(40,692,119)	(73,397,018)

24. Operating lease commitments

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

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Within one year	260,832	351,756
In the second to fifth years inclusive	89,610	396,966
	350,442	748,722

25. Contingent liabilities

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of corporate guarantees for securities trading account maintained by one of its subsidiaries with a broker. At the balance sheet date, the securities trading accounts maintained by the subsidiary with the broker is zero.

26. Connected party transactions

Other than disclosed elsewhere in the financial statements, the following connected party transaction was transacted by the Group during the year:

Relationship with the Group	Nature of transaction	2007 HK\$	2006 HK\$
The Company’s investment manager (2006: and under common directorship) (Note i)	Investment management fee paid (Note ii)	840,000	600,000

Notes:

- (i)

Dr. Pang Shuen Wai, Nichols, was a director of CU Investment Management Limited (“CUIM”) until 30 June 2006 and resigned as an executive director of the Company on 12 June 2006.
- (ii)

CUIM has been engaged in providing the Group with investment management services. Pursuant to an agreement on 15 December 2005, which was renewed on 15 December 2006 under the same terms to cover up the period up to 31 December 2007, except for CUIM was entitled to receive a monthly management fee payable in advance in a flat rate of HK\$70,000 (2006: HK\$50,000).

27. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, other receivables, other payables, derivative financial liabilities and short-term 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 exposure to market risk for changes in interest rates relates primarily to the Group's unsecured short-term borrowings and utilisation of margin facilities of securities brokers.

At reporting date, if interest rates had been 200 basis point higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by approximately HK\$107,000 (2006: HK\$21,000).

Foreign currency risk

As a result of most of overseas investments denominated in United States Dollars ("USD"), Singapore Dollars ("SGD"), and New Taiwan Dollars ("NTD"), the Group is exposed to the movement in the HKD/USD, HKD/SGD and HKD/NTD exchange rates.

At 31 December 2007, if these currencies had strengthened/weakened by 5% against HKD with all other variables kept constants, the Group's net loss for the year would have been approximately HK\$2,077,000 (2006: HK\$2,087,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of those overseas investments denominated in different currencies.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables remain constant. In this respect, it is assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of USD against other currencies. The analysis is performed on the same basis for 2006.

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of short-term borrowings and utilisation of margin facilities of securities brokers. The Group will keep reviewing its financial needs from time to time to determine the timing of obtain various borrowings or carrying out fund raising activities. The maturity profile of the Group’s financial liabilities at the balance sheet date based on contractual undiscounted payments are summarised below:

	2007			Total HK\$
	On demand HK\$	Less than 3 months HK\$	4-12 months HK\$	
Short-term borrowings, unsecured	–	25,000,000	–	25,000,000
Other payables and accruals	865,483	–	–	865,483
Derivatives financial instruments:				
Listed equity investments				
forward contracts	–	16,929,725	30,526,541	47,456,266
Foreign currencies forward contracts				
– cash outflow	–	66,594	35,858	102,452
– cash inflow	–	(67,819)	(36,518)	(104,337)
	<u>865,483</u>	<u>41,928,500</u>	<u>30,525,881</u>	<u>73,319,864</u>
	<u><u>865,483</u></u>	<u><u>41,928,500</u></u>	<u><u>30,525,881</u></u>	<u><u>73,319,864</u></u>
	2006			Total HK\$
	On demand HK\$	Less than 3 months HK\$	4-12 months HK\$	
Other payables and accruals	<u>13,033,169</u>	<u>–</u>	<u>–</u>	<u>13,033,169</u>
	<u><u>13,033,169</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>13,033,169</u></u>

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 securities (*2006: equity and debt securities*) price risk. The management manages this exposure by maintaining a portfolio of investments with different profiles both in Hong Kong and overseas. The sensitivity analysis has been determined based on the exposure to equity price risk. At the reporting date, if the fair value of trading securities had been 5% higher/lower while all other variables were held constant, the Group's net loss would decrease/increase by approximately HK\$7,527,000 (*2006: HK\$8,755,000*).

Whereas, if the fair value of available-for-sale investments had been 5% higher/lower with all other variables remain unchanged, the Group's changes in equity will increase/decrease by approximately HK\$14,050,000 (*2006: HK\$1,805,000*). The Group's sensitivity to equity price has not changed significantly from the prior year.

Credit risk

The Group's credit risk primarily attributable to other receivables, which mainly represent cash balances maintained with securities brokers. It is the Group's policy to trade only with recognised, creditworthy brokers. The Group has limited credit risk with its brokers, which are leading and reputable and are assessed as having low credit risk. The Group has not had any significant loss arising from non-performance by its brokers in the past and management does not expect so in the future.

Capital management

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

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The Group monitors capital on the basis of debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. The Group's policy is to keep the ratio within 10%. The debt-to-adjusted capital ratios at the balance sheet date were as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Short-term borrowings, unsecured	25,000,000	–
Other payables	132,142	12,202,326
<i>Less: Cash balance maintained</i>		
with a broker	(4,337,787)	–
<i>Less: Bank balances and cash</i>	<u>(9,732,245)</u>	<u>(576,359)</u>
Net debt	<u>11,062,110</u>	<u>11,625,967</u>
Total equity	416,800,936	212,261,266
<i>Less: Net unrealised reserves</i>	<u>109,205,610</u>	<u>(14,941,732)</u>
Adjusted capital	<u>526,006,546</u>	<u>197,319,534</u>
Debt-to-adjusted capital ratio	<u><u>2%</u></u>	<u><u>6%</u></u>

Fair value

In the opinion of the directors, the carrying amounts of financial instruments approximate their fair values, and accordingly no disclosure of the fair value of these items are presented.

The fair value of available-for-sale investments and investments held for trading is based on the quoted market bid prices available on the relevant Stock Exchange.

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

28. Post balance sheet events**(i) Capital reorganisation**

At the extraordinary general meeting of the Company held on 30 January 2008, the resolutions in respect of the capital reorganisation including reduction of capital, adjustment of nominal value of the issued shares and share consolidation of the Company, were approved by the shareholders. The capital reorganisation is conditional, among other things on the Grant Court of the Cayman Islands sanctioning the capital reorganisation and registration by the company with the Register of the Cayman Islands are as follows:

- (a) The nominal value of all the issued shares be reduced from HK\$0.10 each to HK\$0.01 each (“Reduced Share”) by cancelling HK\$0.09 paid-up capital on each issued shares by way of a reduction of capital;
- (b) The application of the credit arising from the reduction to cancel the accumulated losses of the Company (if any) and for the entire amount or the balance (as the case may be) to be transferred to the distributable capital reduction reserve account of the Company; and
- (c) Every ten Reduced Shares of HK\$0.01 each be consolidated into one adjusted share of HK\$0.1 each (“Adjusted Share”).

(ii) Rights issue

At the same extraordinary general meeting of the Company held on 30 January 2008, it was further approved by the shareholders that rights issue to be carried out on the basis of five rights shares for every Adjusted Share held by the shareholders at the Record Date at HK\$0.12 per rights share which is expected to become unconditional after 4:00 p.m. on 2 June 2008.

(iii) *Repurchase of shares*

On 25 February 2008, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Trading Date	Number of Share Repurchased	Price per share		Aggregate consideration paid HK\$
		Highest	Lowest	
25 February 2008	9	0.048	0.048	0.430

The above shares were cancelled on 28 February 2008.

(iv) *Short-term borrowings, unsecured*

On 17 January 2008, two unsecured short-term borrowings from two unrelated companies amounting to HK\$38 million at prime rate were obtained for daily operating and investment purposes of the Group and had been fully repaid on 3 April 2008.

3. UNAUDITED INTERIM RESULTS

Set out below is the summary of the unaudited consolidated financial statements of the Group together with the relevant notes to the accounts, as extracted from the interim report of the Company for the six months ended 30 June 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Unaudited	
		Six months ended 30 June	
		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	109,451	404,301
Other revenue	2	1,365	1,480
Cost of sales		(98,176)	(364,714)
Realised (loss) gain on disposal of available-for-sale investments		(48,242)	14,553
Unrealised (loss) gain on investments held for trading		(17,319)	64,315
Unrealised loss on derivative financial instruments		(3,600)	–
Other operating expenses, net		(5,084)	(4,210)
Finance costs		(989)	(635)
(Loss) Profit before taxation	4	(62,594)	115,090
Taxation	5	–	(15,000)
(Loss) Profit for the period		(62,594)	100,090
(Loss) Profit attributable to equity holders		(62,594)	100,090
			<i>(Restated)</i>
(Loss) Earnings per share – Basic	6	HK\$(0.43)	HK\$5.57
Earnings per share – Diluted	6	N/A	HK\$5.54

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****CONDENSED CONSOLIDATED BALANCE SHEET***As at 30 June 2008*

		Unaudited	Audited
		At 30 June	At 31 December
		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		296	1,430
Available-for-sale investments	7	<u>287,510</u>	<u>280,992</u>
		<u>287,806</u>	<u>282,422</u>
Current assets			
Investments held for trading	7	83,033	150,550
Deposits, prepayments and other receivables	8	29,756	5,220
Bank balances and cash		<u>7,108</u>	<u>9,732</u>
		<u>119,897</u>	<u>165,502</u>
Current liabilities			
Other payables and accruals		387	865
Short-term borrowings, unsecured		–	25,000
Derivative financial instruments	9	<u>8,858</u>	<u>5,258</u>
		<u>9,245</u>	<u>31,123</u>
Net current assets		<u>110,652</u>	<u>134,379</u>
NET ASSETS		<u><u>398,458</u></u>	<u><u>416,801</u></u>
Capital and reserves			
Share capital	10	187,896	313,160
Reserves	11	<u>210,562</u>	<u>103,641</u>
TOTAL EQUITY		<u><u>398,458</u></u>	<u><u>416,801</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2008*

	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at 1 January (audited)	<u>416,801</u>	<u>212,261</u>
Expense recognised directly in equity:		
Change in fair value of available-for-sale investments	(90,209)	(5,844)
Transfer to income statement on disposal of available-for-sale investments	<u>(48,242)</u>	<u>(14,553)</u>
	<u>(138,451)</u>	<u>(20,397)</u>
Recognised income and expense:		
(Loss) Profit for the period	<u>(62,594)</u>	<u>100,090</u>
Placements of shares	–	70,720
Issue of shares under share option scheme	–	37,370
Rights issue	187,896	119,499
Share issue expenses	<u>(5,194)</u>	<u>(4,855)</u>
Total equity at 30 June (unaudited)	<u>398,458</u>	<u>514,688</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash used in operating activities	(66,135)	(121,167)
Net cash used in investing activities	(94,191)	(151,744)
Net cash from financing activities	<u>157,702</u>	<u>272,743</u>
Net decrease in cash and cash equivalents	(2,624)	(168)
Cash and cash equivalents at beginning of period	<u>9,732</u>	<u>576</u>
Cash and cash equivalents at end of period, represented by bank balances and cash	<u><u>7,108</u></u>	<u><u>408</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. Basis of preparation

The unaudited interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2007. They have been prepared on the historical cost basis, except for available-for-sale investments, investments held for trading and derivative financial instruments, which are measured at fair value.

The accounting policies and methods of computation applied in preparation of these interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31 December 2007. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA that are relevant to the Group and effective from the current Period, did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current accounting Period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate their impact on its results of operations and financial position.

2. Turnover and revenue

The Group is principally engaged in the investments in listed and unlisted companies. Turnover and revenue recognised during the six months ended 30 June 2008 are as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Proceeds from sale of		
investments held for trading	109,451	404,301
Other revenue		
Dividend income – listed investments	1,144	1,049
Exchange gain	165	–
Interest income	46	431
Others	10	–
	1,365	1,480
Total revenue	110,816	405,781

3. Segment information

Business segment information, which is the Group's primary basis of segment reporting, is not required as the Group's turnover, contribution to operating profit, assets and liabilities are attributable to the investments in listed and unlisted companies.

4. (Loss) profit before taxation

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
This is stated after charging (crediting):		
Depreciation	190	440
Gain on disposal of property, plant and equipment	(402)	–
Staff cost, including directors' emoluments	1,120	1,031
Operating lease charges in respect of land and buildings	236	215

5. Taxation

Hong Kong Profits Tax has not been provided in the current period as the Group incurred a taxation loss for the six months ended 30 June 2008. Hong Kong Profits Tax has been provided at the rate of 17.5% on the Group's estimated assessable profits for the corresponding period in 2007.

6. (Loss) earnings per share

The calculation of basic loss (*2007: earnings*) per share is based on the Group's loss attributable to equity holders for the Period of HK\$62,594,000 (*2007: profit of HK\$100,090,000*) and the weighted average number of ordinary shares of 145,198,327 (*2007 as restated: 17,974,768 shares*) in issue during the Period.

No diluted loss per share is presented for the current period of 2008 as there were no potential ordinary shares in issue. The calculation of diluted earnings per share for the period of 2007 is based on the profit attributable to equity holders of HK\$100,090,000 and 18,055,582 shares (restated) which is the weighted average number of ordinary shares in issue during the period of 2007 adjusted for the number of dilutive potential shares under the share option scheme.

The comparative amounts of the basic and diluted earnings per share for 2007 has been restated to reflect the impact of the share consolidation and the rights issue effected during the current Period.

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7. Investments

		Unaudited At 30 June 2008 HK\$'000	Audited At 31 December 2007 HK\$'000
	Note		
Available-for-sale investments			
Equity investments:			
Listed in Hong Kong	(i)	282,280	275,764
Listed overseas		<u>5,230</u>	<u>5,228</u>
		<u>287,510</u>	<u>280,992</u>
Unlisted in Hong Kong		23,000	23,000
Impairment loss		<u>(23,000)</u>	<u>(23,000)</u>
		<u>—</u>	<u>—</u>
		<u>287,510</u>	<u>280,992</u>
Investments held for trading			
Equity investments:			
Listed in Hong Kong		21,344	81,222
Listed overseas	(ii)	<u>61,689</u>	<u>69,328</u>
		<u>83,033</u>	<u>150,550</u>

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Note:

- (i) As at 30 June 2008, the carrying amount of the Group’s shareholding in the following Hong Kong listed company exceeded 10% of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
eSun Holdings Ltd	Bermuda	Development and operation and investment in media, entertainment, music production and distribution, production, investment in and distribution of film and video format products, provision of advertising agency services and sale of cosmetic products	Ordinary shares of HK\$0.50 each	3.47%

- (ii) As at 30 June 2008, the carrying amount of the Group’s shareholding in the following Taiwan Company exceeded 20% of the total issued shares of the investee company.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held
Universal Technology Systems Inc. (“Universal”)	Taiwan	System solutions and integrations, sourcing of computer softwares and hardwares	Ordinary shares of NTD10 each	29.96%

- (a) Universal is not considered as an associate of the Group as the Group has no significant influence over its financial and operating policy decision.
- (b) A director of Universal had an option to purchase certain of these investments subject to certain conditions. However, the option had not been exercised during the 5 days’ exercisable period and was lapsed in January 2008.

8. Deposits, prepayments and other receivables

	Unaudited	Audited
	At 30 June	At 31 December
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits and prepayments	1,775	530
Other receivables	27,981	4,690
	<u>29,756</u>	<u>5,220</u>

9. Derivative financial instruments

	Unaudited	Audited
	At 30 June	At 31 December
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Forward contracts:		
Listed equity investments	8,858	5,173
Foreign currencies	—	85
	<u>8,858</u>	<u>5,258</u>

Note:

The fair value of derivative financial instruments is measured by reference to open market value at the balance sheet date provided by a securities broker.

10. Share capital

	Unaudited		Audited	
	At 30 June 2008		At 31 December 2007	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	20,000,000,000	2,000,000	5,000,000,000	500,000
Increase by the creation of additional 15,000,000,000 shares of HK\$0.10 each	—	—	15,000,000,000	1,500,000
At balance sheet date	<u>20,000,000,000</u>	<u>2,000,000</u>	<u>20,000,000,000</u>	<u>2,000,000</u>
	Unaudited		Audited	
	At 30 June 2008		At 31 December 2007	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
<i>Note</i>				
Issued and fully paid:				
At beginning of period/year	3,131,595,629	313,160	1,122,291,163	112,229
Capital reduction	(i)(a) —	(281,844)	—	(101,006)
Share consolidation	(i)(b) (2,818,436,058)	—	(1,010,062,047)	—
Issue of shares under share option scheme	—	—	309,592,833	30,960
Rights issue	(ii) 1,565,797,810	156,580	1,194,991,160	119,499
Placements of shares	—	—	1,514,782,520	151,478
Share repurchase	(iii) & (iv) <u>(11)</u>	<u>—</u>	<u>—</u>	<u>—</u>
At balance sheet date	<u>1,878,957,370</u>	<u>187,896</u>	<u>3,131,595,629</u>	<u>313,160</u>

Note:

- (i) At the extraordinary general meeting of the Company held on 30 January 2008, a resolution in respect of the capital reorganisation, including capital reduction, adjustment of nominal value of the issued shares and share consolidation, were approved by the shareholders. The capital reduction was approved by the Grand Court of the Cayman Islands on 9 May 2008 and became effective after 4:00 p.m. on 14 May 2008, details of which are as follows:
 - (a) the nominal value of all the issued shares be reduced from HK\$0.10 each to HK\$0.01 each (“Reduced Share”) by cancelling HK\$0.09 paid-up capital on each issued shares by way of a reduction of capital;
 - (b) every ten issued Reduced Shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each (“Adjusted Share”). As a result, the adjusted share capital of the Company became HK\$31,315,956 consisting of 313,159,562 ordinary shares of HK\$0.10 each; and
 - (c) the credit amount of approximately HK\$281,844,000 arising from the capital reduction referred to in note (i)(a) 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 elimination against the accumulated losses of the Company.
- (ii) At the extraordinary general meeting of the Company held on 30 January 2008, a resolution was passed for the issue of 1,565,797,810 rights shares at a price of HK\$0.12 each to qualifying shareholders on the basis of five rights shares for every Adjusted Share held on 14 May 2008. The rights shares were issued on 2 June 2008.
- (iii) On 25 February 2008, the Company repurchased 9 shares at a market price of HK\$0.048 per share. The title documents of all repurchased shares were cancelled and destroyed on 28 February 2008.
- (iv) On 20 June 2008, the Company repurchased 2 shares at a market price of HK\$0.065 per share. The title documents of all repurchased shares were cancelled and destroyed on 24 June 2008.

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

11. Reserves

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007 (audited)	112,632	14,941	–	(27,541)	100,032
Creation of contributed surplus pursuant to the capital reorganisation	–	–	101,006	–	101,006
Contributed surplus set off against accumulated losses pursuant to the capital reorganisation	–	–	(11,421)	11,421	–
Placements of shares	44,430	–	–	–	44,430
Issue of shares under share option scheme	23,499	–	–	–	23,499
Share issue expenses	(4,855)	–	–	–	(4,855)
Change in fair value of available- for-sale investments	–	(5,844)	–	–	(5,844)
Transfer to income statement on disposal of available-for-sale investments	–	(14,553)	–	–	(14,553)
Profit for the period	–	–	–	100,090	100,090
At 30 June 2007 (unaudited)	<u>175,706</u>	<u>(5,456)</u>	<u>89,585</u>	<u>83,970</u>	<u>343,805</u>
At 1 January 2008 (audited)	238,378	(109,206)	89,585	(115,116)	103,641
Creation of contributed surplus pursuant to the capital reorganisation (<i>note 10(i)(c)</i>)	–	–	281,844	–	281,844
Contributed surplus set off against accumulated losses pursuant to the capital reorganisation (<i>note(i)</i>)	–	–	(153,847)	153,847	–
Issue of shares under rights issue	31,316	–	–	–	31,316
Share issue expenses	(5,194)	–	–	–	(5,194)
Change in fair value of available-for-sale investments	–	(90,209)	–	–	(90,209)
Transfer to income statement on disposal of available-for-sale investments	–	(48,242)	–	–	(48,242)
Loss for the Period	–	–	–	(62,594)	(62,594)
At 30 June 2008 (unaudited)	<u>264,500</u>	<u>(247,657)</u>	<u>217,582</u>	<u>(23,863)</u>	<u>210,562</u>

Note:

- (i) A contributed surplus of approximately HK\$153,847,000 was utilised to eliminate the accumulated losses of the Company as at 31 December 2007.

12. Pledge of assets

As at 30 June 2008, margin facilities from securities brokers were granted to the Group which were secured by the Group’s available-for-sale investments and investments held for trading. As at 30 June 2008, nil amount (*As at 31 December 2007: HK\$131,142*) had been utilised against these facilities and the total carrying amount of the available-for-sale investments and investments held for trading pledged to the securities brokers was HK\$291,696,548 (*As at 31 December 2007: HK\$265,520,798*).

13. Connected and related party transactions

Other than disclosed elsewhere in the interim financial statements, the following connected and related party transactions were transacted by the Group during the Period.

Relationship with the Group	Nature of transaction	Unaudited	
		Six months ended 30 June 2008	2007
		HK\$'000	HK\$'000
Key management personnel, including directors	Salaries, allowances and		
	benefits in kind	741	767
	Retirement scheme contributions	13	17
		<u>754</u>	<u>784</u>
The Company’s investment manager	Investment management		
	fee paid	420	420

14. Commitments

(i) Capital expenditure commitments

	Unaudited At 30 June 2008 HK\$'000	Audited At 31 December 2007 HK\$'000
Contracted but not provided for net of deposits paid in financial statements	2,107	–

(ii) Commitments under operating leases

At the period end date, the Group has total future aggregate minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Unaudited At 30 June 2008 HK\$'000	Audited At 31 December 2007 HK\$'000
Within one year	940	261
In the second to fifth years inclusive	678	90
	1,618	351

15. Post balance sheet events

Other than disclose elsewhere in the interim financial statements, the following post balance sheet events were conducted:

(i) Capital reorganisation

At the extraordinary general meeting of the Company held on 25 July 2008, a resolution in respect of the capital reorganisation, including reduction of capital, adjustment of nominal value of the issued shares and share consolidation of the Company, were approved by the shareholders. The capital reduction was approved by the Grand Court of the Cayman Islands on 12 September 2008 and became effective after 4:10 p.m. on 16 September 2008, details of which are as follows:

- (a) the nominal value of all the issued shares be reduced from HK\$0.10 each to HK\$0.02 each by cancelling HK\$0.08 paid-up capital on each issued shares by way of a reduction of capital;
- (b) the credit amount arising from the capital reduction was applied to cancel the accumulated losses of the Company (if any) and for the entire amount or the balance (as the case may be) to be transferred to the distributable capital reduction reserve account of the Company; and
- (c) every five issued reduced shares of HK\$0.02 each were consolidated into one adjusted share of HK\$0.10 each.

4. INDEBTEDNESS

At the close of business on 31 January 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK\$20,831,000 comprising:

- (a) approximately HK\$4,707,000 margin financing facilities from regulated securities dealers; and
- (b) liability portion of the Convertible Notes of approximately HK\$16,124,000 with an outstanding principal amount of HK\$38,000,000.

The Group has pledged its investments held for trading and available-for-sale investments, having a value of approximately HK\$102,940,000, to secure margin financing facilities obtained from regulated securities dealers.

Contingent liabilities

At as 31 January 2009, the Group had no material contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, financial lease or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at 31 January 2009.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. WORKING CAPITAL

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Group including internally generated funds, the available credit facilities and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. BUSINESS REVIEW**Operation review**

The Company is an investment company under Chapter 21 of the Listing Rules. Its principal activities remain engaging in the investments in listed securities in Hong Kong and other main stock markets around the world and also in unlisted companies.

Results review

The Group's audited consolidated net loss attributable to the Shareholders was HK\$458,429,088 for the financial year ended 31 December 2008 (2007: HK\$98,995,641). The increase in net loss is attributable to realised loss on disposal of its listed available-for-sale investments and listed investments held for trading; unrealised loss on revaluation of its listed investments held for trading; and impairment of its available-for-sale investments, all of which are as a result of significant downturn of global equity market. Loss per Share was HK\$1.76 (2007 as restated: HK\$2.01).

The stock market in Hong Kong highly fluctuated since late 2007 as a result of global credit market squeeze. Turnover recognised by the Group during the financial year ended 31 December 2008 was the loss from the sale of investments at fair value through profit or loss on a net basis, amounted loss of HK\$6,334,669 (2007 as restated: HK\$91,529,295).

The Board believes that securities market is still challenging under the global credit crisis and the Board will continue to identify any medium-term or long-term investment opportunities and exercise caution when managing the investment portfolio. In terms of diversification, the Group's current investment portfolio covers a wide range of industries and sectors, including, but not limited to, companies engaged in trading, information technologies, media, energy, property investment, securities investment etc.

Liquidity, financial resources and capital resources

The consolidated net asset value per share of the Company as at 31 December 2008 was HK\$0.41 (2007: HK\$0.13). The consolidated net asset value per share is calculated based on the net assets of the Group of HK\$153,450,852 (2007: HK\$416,800,936) as at 31 December 2008 and 375,791,474 issued shares of the Company as at that date (2007: 3,131,595,629 shares).

As at 31 December 2008, the Group's gearing ratio was 17.09% (2007: 6.95%), which is calculated on the Group's total liabilities divided by its total assets. As at 31 December 2008, the Group had HK\$9,500,000 unsecured, interest bearing short-term borrowings (2007: HK\$25,000,000) and the retained cash of HK\$4,245,589 (2007: HK\$9,732,245). Taking into account of the amount of liquid assets in hand and available short-term or margin loan facilities and there was no material capital commitment, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group's asset portfolio is mainly financed by its shareholders' funds. As at 31 December 2008, the Group had shareholders' funds of HK\$153,450,852 (2007: HK\$416,800,936). During the financial year ended 31 December 2008, the Company completed a rights issue in June 2008, 1,565,797,810 rights shares were issued with net proceeds of approximately HK\$181,700,000. On 8 October 2008, the Company entered into two settlement deeds with two short-term loan lenders, pursuant to which Convertible Notes with aggregate principal amount of HK\$38,000,000 was issued on 26 November 2008 to settle HK\$38,000,000 outstanding loan principal.

During the financial year ended 31 December 2008, the Company had undergone two capital reorganisation pursuant to which a total contributed surplus of HK\$432,160,196 arose and HK\$153,846,438 and HK\$21,313,066 was utilised to eliminate the accumulated losses of the Company for the year ended 31 December 2007 and the loss for the financial year ended 31 December 2008.

8. FINANCIAL AND TRADING PROSPECTS

2008 has turned out to be an “Annus Horribilis” for the global capital markets. The US downturn, ignited by an asset bubble especially the property market financed by thinly-regulated financial derivative issuances, have now become a full-blown worldwide synchronised recession, with a number of banking systems in the world under stress and Asia’s growth now being disruptively curtailed. Despite massive intervention by fiscal and monetary authorities, the global financial system remains fragile with credit tight and a long list of banks and “near-bank” financial institutions reporting hundreds of billions of dollars in losses and many on the verge of bankruptcy. China has not been immune against the backdrop of global downturn, with its export-oriented economy.

As a reflection to falling demand, oil prices have fallen drastically, with OPEC now considering production cut. Other commodity prices have also dropped from the peak in 2007. The commodity downcycle has now enabled central banks to relax their guards over inflation and focus more on rebuild the capital of the core financial institutions and inflate the economies aggressively through cutting interest rates as well as money supply injection.

Therefore, the difficult global capital market condition should overspill to 2009 for a period and will not improve until the lack of risk capital and the credit crunch can be addressed. Recent concerted actions by the central banks especially from the G7 countries have helped short-term corporate borrowing cost to fall sharply. However, the cost of the long-end of the risk curve remains clearly elevated, with Asian CDS spreads at historically high levels.

In view of such capital market uncertainties, the Group will continue to look for appropriate investment opportunities to expand and diversify its portfolio, with special consideration towards withstanding the challenges of a complete economic cycle. Should the capital market environment improves, the Board may consider allocating part of the distributable net profit as the next dividend payout, as reward for investors’ loyalty to the Group.

APPENDIX II

PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1.

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

The following is the unaudited pro forma statement of consolidated net tangible assets of the Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue on the net tangible assets of the Group as if it had been undertaken and completed on 31 December 2008. This statement has been prepared for illustrative purposes only and because of its nature; it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

			Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders immediately after the Rights Issue	Audited consolidated net tangible assets per Share as at 31 December 2008	Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after the Rights Issue
	Audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2008	Estimated net proceeds from the Rights Issue			
	(Note 3)	(Note 4)		(Note 5)	(Note 6)
	HK\$'000	HK\$'000	HK\$'000	HK\$	HK\$
Scenario I					
Rights Issue of					
375,791,474 Rights					
Shares (Note 1)	153,450	34,940	188,390	0.408	0.251
Scenario II					
Rights Issue of					
663,670,261 Rights					
Shares (Note 2)	153,450	63,000	216,450	0.408	0.163

Notes:

1.

The issue of 375,791,474 Rights Shares under Scenario I is based on the assumption of no conversion of the Convertible Notes on or before the Record Date.
2.

The issue of 663,670,261 Rights Shares under Scenario II is based on the assumption of full conversion of the Convertible Notes on or before the Record Date.

As at the Latest Practicable Date, there were outstanding Convertible Notes with an aggregate principal amount of HK\$38,000,000 which may be convertible into 287,878,787 Shares at the conversion price of HK\$0.132 per Share (subject to adjustments). Assuming full conversion of the Convertible Notes on or before the Record Date, a total of 287,878,787 new Shares would fall to be issued, which would result in the issue of an additional 287,878,787 Rights Shares and in that event, the maximum number of Rights Shares that may be issued by the Company would become 663,670,261.

3. The audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2008 is arrived at based on the published financial results of the Group for the twelve months ended 31 December 2008 of approximately HK\$153,450,000 as set out in the Results Announcement.
4. The estimated net proceeds from the Rights Issue is calculated based on 375,791,474 Rights Shares for Scenario I or 663,670,261 Rights Shares for Scenario II to be issued at the Subscription Price of HK\$0.10 per Rights Share, after deduction of the estimated related expenses of approximately HK\$34,940,000 and HK\$63,000,000 respectively.
5. The number of Shares used for the calculation of audited consolidated net tangible assets per Share as at 31 December 2008 and prior to the completion of the Rights Issue is based on 375,791,474 Shares in issue as at 31 December 2008.
6. The unaudited pro forma consolidated net tangible assets per Share immediately after the Rights Issue is calculated based on (a) 751,582,948 Shares for Scenario I comprising 375,791,474 Shares in issue as at the Latest Practicable Date and 375,791,474 Rights Shares expected to be issued on the completion of the Rights Issue, or (b) 1,327,340,522 Shares for Scenario II comprising 375,791,474 Shares in issue as at the Latest Practicable Date, 287,878,787 Shares to be issued upon full conversion of the Convertible Notes on or before the Record Date and 663,670,261 Rights Shares expected to be issued on the completion of the Rights Issue.

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

The following is the text of a report received from the reporting accountant of the Company, W.H. Tang & Partners CPA Limited, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.

鄧偉雄會計師事務所有限公司

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**W.H. TANG
& PARTNERS
CPA LIMITED**

24 February 2009

The Directors
Unity Investments Holdings Limited
Room 2206, 22nd Floor,
China United Centre,
28 Marble Road,
North Point, Hong Kong.

Dear Sirs,

We report on the unaudited pro forma financial information of Unity Investments Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 117 to 118 under the heading of “Statement of Unaudited Pro Forma Consolidated Net Tangible Assets of the Group” in Appendix II of the Company’s circular dated 24 February 2009 (the “Circular”) in connection with the proposed rights issue (the “Rights Issue”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only to provide information about how the Rights Issue might have affected the financial information of the Group as at 31 December 2008. The basis of preparation of the unaudited pro forma financial information is set out on pages 117 to 118 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2008 or any future date.

OPINION

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

W. H. Tang & Partners CPA Limited

Certified Public Accountants

Hong Kong

TANG Wai Hung

Practising Certificate Number P03525

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of Listing Rules in connection with the listing document of investment company. This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company. The Directors and the directors of the Investment Manager collectively and individually accept full responsibility for the accuracy of the information contained in this appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

INVESTMENT MANAGEMENT INFORMATION

Investment Manager	CU Investment Management Limited Office B, 31st Floor China United Centre 28 Marble Road North Point Hong Kong
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Directors of the Investment Manager	Chan Shek Wah Office B, 31st Floor China United Centre 28 Marble Road North Point Hong Kong
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	Yap Wai Tso, Joseph Office B, 31 Floor China United Centre 28 Marble Road North Point Hong Kong
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Custodian	Chong Hing Bank Limited Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong
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The Investment Manager

CU Investment Management Limited (“CUIM”) is a company incorporated in Hong Kong on 27 August 2001 with limited liability and is a licensed corporation registered under the SFO. CUIM is responsible for making investment proposals in accordance with the Investment Management Agreement, the Articles and the investment policies of the Company.

The following are the directors of CUIM:

Mr. Chan Shek Wah (“Mr. Chan”) has more than 20 years’ of professional experiences in the financial services industry. Mr. Chan has been engaged in the sales, proprietary trading, structuring of equity derivatives and equity capital markets products as well as the provision of corporate finance advisory services to listed issuers. Mr. Chan was the senior management and the executive directors in several international financial institutions. Mr. Chan is also the licensed responsible officer with the Securities and Futures Commission for Radland International Limited and CU Corporate Finance Limited. Mr. Chan is currently an independent non-executive director of Future Bright Holdings Limited (stock code: 703) and China Sci-Tech Holdings Limited (stock code: 985), both companies listed on the Main Board of the Stock Exchange. Mr. Chan has been appointed as the managing director of CUIM on 27 August 2001.

Mr. Yap Wai Tso, Joseph (“Mr. Yap”) has more than 13 years’ of professional experiences in the financial service industry. Mr. Yap has held positions in leading financial institutions in Beijing, Hong Kong and Taipei, having worked in equity, fixed income and foreign exchange research, proprietary trading and private equity investment. Mr. Yap is a US Chartered Financial Analyst charterholder and UK Associate of the Institute of Chartered Secretaries and Administrators. Mr. Yap graduated from Oxford University, UK with a Master of Arts degree and also held a Master of Science degree with Distinction from South Bank University, UK. Mr. Yap has been appointed as the managing director of CUIM on 21 November 2008.

The Custodian

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

The Directors confirm that none of the directors of the investment company, the management company, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the investment company, or any re-allowance of other types on purchases charged to the investment company.

RISKS RELATING TO THE COMPANY

The Company is an investment company and its funds will be invested in listed and unlisted companies in Hong Kong, PRC and other main markets around the world. These investments will be subject to market fluctuations and to the risks inherent in all investments. Investors should also be aware that the Company's income and its Net Asset Value are liable to be adversely affected by external factors beyond the control of the Company. As a result, income of the fund and its Net Asset Value may therefore go down as well as go up, subject to the prevailing market conditions.

INVESTMENT OBJECTIVES AND POLICIES

The Company is an investment company incorporated in the Cayman Islands with the primary objective of achieving medium-term to long-term capital appreciation by investing in listed and unlisted companies in Hong Kong, PRC and other main markets around the world.

The Company has adopted the following investment policies:

- i. Investments will normally be made in the form of equity related securities and debt instruments in listed and unlisted companies engaged in different industries including (but not limited to) the manufacturing, services, property, telecommunications, technology and infrastructure sectors to maintain a balance in the Company's exposure to different industry sectors in order to minimise the impact on the Company of any downturn in any particular sector.
- ii. Investments will normally be made in enterprises which are established in their respective fields and in which the Board believes that there are prospects of long-term growth. In particular, the Company will seek to identify businesses with a potential of profit growth, strong management, high level of technical expertise and research and development capabilities as well as management commitment to the long-term growth. However, the Company will also consider investments in companies or other entities which are considered by the Board and the Investment Manager to be in special or recovery situations.
- iii. Where possible, the Board and the Investment Manager would seek to identify investments where there is a certain degree of synergy with other investee companies and where co-operation between such companies would be of mutual benefit to each other.

- iv. The Company's investments are intended to identify medium-term or long-term capital appreciation and there is no present intention to realise any of such investments in any specific period or by any specific date. Nevertheless, the Board will from time to time realise investments where they believe that to do so would be in the best interests of the Company or where the terms on which such realisation can be achieved are believed by the Board to be particularly favourable to the Company.

Investors should note that while it is the intention that the funds of the Company will be invested in accordance with the investment objectives and policies outlined above as soon as practicable, it may take some time before the funds of the Company are fully deployed due to market and other investment considerations.

INVESTMENT RESTRICTIONS

Under the Articles and the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company. In part to meet such restriction, the Board has resolved that the Company may not:

1. either on its own or in conjunction with any connected person, make legal, or effective, management control of any company or other entity in which it invests or owns or controls more than 30% (or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in such company or entity, except in relation to wholly-owned subsidiaries of the Company;
2. invest in any company or entity other than wholly-owned subsidiaries of the Company if such investment will result in more than 20% of the Net Asset Value being invested in such company or entity as at the date the investment is made;
3. buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metal; and
4. invest more than 20% of the Company's assets outside Hong Kong and the PRC to the extent of contravening its primary objective of achieving medium-term or long-term capital appreciation by investing in listed and unlisted companies in Hong Kong and the PRC.

The Company has to comply with investment restrictions 1 and 2 above, in accordance with its Articles, and at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules.

Investment restrictions 3 and 4 can be changed subject to the approval of Shareholders by way of an ordinary resolution. The Board has no present intention to change any of the abovementioned investment restrictions.

BORROWING POWER

Pursuant to the provision of the Articles, the Company may exercise its borrowing power to borrow up to an aggregate principal amount for the time being remaining discharged of all money borrowed by the Group shall not exceed 50% of the Net Asset Value. The Group's assets may be charged or pledged as security for borrowing.

DISTRIBUTION POLICY

It is the Board's intention to distribute any excess balance by way of dividend to the extent permitted by law, the Memorandum and the Articles. Dividends will only be paid to the extent that they are covered by net income received from underlying investments. Distribution will be made annually after the annual accounts of the Company are approved by the Shareholders but interim distribution may be made from time to time to Shareholders as appear to the Board to be justified by the position of the Company. Distributions will be made in Hong Kong dollars.

FOREIGN CURRENCY MANAGEMENT AND EXCHANGE CONTROL

As a result of overseas investments denominated in United States Dollars ("US\$"), Singapore Dollars ("SG\$"), and New Taiwan Dollars ("NT\$"), the Group is exposed to the movement in the HK\$/US\$, HK\$/SG\$ and HK\$/NT\$ exchange rates. The Group's exposure to foreign exchange risk was not significant, therefore, no financial instruments was made to hedge such exposures.

TAXATION

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

FEES AND EXPENSES

The Company will pay the fees of the Investment Manager and the Custodian, as described below. In addition, the Company will pay certain other costs and expenses incurred in its operation, including taxes, expenses for legal, auditing and consulting services, promotional expenses, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance, interest and brokerage cost.

Investment management fees

The Company will pay the Investment Manager a monthly management fee payable in advance in HK\$60,000 per month pursuant to renewal of Investment Management Agreement dated 15 December 2008 for another one-year period up to 31 December 2009.

Custodian fees

Pursuant to the Custodian Agreement, the Company will pay the Custodian such reasonable fees, costs and expenses in respect of the custodian account as may from time to time be prescribed by the Custodian. All fees, costs and expenses of the Custodian shall accrue on a daily basis. The Company also agrees to pay all costs, taxes, expenses and fees (including any applicable fees of any clearing house) in connection with or arising out of the operation of the custodian account. The Custodian shall be entitled to charge interest (both before and after judgment) on any amount owed to the Custodian by the Company at 6% above the prime rate from time to time of the Custodian.

INVESTMENT PORTFOLIO

The followings are the details of the ten largest investments of the Group as at 31 December 2008, which include all listed investments and all other investments with a value of more than 5% of the Group’s gross assets as at 31 December 2008. Save to the investments disclosed herein, there are no other listed investments and all other investments with a value of more than 5% of the Company’s gross assets as at 31 December 2008.

	Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Cost up to 31 December 2008 HK\$	Market value as at 31 December 2008 HK\$	Unrealised holding gain (loss) arising on revaluation HK\$	Dividend received/ receivable during the year HK\$
I)	571	eSun Holdings Limited	43,086,578	3.47%	91,966,445	44,810,041	(47,156,404)	–
II)	–	China Strategic Holdings Limited (unlisted convertible notes)	Not applicable	Not applicable	36,300,000	23,761,866	(12,538,134)	–
III)	–	GR Vietnam Holdings Limited (unlisted convertible bonds)	Not applicable	Not applicable	25,000,000	17,991,016	(7,008,984)	–
IV)	885	Forefront Group Limited	46,347,250	4.95%	43,532,253	9,223,103	(34,309,150)	–
V)	P15.SI	Pacific Century Regional Developments Limited	11,000,000	0.36%	19,601,064	8,192,800	(11,408,264)	307,575
VI)	5206	Universal Technology Systems Inc.	13,684,715	29.96%	17,044,389	7,620,607	(9,423,782)	–
VII)	273	Willie International Holdings Limited	12,849,400	3.30%	120,515,110	6,810,182	(113,704,928)	–
VIII)	412	Heritage International Holdings Limited	12,714,070	4.97%	42,429,046	6,357,035	(36,072,011)	–
IX)	901	Radford Capital Investment Limited	54,947,321	10.64%	22,720,455	6,209,047	(16,511,408)	–
X)	279	Freeman Corporation Limited	42,825,299	4.38%	9,053,693	6,124,018	(2,929,675)	–

i) eSun Holdings Limited (“eSun”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 571). eSun is principally engaged in development and operation of, and investment in, media, entertainment, and music production and distribution; production, investment in and distribution of films and video format products; provision of advertising agency services; sale of cosmetic products; and investment holding. For the financial year ended 31 December 2007, the audited consolidated profit from continuing operations attributable to equity holders of eSun was HK\$924,351,000 with basic earnings per share of HK\$1.09. As at 31 December 2007, its audited consolidated net assets was HK\$4,995,353,000.

- ii) China Strategic Holdings Limited (“China Strategic”) was incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 235). China Strategic is principally engaged in the manufacturing and trading of battery products and related accessories and investments in securities holding. For the financial year ended 31 December 2007, the audited consolidated loss from continuing operations attributable to equity holders of China Strategic was HK\$40,369,000 with basic loss per share of HK\$0.09. As at 31 December 2007, its audited consolidated net assets was HK\$269,783,000.
- iii) GR Vietnam Holdings Limited (“GR Vietnam”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 139). GR Vietnam is principally engaged in trading and distribution of electronic products and other merchandise and securities investment and trading. For the financial year ended 31 March 2008, the audited consolidated loss attributable to equity holders of GR Vietnam was HK\$222,912,000 with basic loss per share of HK11.02 cents. As at 31 March 2008, its audited consolidated net assets was HK\$495,822,000.
- iv) Forefront Group Limited (“Forefront”) was incorporated in Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 885). Forefront is principally engaged in the trading and distribution of Scania motor trucks, coaches and vehicle accessories, provision of motor vehicle repair and maintenance services, provision of other motor vehicle related business; investing in development, management and operation of an e-ticking system in PRC; selling and distribution of Nissan motors, the operation of the Nissan 4S shops, provision of heavy motor vehicle repair and maintenances service in PRC; provision of logistics services in Hong Kong and PRC, property investments and securities trading. For the financial year ended 31 December 2007, the audited consolidated loss from continuing operations attributable to equity holders of Forefront was HK\$321,369,000 with basic loss per share of HK25.54 cents. As at 31 December 2007, its audited consolidated net assets was HK\$246,884,000.
- v) Pacific Century Regional Developments Limited (“Pacific Century”) is listed on the Singapore Exchange Securities Trading Limited and incorporated and domiciled in Singapore. The principal activities of Pacific Century and its subsidiaries are the holding of investments and development of infrastructure and properties. Until 15 May 2007, Pacific Century’s principal activities also included the provision of a range of whole life, endowment, term life insurance and other related products in Hong Kong. This business segment was discontinued during the year ended 31 December 2007. For the financial year ended 31 December 2007, the audited consolidated profit attributable to equity holders of Pacific Century was SG\$56,863,000 with basic earning per share of SG1.88 cents. As at 31 December 2007, its audited consolidated net liabilities was SG\$15,157,000.

- vi) Universal Technology Systems Inc. (“Universal Technology”) was incorporated in Taiwan and is listed on the Taiwan Stock Market. Universal Technology is principally engaged in a system solutions and integrations, and in the sourcing of computer softwares and hardwares. For the financial year ended 31 December 2007, the audited consolidated profit attributable to equity holders of Universal Technology was NT\$149,915,000 with basic earning per share of NT3.28 cents. As at 31 December 2007, its audited consolidated net assets was NT\$308,546,000.
- vii) Willie International Holdings Limited (“Willie”) was incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 273). Willie is principally engaged in the business of property investment, investment in securities trading, investment in energy related business and acquiring, exploring and developing natural resources. For the financial year ended 31 December 2007, the audited consolidated loss attributable to equity holders of Willie was HK\$197,582,000 with basic loss per share being HK17.6 cents. As at 31 December 2007, its audited consolidated net assets was HK\$1,486,465,000.
- viii) Heritage International Holdings Limited (“Heritage”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 412). Heritage is principally engaged in property investment, investment in securities, money lending and investment holding. For the financial year ended 31 March 2008, the audited consolidated loss attributable to equity holders of Heritage was HK\$367,751,000 with basic loss per share being HK54.47 cents. As at 31 March 2008, its audited consolidated net assets was HK\$1,260,964,000.
- ix) Radford Capital Investment Limited (“Radford”) was incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 901). Radford is principally engaged in investment in listed and unlisted securities in Hong Kong and overseas markets. For the financial year ended 31 December 2007, the audited consolidated loss attributable to equity holders of Radford was HK\$29,720,157 with basic loss per share being HK\$0.117. As at 31 December 2007, its audited consolidated net assets was HK\$417,504,739.
- x) Freeman Corporation Limited (“Freeman”) was incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 279). Freeman is principally engaged in trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business, and investment holding. For the financial year ended 31 March 2008, the audited loss attributable to equity holders of Freeman was HK\$403,708,000 with basic loss per share of HK59.68 cents. As at 31 March 2008, its audited consolidated net assets was HK\$943,309,000.

AVAILABLE-FOR-SALE INVESTMENTS

The details of the available-for-sale investments of the Group as at 31 December 2008 are as follows:

	As at 31 December 2008 HK\$
Equity investment	
Listed in Hong Kong	87,685,511
Unlisted in Hong Kong (<i>Note 1</i>)	36,058,300
Impairment loss (<i>Note 1</i>)	(25,656,549)
	<u>10,401,751</u>
Debt investment (<i>Note 2</i>)	
Unlisted in Hong Kong	64,900,000
Impairment loss	(19,549,649)
	<u>45,350,351</u>
Total	<u><u>143,437,613</u></u>

Notes:

1. The unlisted equity investment in Hong Kong as at 31 December 2008 comprises:

- HK\$31,000,000 investment cost in Hennabun Capital Group Limited (“Hennabun”), against which a total of HK\$25,000,000 impairment loss had been provided based on the estimated recoverable amount of the investments resulting in the carrying amount of such investment amounting to HK\$6,000,000. Such estimated recoverable amount has been assessed by the Directors with reference to the decline in fair value below cost. Judgement is required when determining whether there is a decline in fair value. In making this judgement, the financial information of Hennabun were taken into account. Hennabun is a private company and is principally engaged in investment holding and its subsidiaries engaged in securities trading, investment holding and provision of brokerage and financial services; and

- HK\$5,058,300 investment cost in Cosmedia Group Holdings Limited (“Cosmedia”), against which a total of HK\$656,549 impairment loss had been provided because of the voluntary cancellation of the admission of Cosmedia’s shares to trading on the Alternative Investment Market of the London Stock Exchange (“AIM”) on 29 December 2008 reduced the liquidity of the investment. Assessment of impairment was conducted with reference to last trade day on AIM resulting in the carrying amount of such investment amounting to HK\$4,401,751. Cosmedia was incorporated in the Cayman Islands and principally engaged in the business of advertising, media services and television home shopping.
2. The Group has acquired unlisted zero coupon convertible notes which were issued by China Strategic Holdings Limited (stock code: 235), GR Vietnam Holdings Limited (stock code: 139) and Rising Development Holdings Limited (stock code: 1004) with investment cost of HK\$36,300,000, HK\$25,000,000 and HK\$3,600,000 respectively. An independent professional valuer was appointed to assess the fair value of the convertible notes, based on the comparison of similar straight notes in market. The opinion of the professional valuer was adopted and provision for impairment had been made amounting to HK\$12,538,134, HK\$7,008,984 and HK\$2,531 resulting in the carrying amount of these investments amounting to HK\$23,761,866, HK\$17,991,016 and HK\$3,597,469 respectively.

Set out below is a summary of certain provisions of the Memorandum, the Articles and of certain aspects of Cayman Islands company law. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 March 1999 under the Companies Law. The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

The Memorandum was adopted on 6 October 1999 and states, inter alia, that the liability of members of the Company is limited to the amount from time to time unpaid on such member's shares, that the objects for which the Company is established are unrestricted (including acting as a holding and investment company) and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by section 7(4) of the Companies Law, that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided in section 27(2) of the Companies Law and (in view of the fact that the Company is an exempted company) that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

The objects of the Company are set out in full in clause 3 of the Memorandum which is available for inspection at the address specified in the paragraph headed "Documents Available for Inspection" in appendix V to this circular. The Company may by special resolution alter the Memorandum with respect to any objects, powers or other matters specified in the Memorandum.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 6 October 1999 and were amended pursuant to special resolutions dated 30 April 2004, 13 September 2005 and 25 July 2008. The following is a summary of certain provisions of the Articles:

(a) Classes of Shares

The share capital of the Company consists of ordinary shares.

(b) Directors***(i) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and the Articles, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors may determine provided that no share shall be allotted or issued during any period when the determination of Net Asset Value is suspended.

Subject to the provisions of the Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any Shares or attaching to any class of Shares, any Share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on the holders of any Shares or attaching to any class of Shares, any Share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(ii) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not by the Articles or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles and to any regulations from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(iv) Loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(v) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy Shares or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary of holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Director).

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profits so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of Directors approving any contract or arrangement or any other proposal whatsoever in which he or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (aa) the giving of any security or indemnity either:
 - (1) to the Directors or his associates in respect of money lent or obligations incurred by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (2) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associates has himself/themselves assumed responsibility in whole or in part any whether alone or jointly under a guarantee or indemnity of by the giving of security; or
- (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer; or
- (cc) any proposal concerning any other company in which the Director or his associates is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associates is/are beneficially interested in the shares of that company, provided that, he, together with any of his associates is not beneficially interested in 5% or more of the issued shares of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights; or

- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (1) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which he may benefit; and
 - (2) the adoption, modification or operation of a pension or provident fund or retirement, death, or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his associates is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(vii) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Board, or in the absence of any independent quorum, Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he held office. Such remuneration shall be in addition to any remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission, participation in profits or otherwise or by all or any of those modes and which such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as he may be entitled to receive as a Director.

(viii) Retirement, appointment and removal

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

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election by ordinary resolution, but shall not be taken into account in determining the number of Directors who are to retire any such meeting by rotation. No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his attention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum

length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing to the Company at its registered office;
- (bb) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable or managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without leave, he is absent from meetings of the Board (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles;
- (ff) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office;
- (gg) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles.

(ix) Borrowing powers

The Board may exercise the Company's powers to borrow and to charge its assets but they are required to restrict the borrowings of the Company and to exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies (if any) so as to secure (as regards subsidiary companies so far as by such exercise they can secure) that no borrowing is made if it would result in the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Group shall not exceed 50% of the Net Asset Value and moneys borrowed are borrowed and applied solely for such purposes as may from time to time be specified in the agreement between the Company and the Investment Manager.

(x) Proceedings of the Board

The Board may meet in any part of the world for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(c) Alterations to constitutional documents

No alteration to the Memorandum or the Articles may be made except by special resolution.

(d) Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the special rights attached to any class (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum for the purposes of any such separate general meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company in general meeting may, from time to time, whether or not all the Shares for the time being authorized shall have been issued and whether or not all the Shares for the time being issued shall have been fully paid up, by ordinary resolution increase its share capital by the creation of new Shares, such new capital to be of such amount and to be divided into Shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its capital into shares of larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for the purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (ii) cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken up by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled subject to the provisions of the Companies Law; and
- (iii) sub-divide its Shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any Share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorized and subject to any conditions prescribed by the Companies Law.

(f) Special resolution-majority required

A “special resolution” is defined in the Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall not be less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

An “ordinary resolution” is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

(g) Voting rights (generally and on a poll and right to demand a poll)

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of Shares, at any general meeting on a show of hands, every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his name in the register of members of the Company.

In the case of joint holders of any share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorized in such circumstances to do so and such person may vote on a poll by proxy.

No member shall, unless the Directors otherwise determine, be entitled to vote, or be reckoned in a quorum, at any general meeting in respect of any Share unless he is registered as a shareholder of the Company at the date of such meeting and all calls which have been made by the Directors, or other sums presently payable by him, in respect of such Share have been paid.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or (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 demanded by:

- (i) the chairman of the meeting; or
- (ii) at least five members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

On a poll votes may be given either personally or by proxy and a person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

If a recognised clearing house (or its nominee) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents that clearing house (or its nominee) could exercise if it were an individual shareholder of the Company holding the number and class of shares specified in such authorization including the right to vote individually on a show of hands.

(h) Annual general meetings

The Company shall in each year hold a general meeting as its general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next.

(i) Accounts and audit

The Directors shall cause to be kept accounting records sufficient to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Law or as authorized by the Directors or by the Company in general meeting.

The Directors shall from time to time commencing with the first annual general meeting cause to be prepared and to be laid before the members of the Company at every annual general meeting profit and loss account, balance sheets and the Directors' and the auditors' report thereon. Copies of these documents which are to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting be sent to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send printed copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any Shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting and shall fix his or their remuneration provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and to all members of the Company (other than those who, under the provisions of the Articles or the terms of issued of the Shares they hold, are not entitled to receive such notices from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (aa) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (bb) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors;
 - (ee) the fixing of, or the determining of the method of fixing, the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its existing issued share capital and the number of any securities repurchased pursuant to subparagraph (gg) below; and
 - (gg) the granting of any mandate or authority to the Directors to repurchase securities of the Company.
- (k) Transfer and compulsory transfer of Shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the Directors may approve.

The instrument of transfer of a Share shall be signed by and on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instrument of transfer, when registered, shall be retained by the Company.

The Directors may decline to register any transfer of any Share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any other Shares unless:

- (aa) the instrument of transfer is lodged with the Company accompanied by the certificate for the Shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and/or with regard to whether or not the transfer would result in any contravention of the restrictions (if any) on the holding of Shares imposed by the Board pursuant to the Articles;
- (bb) the instrument of transfer is in respect of only one class of Share;
- (cc) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (dd) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four;
- (ee) the Shares concerned are free from any lien in favour of the Company; and
- (ff) a fee for registration of such maximum as the Stock Exchange may from time to time determine (or such lesser sum as the Directors may from time to time require) is paid to the Company.

If the Directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement being published in the newspapers or by any means in such manner as the Board may from time to time determine and as may be accepted by the Stock Exchange and to the extent that it does not contravene the Companies Law, be suspended at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of Shares, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

The Board shall have power to impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are held by (a) any person in breach of the law or requirements of any country or governmental authority; or (b) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Board to be relevant) which in the opinion of the Board might result in the Company incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company might not otherwise have incurred or suffered. If it shall come to the notice of the Board that any shares are owned directly or beneficially by any person on contravention of any such restrictions, the Board may give notice to such person requiring him to transfer such Shares to a person who would not thereby be in contravention of any such restrictions. If any person upon whom such a notice is served does not within thirty days after such notice transfer such Shares or establish to the satisfaction of the Board (whose judgment shall be final and binding) that such shares are not be held on contravention of any such restrictions he shall be deemed upon the expiration of such period of thirty days to have given an instrument of transfer in respect of all his Shares the subject of such notice and the Directors shall be entitled to sell such Shares at the best price reasonably obtainable from any other person and to appoint any person to sign on his behalf such documents as may be required for the purposes of the sale and transfer. Upon the Directors resolving to sell the Shares of a member, the member shall be bound forthwith to deliver to the Company or its authorized agents the certificate(s) for such Shares.

(l) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong or by any other recognized stock exchange.

(m) Power for any subsidiary of the Company to own Shares

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

Subject to the Companies Law and the Articles, the Company in general meeting may declare dividends in any currency but no such dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on the Share.

The Directors may also pay any dividend which is payable on any Shares half-yearly or on any other dates, whenever the position of the company, in the opinion of the Directors, justifies such payment.

The Directors may retain any dividends or other moneys payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

In respect of any dividend proposed to be paid or declared on the share capital of the Company, the Directors may resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up on the basis that the Shares so allotted are to be of the same class or classes as the class or classes already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotments; or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit on the basis that the Shares so allotted are to be of the same class or classes as the class or classes already held by the allottee. The Directors may also, with the sanction of the members of the Company in general meeting, resolve and direct in respect of any particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend or bonus paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct payment or satisfaction of any dividend wholly or in part by the distribution of specific assets, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may issue fractional certificates, disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instrument of proxy shall be in any common form or in such other form as the Directors may approve. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates, provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an offeror, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of a poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(p) Call on shares and forfeiture of shares

The Directors may from time to time make such calls upon the members of the Company in respect of any moneys unpaid on the shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed time and each member shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his Shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the Shares in respect of which the call was made.

A call may be made payable either in one lump sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a Share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a Share shall not be paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding 15% per annum as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any Share after the day appointed for payment thereof, the Directors may at any time serve a notice on the holder of such Shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the day and at the place appointed, the Shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of any such notice are not complied with, any Share in respect of which such notice has been given may at any time thereafter, before the payment of all calls or instalments and interest due in respect thereof has been made be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited Share and not actually paid before the forfeiture. A forfeited Share shall be deemed to be the property of the Company and may be sold, re-allotted, cancelled or otherwise disposed of.

A person whose Shares have been forfeited shall thereupon cease to be a member of the Company in respect of the forfeited Shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares, together with interest thereon at such rate not exceeding 15% per annum (or such lower rate as the Directors may determine) from the date of forfeiture until payment, any allowance for the value of the Shares forfeited, at the date of forfeiture.

(q) Inspection of register of members

The Directors shall cause to be kept at such place within or outside the Cayman Islands as they deem fit a principal register of the members and there shall be entered therein the particulars of the members and the shares issued to each of them and other particulars required under the Companies Law. The register may, on 14 days' notice being given by advertisement published in the newspapers or by any means in such manner as the Directors may from time to time determine and as may be accepted by the Stock Exchange and to the extent that it does not contravene the Companies Law, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of Shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Save as otherwise provided by the Articles two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one shareholder of record the quorum shall be that one member present in person or by proxy.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of Shares of the Company is described in the sub-paragraph (d) above.

(s) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority shareholders in relation to fraud or oppression.

(t) Procedures on liquidation

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind of not) and may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributor as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

(u) Untraceable members

The Company shall be entitled to sell any Shares of a member or the Shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the Shares in question have become payable and no dividend during that period has been claimed by the members; and (iv) upon the expiry of the 12 year period, the Company has caused an advertisement to be published in the newspaper, giving notice of its intention to sell such Shares and a period of three months has elapsed since such advertisement and the recognised Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

(v) Investment Manager

The Board may appoint as Investment Manager any person and may entrust to and confer upon the Investment Manager so appointed any of the duties, powers and discretions exercisable by the Board (other than the power to make calls or forfeit Shares) upon such terms and conditions and for such period and with such restrictions as the Board thinks fit and whether collaterally with or to the exclusion of the Board's own powers. In the event of the termination for whatever reason of the appointment of any Investment Manager so appointed the Board shall as soon as is practicable thereafter take all such steps as are reasonable to secure the appointment of some other person as the Investment Manager. The remuneration of the Investment Manager shall be paid and accrue at such rate, at such time or times and in such manner as the Board may from time to time agree with the Investment Manager.

(w) Custodian

The Board shall appoint a Custodian who or whose nominee shall hold the assets of the Company and in whose name or in the name of whose nominee the same shall be registered in the case of registered securities and who shall perform such other duties upon such terms as the Board may from time to time (with the agreement of the Custodian) determine. The remuneration of the Custodian shall be paid and accrue at such rate, at such time or times and in such manner as the Board may from time to time agree with the Custodian.

All moneys, bills and notes belonging to the Company shall be paid to or to the order of or deposited with or to the order of the Custodian or its nominee to an account or accounts to be opened in the name of the Company.

In the event of the Custodian desiring to retire the Board shall use its best endeavours to find a corporation having the said qualifications to act as replacement Custodian and upon doing so the Board shall appoint such corporation to be custodian in place of the retiring Custodian. The Board shall not remove the Custodian unless and until a successor corporation shall have been appointed in accordance with the Articles to act in the place thereof.

The powers of the Board under the Articles shall include a power to appoint two or more joint Custodians.

3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(n) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 16 March 1999.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have prepared a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents Available for Inspection” in appendix V to this circular. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and (i) immediately following the completion of the Rights Issue (assuming no further issue of Shares from the Latest Practicable Date to the Record Date); and (ii) immediately following the completion of the Rights Issue (assuming full conversion of the Convertible Notes on or before the Record Date) were as follows:

(i) Immediately following the completion of the Rights Issue (assuming no further issue of Shares from the Latest Practicable Date to the Record Date)

Authorised:	HK\$
<div>20,000,000,000 Shares of HK\$0.10 each</div>	<div>2,000,000,000</div>
Issued and to be issued:	
<div>375,791,474 Shares in issue as the Latest Practicable Date</div>	<div>37,579,147.4</div>
<div>375,791,474 Rights Shares to be allotted and issued under the Rights Issue</div>	<div>37,579,147.4</div>
<div>751,582,948 Shares in issue immediately after completion of the Rights Issue</div>	<div>75,158,294.8</div>

(ii) Immediately following the completion of the Rights Issue (assuming full conversion of the Convertible Notes on or before the Record Date)

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares of HK\$0.10 each	<u>2,000,000,000</u>
<i>Issued and to be issued:</i>		
375,791,474	Shares in issue as the Latest Practicable Date	37,579,147.4
287,878,787	Shares to be allotted and issued upon full conversion of the Convertible Notes on or before the Record Date	28,787,878.7
<u>663,670,261</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>66,367,026.1</u>
<u>1,327,340,522</u>	Shares in issue immediately after completion of the Rights Issue	<u>132,734,052.2</u>

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

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

As at the Latest Practicable Date, there were outstanding Convertible Notes with an aggregate principal amount of HK\$38,000,000 which may be convertible into 287,878,787 Shares at the conversion price of HK\$0.132 per Share (subject to adjustments). Assuming full conversion of the Convertible Notes on or before the Record Date, a total of 287,878,787 new Shares would fall to be issued, which would result in the issue of an additional 287,878,787 Rights Shares and in that event, the maximum number of Rights Shares that may be issued by the Company would become 663,670,261.

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

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, as far as the Company is aware, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long positions in the Shares and the underlying Shares

Name of Shareholders	Capacity	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Get Nice Holdings Limited	Interest of controlled corporation	663,670,261 (Note 1)	50.00% (Note 2)
Get Nice Incorporated	Interest of controlled corporation	663,670,261 (Note 1)	50.00% (Note 2)
Underwriter	Beneficial owner	663,670,261 (Note 1)	50.00% (Note 2)

Name of Shareholders	Capacity	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Heritage International Holdings Limited	Interest of controlled corporation	162,507,951 (Note 3)	43.24%
Coupeville Limited	Interest of controlled corporation	162,507,951 (Note 3)	43.24%
Dollar Group Limited	Beneficial owner	162,507,951 (Note 3)	43.24%
Mascotte Holdings Limited	Interest of controlled corporation	136,363,636 (Note 4)	40.57%
	Beneficial owner	16,086,200 (Note 4)	
Mascotte Group Limited	Interest of controlled corporation	136,363,636 (Note 4)	36.29%
Union Glory Finance Inc.	Beneficial owner	136,363,636 (Note 4)	36.29%

Notes:

1. These are the Rights Shares which the Underwriter has agreed to underwrite in respect of the Rights Issue (assuming full conversion of the Convertible Notes on or before the Record Date). The Underwriter is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.
2. The percentage of shareholding in the Company is calculated on the basis of 1,327,340,522 Shares in issue immediately after the Rights Issue (assuming full conversion of the Convertible Notes on or before the Record Date).

3. Heritage International Holdings Limited (stock code: 412) is deemed to be interested in 10,992,800 Shares held by Dollar Group Limited and 151,515,151 underlying Shares issuable by the Company under the convertible notes issued by the Company in aggregate principal amount of HK\$20 million to Dollar Group Limited on 26 November 2008, its indirect wholly owned subsidiary, for the purpose of the SFO.
4. Mascotte Holdings Limited (stock code: 136) is the beneficial owner of 16,086,200 Shares and also deemed to be interested in 136,363,636 underlying Shares issuable by the Company under the convertible notes issued by the Company in aggregate principal amount of HK\$18 million to Union Glory Finance Inc. on 26 November 2008, its indirect wholly owned subsidiary, for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.
- (ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

6. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Menlo Capital Limited	a licensed corporation under the SFO
W.H. Tang & Partners CPA Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

As at the Latest Practicable Date, none of the above experts had any direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

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

8. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete directly or indirectly with the business of the Group or any other conflicts of interest with the Group.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- i. an agreement dated 9 March 2007 and a supplemental agreement dated 13 March 2007 entered into between the Company and Get Nice Investment Limited in relation to the rights issue of 1,194,991,160 rights Shares on the basis of ten rights Shares for every Share held by qualifying shareholders at the subscription price of HK\$0.10 per rights Shares, details of which have already been disclosed in the announcement of the Company dated 12 March 2007;
- ii. an agreement dated 4 June 2007 entered into between the Company and Chung Nam Securities Limited regarding a placing of 262,898,055 new Shares at a placing price of HK\$0.269 per Share, details of which have already been disclosed in the announcement of the Company dated 4 June 2007;
- iii. an agreement dated 12 July 2007 entered into between the Company and Chung Nam Securities Limited regarding a placing of 341,765,666 new Shares at a placing price of HK\$0.20 per Share, details of which have already been disclosed in the announcement of the Company dated 12 July 2007;
- iv. an agreement dated 18 July 2007 and a supplemental agreement dated 20 August 2007 entered into between the Company and Ms. Lo Ki Yan, Karen regarding a subscription of 500,000,000 new Shares at a subscription price of HK\$0.14 per Share, details of which have already disclosed in the announcements of the Company dated 19 July 2007 and 20 August 2007;
- v. an agreement dated 29 October 2007 entered into between the Company and Pearl Decade Limited regarding a subscription of 410,118,799 new Shares at a subscription price of HK\$0.11 per Share, details of which have already disclosed in the announcement of the Company dated 30 October 2007;

- vi. an agreement dated 10 December 2007, a supplemental agreement dated 12 December 2007 and a second supplemental agreement dated 14 March 2008 entered into between the Company and Chung Nam Securities Limited in relation to the rights issue of 1,565,797,810 rights Shares on the basis of five rights Shares for every Share held by qualifying shareholders at the subscription price of HK\$0.12 per rights Share, details of which have already been disclosed in the announcement of the Company dated 12 December 2007;
- vii. an agreement dated 19 May 2008 entered into between the Company and Get Nice Securities Limited regarding a placing of 62,630,000 new Shares at a placing price of HK\$0.20 per Share (the “Placing Agreement”), details of which have already been disclosed in the announcement of the Company dated 19 May 2008;
- viii. a deed of termination dated 18 June 2008 entered into between the Company and Get Nice Securities Limited to terminate the Placing Agreement, details of which have already been disclosed in the announcement of the Company dated 18 June 2008;
- ix. a settlement deed dated 8 October 2008 entered into between the Company and Union Glory Finance Inc. (a wholly owned subsidiary of Mascotte Holdings Limited) regarding the issue of zero coupon convertible notes due 2011 in an aggregate principal amount of HK\$18,000,000 by the Company to Union Glory Finance Inc. for settlement of the loan in the principal amount of HK\$18,000,000 to the Company, details of which have already been disclosed in the announcement of the Company dated 9 October 2008;
- x. a settlement deed dated 8 October 2008 entered into between the Company and Double Smart Finance Limited (a wholly owned subsidiary of Heritage International Holdings Limited) regarding the issue of zero coupon convertible notes due 2011 in an aggregate principal amount of HK\$20,000,000 by the Company to Dollar Group Limited (an indirect wholly owned subsidiary of Heritage International Holdings Limited) as directed by Double Smart Finance Limited for settlement of the loan in the principal amount of HK\$20,000,000 made by Double Smart Finance Limited to the Company, details of which have already been disclosed in the announcement of the Company dated 9 October 2008; and
- xi. the Underwriting Agreement.

11. CORPORATE INFORMATION

Registered office of the Company	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business of the Company in Hong Kong	Room 2206, 22nd Floor China United Centre 28 Marble Road North Point Hong Kong
Branch share registrar and transfer office of the Company in Hong Kong	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen’s Road East Wanchai Hong Kong
Authorised representatives	KITCHELL Osman Bin Room 2206, 22nd Floor China United Centre 28 Marble Road North Point Hong Kong LIU Tsui Fong Room 2206, 22nd Floor China United Centre 28 Marble Road North Point Hong Kong

Company secretary	LIU Tsui Fong Room 2206, 22nd Floor China United Centre 28 Marble Road North Point Hong Kong
Legal advisers to the Company	<i>As to Hong Kong laws</i> Vincent T.K. Cheung, Yap & Co. 11th Floor, Central Building 1-3 Pedder Street, Central Hong Kong <i>As to Cayman Islands laws</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Auditors	Mazars CPA Limited <i>Certified Public Accountants</i> 34th Floor, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited No. 1 Queen’s Road Central Hong Kong Chong Hing Bank Limited Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong

DIRECTORS

Particulars of Directors

Name	Address
Executive Directors	
KITCHELL Osman Bin	Room 2206, 22nd Floor China United Centre 28 Marble Road North Point Hong Kong
DAVIS Angela Hendricks	Room 2206, 22nd Floor China United Centre 28 Marble Road North Point Hong Kong
CHOI Ka Wing	Room 2206, 22nd Floor China United Centre 28 Marble Road North Point Hong Kong

Name	Address
Independent non-executive Directors	
CHUNG Kong Fei, Stephen	33 Shuicheng Rd. South Shanghai 201103 PRC
TSANG Wing Ki	Unit 304, 3rd Floor Lippo Sun Plaza 28 Canton Road Tsim Sha Tsui, Kowloon Hong Kong

SWARTZ Kristi Lynn

Room 702, 7th Floor
Dina House
Ruttonjee Centre
11 Duddell Road
Central
Hong Kong

NGAI Wai Kin

12th Floor, Phase I, Austin Tower
22-26A Austin Avenue
Tsim Sha Tsui, Kowloon
Hong Kong

Executive Directors

Mr. KITCHELL Osman Bin (“**Mr. KITCHELL**”), aged 44, a Canadian citizen, completed his high-school education in Hong Kong and undergraduate studies in Canada. Mr. KITCHELL had obtained a honorary diploma from Pickering College in Canada. He studied Economics in the University of Toronto, Canada. Mr. KITCHELL is a veteran investor mainly in the Hong Kong equity markets with 13 years’ experience. He has been an investor managing a private family fund. Mr. KITCHELL was appointed as an executive Director on 10 January 2005 and also appointed as the chief executive officer of the Company on 17 January 2006. Mr. KITCHELL was elected as chairman of the Company on 16 January 2008.

Ms. DAVIS Angela Hendricks (“**Ms. DAVIS**”), aged 42, holds Master of Laws Degree, Juris Doctor, *cum laude*, and a Bachelor of Science Degree, *cum laude*. Ms. DAVIS is a member of the Kentucky Bar Association. Ms. DAVIS has extensive experience as a commercial litigator in the Louisville, Kentucky offices of Stites & Harbison, and as a deal lawyer in the New York and Beijing offices of Paul, Weiss, Rifkind, Wharton & Garrison. Ms. DAVIS was appointed as an executive Director on 18 June 2008.

Ms. CHOI Ka Wing (“**Ms. CHOI**”), aged 26, completed her high school education in Hong Kong and had further her studies at the Perth Institute of Business and Technology in Perth, Australia. Ms. CHOI had had extensive experience in the food and beverage and entertainment businesses. Ms. CHOI was appointed as an executive Director on 9 October 2006.

Independent non-executive Directors

Mr. CHUNG Kong Fei, Stephen (“Mr. CHUNG”), aged 52, obtained a Bachelor Degree of Science from the Wharton School of Business, University of Pennsylvania, the United States of America. Mr. CHUNG is one of the founders and executive directors of SDM Dental Inc., an investment holding company which operating dental clinics in the PRC. Mr. CHUNG has extensive experience in investments in the PRC. Mr. CHUNG is currently also an independent non-executive director of Computech Holdings Limited (stock code: 8081), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. CHUNG was appointed as an independent non-executive Director on 16 March 2004.

Mr. TSANG Wing Ki (“Mr. TSANG”), aged 47, obtained a master’s degree in professional accounting from the Hong Kong Polytechnic University. Mr. TSANG is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has more than 20 years’ experience in the auditing and financial accounting. Mr. TSANG is currently an executive director of Noble Jewelry Holdings Limited (stock code: 475), a company listed on the Main Board of the Stock Exchange. Mr. TSANG was appointed as an independent non-executive Director on 23 September 2004.

Ms. SWARTZ Kristi Lynn (“Ms. SWARTZ”), aged 39, obtained B.B.A., M.B.A. and LL.M. degrees, and is a member of the Law Societies of Hong Kong and England and Wales. Ms. SWARTZ is currently a partner of Lister Swartz. Ms. SWARTZ has a wealth of knowledge on legal matters and corporate litigation matters. Ms. SWARTZ is currently an independent non-executive director of Mascotte Holdings Limited (stock code: 136) and Forefront Group Limited (stock code: 885), both companies listed on the Main Board of the Stock Exchange. Ms. SWARTZ was appointed as an independent non-executive director of Tack Fat Group International Limited (stock code: 928) on 13 August 2008 but had resigned as an independent non-executive director on 12 September 2008. Ms. SWARTZ was appointed as an independent non-executive Director on 1 November 2007.

Mr. NGAI Wai Kin (“Mr. NGAI”), aged 44, holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic, a Bachelor of Laws (Hons) degree from the University of London and a Master of Laws degree from the City University of Hong Kong. Mr. NGAI is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia respectively. Mr. NGAI is also a barrister in England and Wales and a barrister in Hong Kong. Mr. NGAI has over 20 years’ experience in the finance and accounting field in both Hong Kong and Australia. Mr. NGAI was appointed as an independent non-executive Director on 23 July 2008.

12. MISCELLANEOUS

- (a) The company secretary of the Company is LIU Tsui Fong, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (b) The English texts of this circular and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistencies.

13. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$2.64 million on the basis of 375,791,474 Rights Shares to be issued or HK\$3.37 million on the basis of 663,670,261 Rights Shares to be issued, and will be payable by the Company.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 2206, 22nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Memorandum and the Articles;
- (b) the Results Announcement and the annual reports of the Company for the two financial years ended 31 December 2006 and 31 December 2007;
- (c) the interim report of the Group for the six months ended 30 June 2008;
- (d) the letter of advice from Menlo Capital, the text of which is set out on pages 28 to 41 of this circular;
- (e) the letter on the unaudited pro forma financial information of the Group issued by W.H. Tang & Partners CPA Limited set out in appendix II to this circular;

- (f) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix;
- (g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law as referred to in the paragraph headed “General” in appendix IV to this circular;
- (h) the Companies Law; and
- (i) the written consents referred to in the paragraph under the heading “Experts” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Unity Investments Holdings Limited

合一投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 913)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Unity Investments Holdings Limited 合一投資控股有限公司 (the “Company”) will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Friday, 13 March 2009 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** subject to and conditional on the underwriting agreement dated 30 January 2009 (the “**Underwriting Agreement**”, a copy of which has been produced to this meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) made between the Company and Get Nice Securities Limited (the “**Underwriter**”) becoming unconditional and not being rescinded or terminated in accordance with its terms: –

- (i) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the underwriting of the Rights Shares (as defined below) not validly applied for by the shareholders of the Company (the “**Shareholders**”) by the Underwriter) be and are hereby approved, confirmed and ratified;
- (ii) the issue of not less than 375,791,474 shares and not more than 663,670,261 shares (the “**Rights Shares**”) of HK\$0.10 each in the capital of the Company (the “**Shares**”) by way of rights issue (“**Rights Issue**”) at the subscription price of HK\$0.10 per Rights Share in the proportion of one Rights Share for every Share held by holders of Shares (the “**Shareholders**”) whose names appear on the register of members of the Company on 13 March 2009 (or such other date as the Underwriter may agree in writing with the Company) (the “**Record Date**”) other than those Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Non-Qualifying Shareholders**”), on and subject to the terms and

NOTICE OF EXTRAORDINARY GENERAL MEETING

conditions set out in a circular to the Shareholders in respect of the Rights Issue dated 24 February 2009 (the “**Circular**”, a copy of which has been produced to this meeting and marked “B” and initialled by the chairman of the meeting for the purpose of identification) and on such other terms and conditions as may be determined by the directors of the Company (the “**Directors**”) be and is hereby approved provided that (a) fractional entitlements shall not be issued to the individual shareholders entitled thereto but shall be aggregated and sold for the benefit of the Company if so determined by the Directors; (b) no Rights Shares shall be offered to Non-Qualifying Shareholders and the Rights Shares which would otherwise have been offered to them shall be sold if a premium net of expenses is obtained and to the extent that such rights can be sold, the net proceeds of such sale (after deducting the expenses of sale) be distributed to the Non-Qualifying Shareholders pro rata to their holding of shares provided further that individual amounts of HK\$100 or less shall be retained for the benefit of the Company; and (c) to the extent that the Rights Shares referred to in (a) and (b) above are not sold as aforesaid, such Rights Shares together with any Rights Shares provisionally allotted but not accepted shall be offered for application under forms of application for excess Rights Shares; and

- (iii) any one director of the Company be and is hereby authorised to issue and allot the Rights Shares on terms as set out in the Circular and to do all such acts and things, to sign and execute all such further documents and to take such steps as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and any of the transactions contemplated thereunder.”

By order of the Board
Unity Investments Holdings Limited
合一投資控股有限公司
KITCHELL Osman Bin
Executive Director

Hong Kong, 24 February 2009

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A form of proxy to be used for the meeting is enclosed.
- (2) Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
- (3) To be valid, the instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar and transfer office, **Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong** not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

As at the date of this notice, the executive directors of the Company are Mr. KITCHELL Osman Bin (*Chairman and Chief Executive Officer*), Ms. DAVIS Angela Hendricks and Ms. CHOI Ka Wing; and the independent non-executive directors are Mr. CHUNG Kong Fei, Stephen, Mr. TSANG Wing Ki, Ms. SWARTZ Kristi Lynn and Mr. NGAI Wai Kin.