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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

**This circular is 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)**

**PROPOSED RIGHTS ISSUE  
ON THE BASIS OF TWO RIGHTS SHARES  
FOR EVERY SHARE HELD ON THE RECORD DATE;  
CHANGE IN BOARD LOT SIZE;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser



**結好融資有限公司**  
**GET NICE CAPITAL LIMITED**

Underwriter 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 Independent Shareholders**

**VEDA | CAPITAL**  
**智略資本**

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 19 April 2010. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 29 April 2010 to Thursday, 6 May 2010 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Thursday, 29 April 2010 to Thursday, 6 May 2010 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A letter of advice from Veda Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 34 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 23 of this circular.

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 Monday, 26 April 2010 is set out on pages 105 to 106 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited 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.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed “Termination of the Underwriting Agreement” on pages 15 to 16 of this circular. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 13 to 14 of this circular being fulfilled or waived (as applicable). If such conditions have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified therein, all liabilities of the parties thereto shall cease and determine and none of the parties shall have any claim against the other 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 (but not the underwriting commission) shall to the extent agreed by the Company be borne by the Company and the Rights Issue will not proceed.

9 April 2010

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## EXPECTED TIMETABLE

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*The expected timetable for the Rights Issue and the change in board lot size of the Shares is set out below:*

**2010**

Last day of dealings in Shares on a cum-rights basis .....	Friday, 16 April
First day of dealings in Shares on an ex-rights basis.....	Monday, 19 April
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue .....	4:30 p.m. on Tuesday, 20 April
Register of members to be closed .....	Wednesday, 21 April to Monday, 26 April (both dates inclusive)
Latest time for return of form of proxy for the EGM (not less than 48 hours) .....	9:00 a.m. on Saturday, 24 April
Record Date .....	Monday, 26 April
EGM.....	9:00 a.m. on Monday, 26 April
Announcement of results of the EGM.....	Monday, 26 April
Register of members to be re-opened .....	Tuesday, 27 April
Prospectus Documents to be posted .....	Tuesday, 27 April
First day of dealings in nil-paid Rights Shares .....	Thursday, 29 April
Latest time for splitting of nil-paid Rights Shares.....	4:30 p.m. on Monday, 3 May
Last day of dealings in nil-paid Rights Shares .....	Thursday, 6 May
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, 11 May
Rights Issue expected to become unconditional .....	after 4:00 p.m. on Thursday, 13 May
Announcement of results of acceptance and excess application of the Rights Issue .....	Tuesday, 18 May

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## EXPECTED TIMETABLE

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2010

Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted on or before .....	Wednesday, 19 May
Certificates for fully-paid Rights Shares expected to be despatched on or before .....	Wednesday, 19 May
Effective date of the change in board lot size from 5,000 Shares to 10,000 Shares .....	Wednesday, 19 May
First day for free exchange of existing share certificates in board lot of 5,000 Shares each for new share certificates in board lot of 10,000 Shares each .....	Wednesday, 19 May
Designated broker starts to stand in the market to provide matching services .....	Wednesday, 19 May
First day of dealings in the fully-paid Rights Shares.....	Monday, 24 May
Designated broker ceases to stand in the market to provide matching services .....	Monday, 14 June
Last day for free exchange of existing share certificates in board lot of 5,000 Shares each for new share certificates in board lot of 10,000 Shares each .....	Friday, 18 June

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

Dates or deadlines specified above for events in the timetable for (or otherwise in relation to) the Rights Issue and change in board lot size of the Shares 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.

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## EXPECTED TIMETABLE

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### **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:

1. a tropical cyclone warning signal number 8 or above, or
2. 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.

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## DEFINITIONS

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

“2009 Rights Issue Documents”	the circular dated 24 February 2009 and prospectus dated 16 March 2009 issued by the Company in relation to a rights issue of 512,155,110 rights shares on the basis of one rights share for every share held
“Acceptance Date”	11 May 2010 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment for, Rights Shares and application and payment for excess Rights Shares)
“Announcement”	the announcement of the Company dated 4 March 2010 relating to, inter alia, the Rights Issue and change in board lot size of the Shares
“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 (other than a Saturday or Sunday) on which banks are generally open for business more than five hours 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
“Custodian”	Chong Hing Bank Limited (formerly known as Liu Chong Hing Bank Limited)
“Custodian Agreement”	the custodian agreement dated 8 November 2005 entered into between the Company and the Custodian
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be held on Monday, 26 April 2010, at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. to approve the Rights Issue
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	any Shareholder other than controlling Shareholders of the Company and their associates or, where there are no controlling Shareholders, any Shareholder other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Investment Management Agreement”	the management agreement dated 5 November 2003 entered into between the Company and the Investment Manager and renewed on 23 December 2009 for another one-year up to 31 December 2010 at the same term at a 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”	2 March 2010, being the last trading day before the suspension of the trading of the Shares, pending the release of the Announcement
“Latest Practicable Date”	1 April 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Memorandum”	the memorandum of association of the Company
“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 Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	27 April 2010 or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus to be despatched to Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders
“Record Date”	26 April 2010 (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”	the branch share registrar of the Company in Hong Kong, being Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong



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## DEFINITIONS

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“Rights Issue”	the proposed issue by way of rights of two Rights Shares for every Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	Shares to be issued and allotted under the Rights Issue, being 569,279,762 Shares
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Settlement Date”	13 May 2010, 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)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.15 per Rights Share
“Underwriter”	Get Nice Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 2 March 2010 (as amended by a supplemental agreement dated 17 March 2010) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	569,279,762 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“%” or “per cent.”	percentage or per centum

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## LETTER FROM THE BOARD

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**Unity Investments Holdings Limited**

**合一投資控股有限公司**

*(Incorporated in 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

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Mr. CHUNG Kong Fei, Stephen

Mr. TSANG Wing Ki

Mr. NGAI Wai Kin

*Principal place of business*

*in Hong Kong:*

Room 2206, 22nd Floor

China United Centre

28 Marble Road

North Point

Hong Kong

9 April 2010

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE  
ON THE BASIS OF TWO RIGHTS SHARES  
FOR EVERY SHARE HELD ON THE RECORD DATE  
AND  
CHANGE IN BOARD LOT SIZE**

**INTRODUCTION**

On 4 March 2010, the Board announced that the Company proposed (i) to raise approximately HK\$85.39 million, before expenses, by way of the Rights Issue of issuing 569,279,762 Rights Shares at the Subscription Price of HK\$0.15 per Rights Share on the basis of two Rights Shares for every Share held on the Record Date payable in full on acceptance; and (ii) to change the board lot size of the Shares from 5,000 to 10,000.

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

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you, among others, (i) further details about the Rights Issue and change in board lot size of the Shares; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) the advice of Veda Capital to the Independent Board Committee and the Independent 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 though fit, to approve the Rights Issue.

### RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	two Rights Shares for every Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	284,639,881 Shares
Number of Rights Shares	:	569,279,762 Rights Shares
Subscription Price	:	HK\$0.15 per Rights Share with nominal value of HK\$0.10 each

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

The 569,279,762 nil-paid Rights Shares proposed to be provisionally allotted represent 200% of the Company's issued share capital as at the Latest Practicable Date and approximately 66.67% of the Company's issued share capital as enlarged by the issue of the 569,279,762 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 no later than 4:30 p.m. on 20 April 2010.

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## LETTER FROM THE BOARD

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### **Closure of register of members**

The register of members of the Company will be closed from 21 April 2010 to 26 April 2010, both dates inclusive. No transfer of Shares will be registered during this period.

### **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.

The Company is currently making enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas 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 Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them.

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.

### **Subscription Price**

The subscription price for the Rights Shares is HK\$0.15 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 68.75% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 42.31 % to the theoretical ex-rights price of approximately HK\$0.26 per Share based on the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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- (iii) a discount of approximately 69.26% to the average closing price of approximately HK\$0.488 per Share for the five consecutive trading days ended on the Last Trading Day; and
- (iv) a discount of approximately 59.46% to the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.143.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be two Rights Shares for every Share in issue and held on Record Date, being 569,279,762 Rights Shares at a price of HK\$0.15 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**

On the basis of provisional allotment of two Rights Shares for every Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

### **Application for excess Rights Shares**

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

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## LETTER FROM THE BOARD

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Applications for excess Rights Shares may be made by completing the 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 20 April 2010.

### **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 19 May 2010. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 19 May 2010 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 24 May 2010.

### **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.

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## LETTER FROM THE BOARD

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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.

Nil-paid Rights Shares will be traded in board lots of 5,000 (as the Shares are currently traded on the Stock Exchange in board lots of 5,000). Fully-paid Rights Shares are expected to be traded in board lots of 10,000 (once the change in board lot size of Shares from 5,000 to 10,000 becomes effective after the Rights Issue becoming unconditional). Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company at the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Taxation**

Qualifying Shareholders are recommended to consult their professional advisors 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.

### **Conditions of the Rights Issue**

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

- (i) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto);
- (ii) the posting on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders;
- (iii) compliance with certain obligations under the Underwriting Agreement;

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## LETTER FROM THE BOARD

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- (iv) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and the Listing Committee of the Stock Exchange not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;
- (v) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (vi) the passing of the relevant resolution by the Shareholders approving the Rights Issue at the EGM in accordance with the Listing Rules; and
- (vii) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof.

In the event that the above conditions (other than the conditions (i), (iv) and (vi) which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriter on or before the Posting Date (or the relevant dates mentioned therein) or in the event that the condition (iv) has not been satisfied on or before 4:00 p.m. on the Settlement Date or in the event that the condition (vi) has not been satisfied on or before the Record 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 none of the parties shall have any claim against the other 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 (but not the underwriting commission) shall to the extent agreed by the Company be borne by the Company and the Rights Issue will not proceed.



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## LETTER FROM THE BOARD

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### The Underwriting Agreement

Date	:	2 March 2010 (as amended by a supplemental agreement dated 17 March 2010)
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 pursuant to the Underwriting Agreement to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis to a maximum extent, being 569,279,762 Rights Shares, subject to the terms and conditions of the Underwriting Agreement
Commission	:	2.5% of the aggregate Subscription Price of the 569,279,762 Underwritten Shares

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.

### 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

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## LETTER FROM THE BOARD

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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.

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

1. the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties 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
2. 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 reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
3. 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 issued by the Underwriter 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 such fees and expenses as agreed by the parties as set out in the Underwriting Agreement but not the underwriting commission. If the Underwriter exercises such right, the Rights Issue will not proceed.**

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## LETTER FROM THE BOARD

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

The Shares will be dealt in on an ex-rights basis from 19 April 2010. Dealings in the Rights Shares in the nil-paid form will take place from 29 April 2010 to 6 May 2010 (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.

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 29 April 2010 to 6 May 2010 (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 29 April 2010 to 6 May 2010 (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	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
2 February 2009	Rights issue of 512,155,110 rights shares on the basis of one rights Share for every Share held by qualifying Shareholders which was completed on 6 April 2009	HK\$48.2 million	For the general working capital of the Group	Used as intended ( <i>Note 1</i> )
12 June 2009	Placing of 239,000,000 new Shares which was completed on 22 June 2009	HK\$23.3 million	For the general working capital of the Group	Used as intended ( <i>Note 2</i> )
7 September 2009	Placing of 100,000,000 new Shares on a fully underwritten basis which was completed on 19 February 2010	HK\$36.1 million	For the general working capital of the Group and for future investment purposes	Used as intended ( <i>Note 3</i> )
7 September 2009	Placing of 200,000,000 new Shares on a best effort basis	HK\$73.76 million	For the general working capital of the Group and for future investment purposes	This placing was terminated as disclosed in the Company's announcement dated 8 December 2009
5 January 2010	Placing of 28,770,000 new Shares on a fully underwritten basis which was completed on 14 January 2010	HK\$10.6 million	For future investments pursuant to the investment objectives of the Company	Used as intended ( <i>Note 4</i> )

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## LETTER FROM THE BOARD

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*Notes:*

1. The detailed breakdown of the use of net proceeds are as follows: (i) approximately HK\$36.8 million had been used for investments in listed securities in properties and construction – properties sector; (ii) approximately HK\$3.5 million had been used for investments in listed securities in information technology – software and services sector; (iii) approximately HK\$2.1 million had been used for investments in listed securities in financial – other financial sector; (iv) approximately HK\$3.3 million had been used for investments in listed securities in consumer goods – household goods and electronics sector; (v) approximately HK\$0.7 million had been used for investments in listed securities in industrial goods sector; and (vi) the remaining balance of approximately HK\$1.8 million had been used for general working capital.
2. The net proceeds of approximately HK\$23.3 million had been fully used for investments in listed securities in information technology – software and services sector.
3. The detailed breakdown of the use of net proceeds are as follows: (i) approximately HK\$13.0 million had been used for investments in listed securities in financial – other financial sector; (ii) approximately HK\$14.3 million had been used for investments in listed securities in consumer goods – household goods and electronics sector; (iii) approximately HK\$4.8 million had been used for investments in listed securities in industrial goods sector; (iv) approximately HK\$0.9 million had been used for investments in listed securities in services – service support sector; (v) approximately HK\$2.2 million had been used for investments in listed securities in materials – basic material sector; and (vi) the remaining balance of approximately HK\$0.9 million had been used for general working capital.
4. The net proceeds of approximately HK\$10.6 million had been fully used for investments in listed securities in financial – banks sector.

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

### 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 gross proceeds from the Rights Issue will be approximately HK\$85.39 million. The Company plans to use the entire net proceeds of approximately HK\$81.26 million from the Rights Issue for future investments pursuant to the investment objectives of the Company. The Directors are of the view that the international financial sector will be first in line to benefit from the continuing revival of the world economy. They are of the further view that banks and other financial sector are active in Hong Kong and China will be particularly well-placed. The Directors intend therefore to invest the net proceeds into Hong Kong banking and other financial sector stocks with particular emphasis on those with low price to book ratio.

The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests 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 the Latest Practicable Date and immediately after completion of the Rights Issue:

Shareholders	As at the		Immediately after completion		Immediately after completion	
	Latest Practicable Date		of the Rights Issue assuming		of the Rights Issue assuming	
	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Public	284,639,881	100.00	853,919,643	100.00	284,639,881	33.33
Underwriter (Note)	–	–	–	–	569,279,762	66.67
Total	284,639,881	100.00	853,919,643	100.00	853,919,643	100.00

*Note:* The Underwriter has confirmed to the Company that it 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 Hong Kong Code on Takeovers and Mergers) will not own 20% or more of the issued share capital of the Company immediately after completion of the Rights Issue. The Underwriter has further confirmed to the Company that each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

### CHANGE IN BOARD LOT SIZE

Based on the closing price of HK\$0.48 per Share on the Last Trading Day, the value of each existing board lot of 5,000 Shares was HK\$2,400. However, when the theoretical ex-rights price arising from the Rights Issue of approximately HK\$0.26 per Share is applied, the value of each existing board lot would be reduced to approximately HK\$1,300. In view of this, the Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 5,000 Shares to 10,000 Shares. Based on the new board lot size of 10,000 Shares each and the above theoretical ex-rights price of approximately HK\$0.26 per Share, the value of each new board lot would be approximately HK\$2,600. The change in board lot size of the Shares will not affect any rights of the Shareholders. Details of the timetable for the change in board lot size are set out in the section headed “Expected Timetable” in this circular. The change in board lot size of the Shares is conditional on the Rights Issue becoming unconditional.

Subject to the Rights Issue becoming unconditional, the Shareholders may, during a period from Wednesday, 19 May 2010 to Friday, 18 June 2010, submit their existing share certificates in board lot of 5,000 Shares to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for exchange, at the expense of the

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## LETTER FROM THE BOARD

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Company, for new certificates in board lot of 10,000 Shares each. Such exchange of share certificates thereafter will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each new certificate in board lot of 10,000 Shares each issued or each existing share certificate submitted, whichever number of share certificate involved is higher. All existing certificates in board lot size of 5,000 Shares each will continue to be evidence of title to such Shares and be valid for transfer, delivery and settlement purposes.

It is expected that new certificates for the Shares will be available for collection within a period of 10 Business Days after the submission of existing certificates for the Shares to the Company's branch share registrar in Hong Kong for exchange. Save and except for the change in the number of Shares for each board lot, new certificates of Shares will have the same format and colour as the existing share certificates for the Shares.

In order to alleviate the difficulties arising from the existence of odd lots of Shares arising from the change in board lot size, the Company has appointed Get Nice Securities Limited to provide matching services for the sale and purchase of odd lots of Shares on a best effort basis during the period between Wednesday, 19 May 2010 to Monday, 14 June 2010. Shareholders who wish to take advantage of this facility should contact Mr. Larry Ng of Get Nice Securities Limited at 10th Floor, Cosco Tower, 183 Queen's Road Central, Hong Kong at telephone number (852) 2970 8000 during office hours of such period. Shareholders should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed and will depend on there being adequate amounts of odd lots of Shares available for such matching.

**If you are in any doubt as to the above arrangements, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.**

### 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 Shares. Accordingly, no Shareholder is required to abstain from voting in favour of the Rights Issue at the EGM. To the best knowledge and belief of the Directors, as at the Latest Practicable Date, based only on shareholding interests disclosed to the Company under Part XV of the SFO, no company in which the Company holds an investment is also a shareholder in the Company.

Pursuant to Rule 13.39(4) of the Listing Rules and article 100 of the Articles, 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.

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## LETTER FROM THE BOARD

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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 on the Posting Date, 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 105 to 06 of this circular. The EGM will be convened at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Monday, 26 April 2010 for the purpose of, considering and, if thought fit, to approve 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.

### **THE MEMORANDUM AND ARTICLES OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

Rules 19.10(2) and (3) of the Listing Rules require the inclusion in this circular of a summary of certain provisions of the Memorandum and the Articles and certain aspects of the Companies Law.

Given that a summary of the Memorandum and the Articles were included in the 2009 Rights Issue Documents and no changes have been made to the Memorandum and Articles since the issue of the 2009 Rights Issue Documents and that a copy of the Memorandum and Articles will be available for public inspection, the Company considers that reproducing the same information in this circular will not bring any added value to the Shareholders and the costs of doing so will not commensurate with the benefits of inclusion of such information. With respect to the summary of the Companies Law required to be included in this circular, the Company has included certain changes in the Companies Law in Appendix IV of this circular. The Stock Exchange has granted to the Company a waiver from strict compliance with Rules 19.10(2) and (3) of the Listing Rules on the terms set above.

A copy of the Memorandum and the Articles and the Companies Law will be available for inspection at the principal place of business of the Company at Room 2206, 22nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Veda Capital set out on page 23 and pages 24 to 34 respectively of this circular. The Independent Board Committee, having taken into account the advice of Veda 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 Independent 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*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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 Independent 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)**

9 April 2010

*To the Independent Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 9 April 2010 (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 Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned. Veda 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, Veda Capital as set out in its letter of advice to you and us on pages 24 to 34 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 Independent 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 and Mr. NGAI Wai Kin**

*Independent non-executive Directors*

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## LETTER FROM VEDA CAPITAL

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*The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue which has been prepared for the purpose of inclusion in the Circular.*



Veda Capital Limited  
Suite 3214, 32/F  
COSCO Tower  
183 Queen's Road Central  
Hong Kong

9 April 2010

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

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, details of which are set out in the section headed "Letter from the Board" (the "**Board Letter**") in the Company's circular dated 9 April 2010 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 March 2010, the Board announced that the Company proposed, among others, to raise approximately HK\$85.39 million, before expenses, by way of the Rights Issue of issuing 569,279,762 Rights Shares at the Subscription Price of HK\$0.15 per Rights Share on the basis of two Rights Shares for every Share held on the Record Date payable in full on acceptance.

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 Shares. Accordingly, no Shareholder is required to abstain from voting in favour of the resolution in respect of the Rights Issue at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Rights Issue. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM VEDA CAPITAL

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### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the date of the EGM.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Rights Issue and, if in any doubt, should consult their own professional advisers.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation in relation to the Rights Issue, we have considered the following principal factors and reasons.

#### **1. Financial highlights of the Group**

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.

As set out in the Company's annual report 2008 ("AR 2008"), turnover recognised by the Group was the loss from the sale of investments at fair value through profit or loss on a net basis, which amounted to approximately HK\$6.33 million for the year ended 31 December 2008 and amounted to approximately HK\$91.53 million (as restated) for the year ended 31 December 2007. For the year ended 31 December 2008, the Group recorded loss attributable to the Shareholders of approximately HK\$458.43 million, representing an increase of approximately 363.06% compared to approximately HK\$99.00 million

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## LETTER FROM VEDA CAPITAL

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recorded for the previous year. As set out in AR 2008, such increase in net loss was attributable to (i) realised loss on disposal of its listed available-for-sale investments and listed investments held for trading of approximately HK\$223.48 million; (ii) unrealised loss on revaluation of its listed investments held for trading of approximately HK\$38.82 million; and (iii) impairment of its available-for-sale investments of approximately HK\$179.68 million, all of which were as a result of significant downturn of global equity market.

As set out in the Company's announcement dated 30 March 2010 in respect of the final results of the Group for the year ended 31 December 2009 (the "**Results Announcement**"), turnover recognised by the Group was the loss from the sale of listed investments classified under investments held for trading, which amounted to approximately HK\$16.04 million for the year ended 31 December 2009 and amounted to approximately HK\$6.33 million for the year ended 31 December 2008. The loss attributable to the Shareholders for the year ended 31 December 2009 amounted to approximately HK\$100.62 million, representing a decrease in loss of approximately 78.05% compared to approximately HK\$458.43 million recorded for the previous year. The decrease in loss was mainly attributable to decrease in realised loss on disposal of its listed available-for-sale investments; impairment of its listed and unlisted available-for-sale investments and unrealised loss on revaluation of its listed investments held for trading, all of which were as a result of improvement in equity market in Hong Kong.

### 2. Reasons for the Rights Issue and the use of proceeds

As stated in the Board Letter, the Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. Furthermore, the Board considers that the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

The net proceeds of the Rights Issue is estimated to be approximately HK\$81.26 million. The Company plans to use the entire net proceeds from the Rights Issue for future investments pursuant to the investment objectives of the Company. The Directors are of the view that the international financial sector will be first in line to benefit from the continuing revival of the world economy. They are of the further view that banks and other financial sector are active in Hong Kong and China will be particularly well-placed. The Directors intend therefore to invest the net proceeds into Hong Kong banking and other financial sector stocks with particular emphasis on those with low price to book ratio.

We noted from the Board Letter that in the past 12 months immediately preceding the Latest Practicable Date, the Company had conducted rights issue and Share placements to raise fund for general working capital of the Group and future investment purposes. As advised by the Company, the aggregate net proceeds from such fundraisings amounted to approximately HK\$118.20 million, of which approximately HK\$115.50 million had been used for investments in listed securities in relation to properties sector, software and services sector, financial sector, household goods and electronics sector, industrial goods sector, services support sector, basic material sector and bank sector and the remaining proceeds of approximately HK\$2.70 million has been used for general working capital. Further details on the breakdown of the use of proceeds have been set out under the section headed "FUND RAISING EXERCISE OF THE COMPANY" in the Board Letter.

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## LETTER FROM VEDA CAPITAL

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We noted from the Results Announcement that the Group will look for appropriate investment opportunities to expand and diversify its portfolio, with continuing special consideration towards the challenges of the global economy, and will also consider fundraising to strengthen its asset base. We also noted from the Results Announcement that the Group recorded bank balances and cash of approximately HK\$6.40 million as at 31 December 2009 and the net assets of the Group increased by approximately 93.24% from approximately HK\$153.45 million as at 31 December 2008 to approximately HK\$296.52 million as at 31 December 2009.

Having considered (i) the cash position of the Group as at 31 December 2009 and the nature of the business of an investment company, of which cash position is essential for it to carry out its investment decision; (ii) the Company's intention to look for appropriate investment opportunities to expand and diversify its portfolio; (iii) the Rights Issue would strengthen the Group's capital base so as to allow the Group to grasp suitable business opportunities with immediately available fund should appropriate chance arise; and (iv) the Rights Issues are on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company, and should the Qualifying Shareholders decide not to take up their entitlements under the Rights Issue, they can sell the nil-paid Rights Shares in the market for economic benefit, we are of the view and concur with the view of the Directors that the Rights Issue is fair and reasonable and is in the interests of the Group and the Independent Shareholders as a whole.

### 3. The Rights Issue

The basis of the provisional allotment shall be two Rights Shares for every Share in issue and held on Record Date, being 569,279,762 Rights Shares at a price of HK\$0.15 per Rights Share.

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 Issue in their fully-paid form.

The Subscription Price is HK\$0.15 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 68.75% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 42.31% to the theoretical ex-rights price of approximately HK\$0.26 per Share based on the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 69.26% to the average closing price of approximately HK\$0.488 per Share for the five consecutive trading days ended on the Last Trading Day; and
- (iv) a discount of approximately 59.46% to the closing price of HK\$0.37 per Shares as quoted on the Stock Exchange on the Latest Practicable Date.

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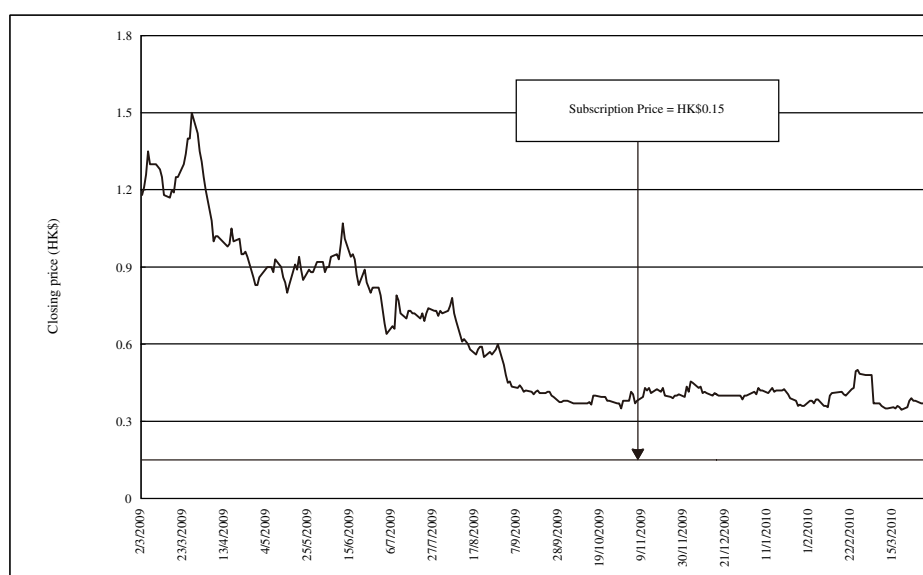
## LETTER FROM VEDA CAPITAL

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As stated in the Board Letter, 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.

(a) *Historical closing prices*

We have reviewed the trading price of the Shares for the period from 2 March 2009, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the Latest Practicable Date (the “**Review Period**”). The chart below illustrates the daily closing prices of the Share versus the Subscription Price during the Review Period:



Source: the website of the Stock Exchange

Note: Trading of Shares was suspended from 3 March 2010 to 4 March 2010 during the Review Period.

During the Review Period, the highest closing price and the lowest closing price of the Shares were HK\$1.50 on 27 March 2009 and HK\$0.345 on 19 March 2010 respectively. The Subscription Price is lower than the lowest closing price of the Shares during the Review Period and representing a discount of approximately 56.52% to such lowest closing price. The closing prices of the Shares experienced a decreasing trend from March 2009 until September 2009 and thereafter, the closing prices of the Shares fluctuated in the range between HK\$0.345 to HK\$0.50.

We note that it is a common market practice that, in order to enhance the attractiveness of a right issue exercise and to encourage the existing shareholders to participate in a rights issue, the subscription price of a rights issue normally represents a discount to the prevailing market prices of the relevant shares. Hence, the fact that the Subscription Price is lower than the prevailing market prices of the Shares is in line with general practice and is acceptable.

## LETTER FROM VEDA CAPITAL

### (b) Comparison with other right issues

In assessing the fairness of the Subscription Price, we also consider a broader comparison of rights issues conducted by other companies listed on the Stock Exchange to provide a more general reference for the Subscription Price. We have identified all rights issues (the “**Comparables**”) announced by companies that are listed on the Main Board or the Growth Enterprise Market of the Stock Exchange from 2 September 2009 up to and including 2 March 2010, being the date of the Underwriting Agreement, for reference. As the terms of the Comparables are determined under similar market conditions and sentiments as the Rights Issue, we believe that the Comparables may reflect the recent trend of the rights issue transactions in the market and consider the Comparables are fair and representative samples. Details of the Comparables are summarised in the following table:

Comparables (stock code)	Date of announcement	Basis of entitlement	Premium/ (discount) of subscription price over/ (to)the closing price on the last trading day (%)	Premium/ (discount) of subscription price over/ (to)the theoretical ex-entitlement price (%)	Maximum dilution (Note 1) (%)	Underwriting commission (%)
China Merchants Bank Co., Ltd. (3968)	2-Mar-10	1.3 for 10	(49.19)	(46.14)	11.5	0.00
Polyard Petroleum International Group Limited (8011)	3-Feb-10	1 for 2	(50.00)	(40.30)	33.33	0.00
Gold Peak Industries (Holdings) Limited (40)	28-Jan-10	3 for 7	(50.00)	(41.40)	30.00	2.75
Wang On Group Limited (1222) (Note 2)	14-Jan-10	3 for 1 (2 bonus shares for every 3 rights shares)	(88.73)	(56.81)	83.33	2.50
See Corporation Limited (491)	11-Jan-10	8 for 1	(81.31)	(32.66)	88.89	2.50
Quam Limited (952)	23-Dec-09	1 for 5	(38.70)	(34.50)	16.67	2.00
Wing On Travel (Holdings) Limited (1189)	8-Dec-09	5 for 1	(82.14)	(43.40)	83.33	2.00
Winfoong International Limited (063)	16-Nov-09	1 for 10	(66.70)	(64.50)	9.09	2.50
USI Holdings Limited (369)	9-Nov-09	1 for 3	(37.00)	(30.60)	25.00	3.00
TCL Communication Technology Holdings Limited (2618)	3-Nov-09	1 for 2	(17.36)	(12.28)	33.33	0.00
First Pacific Company Limited (142)	15-Oct-09	1 for 5	(35.80)	(31.70)	16.67	0.00
21 Holdings Limited (1003)	12-Oct-09	4 for 1	(71.01)	(32.89)	80.00	2.00
New World China Land Limited (917)	9-Oct-09	1 for 2	(38.11)	(29.17)	33.33	2.25
Goldin Financial Holdings Limited (530)	23-Sep-09	5 for 2	(14.40)	(4.55)	71.43	2.50
<b>Maximum</b>			(88.73)	(64.50)	88.89	3.00
<b>Minimum</b>			(14.40)	(4.55)	9.09	0.00
<b>Mean</b>			<b>(51.46)</b>	<b>(35.78)</b>	<b>43.99</b>	<b>1.71</b>
<b>Company</b>		<b>2 for 1</b>	<b>(68.75)</b>	<b>(42.31)</b>	<b>66.67</b>	<b>2.5</b>

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))



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## LETTER FROM VEDA CAPITAL

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*Notes:*

1. Maximum dilution effect of each rights issue transaction is calculated as:  $((\text{number of rights shares and (if any) bonus shares to be issued under the basis of entitlement})/(\text{number of existing shares held for the entitlement for the rights shares under the basis of entitlement} + \text{number of rights shares and (if any) bonus shares to be issued under the basis of entitlement})) \times 100\%$ , e.g. for a rights issue with basis of 2 rights shares for every share held, the maximum dilution effect is calculated as  $(2/(1+2)) \times 100\% = 66.67\%$ .
2. In this rights issue transaction, rights shares were issued with bonus shares. The calculations on the discounts of subscription price to (i) the closing price on last trading day; and (ii) the theoretical entitlement price are based on the effective price for each rights share which has taken into account the nil paid bonus shares being issued with one fully paid rights share.

As shown in the above table, the discounts represented by the subscription prices to the closing prices of shares of the Comparables on the last trading days prior to the release of the respective announcements ranged from approximately 14.40% to approximately 88.73% (the “**LTD Market Range**”). The discount of approximately 68.75% as represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within and represents a deeper discount than the mean of the LTD Market Range.

The discount represented by the subscription prices to the theoretical ex-entitlement prices of the shares of the Comparables ranged from approximately 4.55% to approximately 64.50% (the “**TEP Market Range**”). The discount of approximately 42.31% as represented by the Subscription Price to the theoretical ex-entitlement price falls within and represents a deeper discount than the mean of the TEP Market Range.

In general, we consider that it is common for the listed issuers in Hong Kong to issue rights shares at a discount to market price in order to enhance the attractiveness of a rights issues transaction. Notwithstanding the discounts represented by the Subscription Price to the closing price of the Shares on the Last Trading Day and to the theoretical ex-entitlement price represent deeper discounts than the means of the LTD Market Range and the TEP Market Range respectively, given the Group has recorded loss attributable to Shareholders amounted to approximately HK\$100.62 million for the year ended 31 December 2009, we consider it is inevitable for the Company to set the Subscription Price at a higher discount to increase the attractiveness of the Rights Issues. Having considered the abovementioned and taking into account that (i) the discounts represented by the Subscription Price to the closing price of the Shares on the Last Trading Day and to the theoretical ex-entitlement price falls within the LTD Market Range and the TEP Market Range; and (ii) all Qualifying Shareholders are offered equal opportunities to subscribe for the Rights Shares, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

*(c) Underwriting Commission*

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate Subscription Price of the 569,279,762 Underwritten Shares. In view that the underwriting commission of 2.5% falls within the range of commission of the Comparables, we consider the underwriting commission of 2.5% is in line with the market and is fair and reasonable as far as the Independent Shareholders are concerned.



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## LETTER FROM VEDA CAPITAL

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*(d) 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. 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).

We are not aware of the allocation arrangement of the excess application is unusual to other rights issues under the Comparables and consider such allocation arrangement is in line with normal market practice.

*(e) Risks associated with the Rights Issue*

Shareholders should note that, as stated in the Board Letter, the Rights Issue is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” in the Board Letter). As such, the Rights Issue may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

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## LETTER FROM VEDA CAPITAL

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### 4. Alternatives

We have enquired with the Company and are advised that they have considered other methods of fund raisings such as placement of new Shares or other convertible securities and bank borrowing. Taking into account that (i) debt financing and bank borrowing will increase the gearing and incur interest burden to the Company; (ii) any placing of new Shares without first offering the existing Shareholders the opportunity to participate in the Company's equity raising exercise would result in dilution of shareholding of and per Share value to the existing Shareholders; and (iii) the Rights Issue will enable the Shareholders to maintain their proportionate interests in the Company should they so wish, and should the Shareholders decide not to take up their entitlements under the Rights Issue, they can sell the nil-paid Rights Shares in the market for economic benefit, we concur with the view of the Directors that fund raising by way of the Rights Issue is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### 5. Financial effect of the Rights Issue

#### *(a) Net tangible assets*

According to the pro forma financial information of the Group as set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group was approximately HK\$296.52 million as at 31 December 2009. The unaudited pro forma adjusted consolidated net tangible assets of the Group upon completion of the Rights Issue would increase to approximately HK\$377.78 million as a result of the inflow of the estimated net proceeds of approximately HK\$81.26 million from the Rights Issue.

Also set out in the pro forma financial information of the Group, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets per Share (based on 853,919,643 Shares in issue) would be approximately HK\$0.44, representing a decrease of approximately HK\$1.62 per Share from the audited consolidated net tangible assets per Share of approximately HK\$2.06 (based on 143,874,881 Shares in issue) as at 31 December 2009.

The decrease in the consolidated net tangible assets per Share upon completion of the Rights Issue is inevitable because the Right Shares will be issued at a substantial discount to the net tangible asset per Share. Having considered all Qualifying Shareholders are offered the same opportunities to enjoy the benefit of subscribing the Rights Shares at the Subscription Price which is at a discount to the market price of the Shares, we consider such decrease in the consolidated net tangible assets per Share is acceptable.

#### *(b) Working capital*

The Rights Issue shall have a positive effect on the Group's working capital upon completion as the proceeds from the Rights Issue will bring in a net cash inflow to the Group.

### **6. Potential dilution effect on the shareholding interests of the Independent Shareholders**

As the Rights Issue is offered to all Qualifying Shareholders on the same basis, Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Rights Issue in full. Any Qualifying Shareholders who choose not to take up in full their assured entitlements under the Rights Issue will have their shareholdings in the Company diluted by up to a maximum of approximately 66.67% from their shareholding interests upon completion of the Rights Issue.

In all cases of rights issues, the dilution on the shareholding of those qualifying shareholders who do not take up in full their assured entitlements under the rights issues is inevitable. In fact, the dilution magnitude of any rights issues depends mainly on the extent of the basis of entitlement under such exercises since the higher offering ratio of new shares to existing shares is the greater the dilution on the shareholding would be.

Having taken into account:

- (i) the cash position of the Group as at 31 December 2009 and the nature of the business of an investment company, of which cash position is essential for it to carry out its investment decision;
- (ii) the Company's intention to look for appropriate investment opportunities to expand and diversify its portfolio;
- (iii) the Rights Issue would strengthen the Group's capital base so as to allow the Group to grasp suitable business opportunities with immediately available fund should appropriate chance arise;
- (iv) the Rights Issues are on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company, and should the Qualifying Shareholders decide not to take up their entitlements under the Rights Issue, they can sell the nil-paid Rights Shares in the market for economic benefit;
- (v) the inherent dilutive nature of Rights Issue in general;
- (vi) the discount represented by the Subscription Price to the closing price of the Share on the Last Trading Day falls within the LTD Market Range; and
- (vii) the discount represented by the Subscription Price to the theoretical ex-entitlement price falls within the TEP Market Range,

we consider the potential dilution effect on the shareholding which may only happen to the Qualifying Shareholders who decide not to accept the Rights Issue is acceptable.

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## LETTER FROM VEDA CAPITAL

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### RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, we consider that the terms of the Rights Issue are (i) fair and reasonable so far as the Independent Shareholders are concerned; and (ii) in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Veda Capital Limited**

**Hans Wong**  
*Chairman*

**Julisa Fong**  
*Managing Director*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated statement of comprehensive income and statement of financial position of the Group for the financial years ended 31 December 2009, 31 December 2008 and 31 December 2007, which are extracted from the annual reports of the Company for the years ended 31 December 2009 and 31 December 2008. The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 December 2009, 31 December 2008 and 31 December 2007.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2009	2008	2007
	HK\$	HK\$	HK\$
<b>Turnover</b>	(16,039,273)	(6,334,669)	(91,529,295)
Other revenue	4,904,925	2,121,170	2,656,153
Changes in fair value of listed investments classified under investments held for trading	2,849,767	(38,819,960)	40,037,652
Changes in fair value of derivative financial instruments	–	(5,887,591)	(5,257,813)
Reversal of (Impairment on) unlisted debt investments classified under available-for-sale investments	5,011,515	(19,549,649)	–
Impairment of unlisted equity investments classified under available-for-sale investments	(4,401,751)	(2,000,000)	–
Impairment of listed investments classified under available-for-sale investments	–	(158,131,828)	–
Realised loss on disposal of listed investments classified under available-for-sale investments	(70,448,365)	(217,147,138)	(31,123,307)
Other operating expenses	(21,206,724)	(10,180,985)	(11,286,635)
Finance costs	(1,288,121)	(2,498,438)	(2,492,396)
<b>Loss before taxation</b>	(100,618,027)	(458,429,088)	(98,995,641)
Taxation	–	–	–
<b>Loss for the year attributable to equity holders of the Company</b>	(100,618,027)	(458,429,088)	(98,995,641)
<b>Other comprehensive income (loss)</b>			
Change in fair value of available-for-sale investments	80,259,057	(407,120,736)	(155,270,649)
Realisation upon disposal of available-for-sale investments	70,448,365	217,147,138	31,123,307
Transfer to profit or loss upon impairment of available-for-sale investments	4,401,751	179,681,477	–
Other comprehensive income (loss) for the year	155,109,173	(10,292,121)	(124,147,342)
<b>Total comprehensive income (loss) for the year attributable to equity holders of the Company</b>	<u>54,491,146</u>	<u>(468,721,209)</u>	<u>(223,142,983)</u>
		(Restated)	(Restated)
<b>Loss per share – Basic and Diluted</b>	<u>(0.89)</u>	<u>(16.11)</u>	<u>(18.40)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2009	2008	2007
	HK\$	HK\$	HK\$
<b>Non-current assets</b>			
Property, plant and equipment	4,408,327	3,447,082	1,430,491
Available-for-sale investments	258,797,699	143,437,613	280,991,825
	<u>263,206,026</u>	<u>146,884,695</u>	<u>282,422,316</u>
<b>Current assets</b>			
Investments held for trading	29,148,632	26,722,407	150,549,641
Other receivables	377,428	7,228,963	5,220,030
Bank balances and cash	6,359,142	4,245,589	9,732,245
	<u>35,885,202</u>	<u>38,196,959</u>	<u>165,501,916</u>
<b>Current liabilities</b>			
Other payables and accruals	2,575,834	520,521	865,483
Interest-bearing borrowings, unsecured	–	9,500,000	25,000,000
Derivative financial instruments	–	5,887,591	5,257,813
	<u>2,575,834</u>	<u>15,908,112</u>	<u>31,123,296</u>
<b>Net current assets</b>	<u>33,309,368</u>	<u>22,288,847</u>	<u>134,378,620</u>
<b>Total assets less current liabilities</b>	<u>296,515,394</u>	<u>169,173,542</u>	<u>416,800,936</u>
<b>Non-current liabilities</b>			
Zero-coupon convertible notes	–	15,722,690	–
<b>NET ASSETS</b>	<u>296,515,394</u>	<u>153,450,852</u>	<u>416,800,936</u>
<b>Capital and reserves</b>			
Share capital	14,387,488	37,579,147	313,159,563
Reserves	282,127,906	115,871,705	103,641,373
<b>TOTAL EQUITY</b>	<u>296,515,394</u>	<u>153,450,852</u>	<u>416,800,936</u>

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the audited consolidated financial statements of the Group for the financial years ended 31 December 2008 and 31 December 2009 together with the relevant notes to the accounts, as extracted from the annual report of the Company for the year ended 31 December 2009.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2009*

		<b>2009</b>	<b>2008</b>
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Turnover</b>	4	(16,039,273)	(6,334,669)
Other revenue	4	4,904,925	2,121,170
Changes in fair value of listed investments classified under investments held for trading		2,849,767	(38,819,960)
Change in fair value of derivative financial instruments		–	(5,887,591)
Reversal of (Impairment on) unlisted debt investments classified under available-for-sale investments		5,011,515	(19,549,649)
Impairment of unlisted equity investments classified under available-for-sale investments		(4,401,751)	(2,000,000)
Impairment of listed investments classified under available-for-sale investments		–	(158,131,828)
Realised loss on disposal of listed investments classified under available-for-sale investments		(70,448,365)	(217,147,138)
Other operating expenses		(21,206,724)	(10,180,985)
Finance costs	6	(1,288,121)	(2,498,438)
<b>Loss before taxation</b>	6	(100,618,027)	(458,429,088)
Taxation	7	–	–
<b>Loss for the year attributable to equity holders of the Company</b>	8	(100,618,027)	(458,429,088)
<b>Other comprehensive income (loss)</b>			
Change in fair value of available-for-sale investments		80,259,057	(407,120,736)
Realisation upon disposal of available-for-sale investments		70,448,365	217,147,138
Transfer to profit or loss upon impairment of available-for-sale investments		4,401,751	179,681,477

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

		<b>2009</b>	<b>2008</b>
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Other comprehensive income (loss) for the year		155,109,173	(10,292,121)
<b>Total comprehensive income (loss) for the year attributable to equity holders of the Company</b>		<b>54,491,146</b>	<b>(468,721,209)</b>
			(Restated)
<b>Loss per share – Basic and Diluted</b>	<b>9</b>	<b>(0.89)</b>	<b>(16.11)</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	<i>Note</i>	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment	11(a)	4,408,327	3,447,082
Available-for-sale investments	13	258,797,699	143,437,613
		<u>263,206,026</u>	<u>146,884,695</u>
<b>Current assets</b>			
Investments held for trading	14	29,148,632	26,722,407
Other receivables	16	377,428	7,228,963
Bank balances and cash		6,359,142	4,245,589
		<u>35,885,202</u>	<u>38,196,959</u>
<b>Current liabilities</b>			
Other payables and accruals		2,575,834	520,521
Interest-bearing borrowings, unsecured	17	–	9,500,000
Derivative financial instruments	18	–	5,887,591
		<u>2,575,834</u>	<u>15,908,112</u>
<b>Net current assets</b>		<u>33,309,368</u>	<u>22,288,847</u>
<b>Total assets less current liabilities</b>		<u>296,515,394</u>	<u>169,173,542</u>
<b>Non-current liabilities</b>			
Zero-coupon convertible notes	19	–	15,722,690
<b>NET ASSETS</b>		<u><u>296,515,394</u></u>	<u><u>153,450,852</u></u>
<b>Capital and reserves</b>			
Share capital	20	14,387,488	37,579,147
Reserves	21(a)	282,127,906	115,871,705
<b>TOTAL EQUITY</b>		<u><u>296,515,394</u></u>	<u><u>153,450,852</u></u>

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	<i>Note</i>	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment	11(b)	836,686	229,088
Interests in subsidiaries	12	278,759,962	160,536,698
		<u>279,596,648</u>	<u>160,765,786</u>
<b>Current assets</b>			
Investments held for trading	14	10,807,830	13,308,531
Other receivables	16	365,371	6,850,095
Bank balances and cash		6,031,585	4,084,765
		<u>17,204,786</u>	<u>24,243,391</u>
<b>Current liabilities</b>			
Other payables and accruals		286,025	448,021
Interest-bearing borrowings, unsecured	17	–	9,500,000
Derivative financial instruments	18	–	5,887,591
		<u>286,025</u>	<u>15,835,612</u>
<b>Net current assets</b>		<u>16,918,761</u>	<u>8,407,779</u>
<b>Total assets less current liabilities</b>		<u>296,515,409</u>	<u>169,173,565</u>
<b>Non-current liabilities</b>			
Zero-coupon convertible notes	19	–	15,722,690
<b>NET ASSETS</b>		<u><u>296,515,409</u></u>	<u><u>153,450,875</u></u>
<b>Capital and reserves</b>			
Share capital	20	14,387,488	37,579,147
Reserves	21(b)	282,127,921	115,871,728
<b>TOTAL EQUITY</b>		<u><u>296,515,409</u></u>	<u><u>153,450,875</u></u>

**CONSOLIDATED STATEMENT OF CASH FLOWS***For the year ended 31 December 2009*

	<i>Note</i>	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
<b>OPERATING ACTIVITIES</b>			
Cash (used in) generated from operations	25	(34,275,362)	61,837,385
Interest paid		(171,838)	(2,152,172)
<b>Net cash (used in) generated from operating activities</b>		<b>(34,447,200)</b>	<b>59,685,213</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(2,448,808)	(3,990,292)
Proceeds from disposal of property, plant and equipment		–	1,600,000
Acquisition of available-for-sale investments		(271,334,220)	(377,956,263)
Proceeds from disposal of available-for-sale investments		241,244,706	108,389,739
Proceed from disposal of a subsidiary	26	1,960,000	–
Dividends received		4,862,346	1,532,020
Interest received		42,306	50,584
<b>Net cash used in investing activities</b>		<b>(25,673,670)</b>	<b>(270,374,212)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from rights issue		51,215,511	187,895,737
Proceeds from placement of shares		23,900,000	–
Share issue expenses		(3,381,087)	(5,193,393)
Share repurchase		(1)	(1)
New interest-bearing borrowings raised		15,000,000	179,000,000
Repayment of interest-bearing borrowings		(24,500,000)	(156,500,000)
<b>Net cash from financing activities</b>		<b>62,234,423</b>	<b>205,202,343</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2,113,553</b>	<b>(5,486,656)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>4,245,589</b>	<b>9,732,245</b>
<b>Cash and cash equivalents at year end, represented by bank balances and cash</b>		<b>6,359,142</b>	<b>4,245,589</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the year ended 31 December 2009*

	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
Total equity at 1 January	153,450,852	416,800,936
<b>Total comprehensive income (loss) attributable to equity holders of the Company</b>	54,491,146	(468,721,209)
Placement of shares	23,900,000	–
Issue of convertible notes	–	22,668,782
Issue of shares under convertible notes	16,838,973	–
Issue of shares under rights issue	51,215,511	187,895,737
Share issue expenses	(3,381,087)	(5,193,393)
Share repurchase	(1)	(1)
<b>Total equity at 31 December</b>	<b>296,515,394</b>	<b>153,450,852</b>

**Notes to the Consolidated Financial Statements***For the year ended 31 December 2009***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 “Stock Exchange”). The address of the registered office and the principal place of business of the Company are disclosed in the corporate information of this annual report. The principal activity of the Company is investment holding and principal activities of its subsidiaries are detailed in note 12 to the consolidated financial statements.

**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 comply with 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 2008 financial statements. The adoption of the new/revised HKFRSs that are effective from the current year had no significant effects on the Group’s results and financial position for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

**Adoption of new/revised HKFRS***HKAS 1 (Revised): Presentation of Financial Statements*

*HKAS 1 (Revised)* requires transactions with owners to be presented separately from all other income and expenses in a revised statement of changes in equity. The revised Standard however allows non-owner changes in equity to be shown in a single statement (the statement of comprehensive income) or two statements (the income statement and the statement of other comprehensive income). The Group has elected to prepare one statement. In addition, the revised Standard requires that when comparative information is restated or reclassified, a statement of financial position as at the beginning of the comparative period, in addition to the statements of financial position as at the end of the current period and the comparative period, should be presented. Since the Group and the Company did not restate comparative information during the year, this new requirement has no impact on the financial statements.

*Improvements to HKFRS (2008)*

*Improvements to HKFRS (2008)* contain improvements to a number of Standards aiming to remove inconsistencies and clarify wording in the Standards. The adoption of those improvements had resulted in a number of changes in the details of the Group’s accounting policies. Of those changes, only those as described below are considered more significant to the Group:

*Amendments to HKAS 1: Presentation of Financial Statements*

The Amendments clarify that financial assets and liabilities classified as held for trading that are not held for trading purposes are classified as “non-current” in the statement of financial position if they are settled more than twelve months after the end of the reporting period.

*HKFRS 8: Operating Segments*

The Standard, replacing *HKAS 14: Segment Reporting*, requires segment information to be reported based on internal information used by management to evaluate the performance of operating segments and allocate resources to those segments.

*Amendments to HKFRS 7 Financial Instruments: Disclosures*

Amendments to *HKFRS 7* require additional disclosure about fair value measurements and liquidity risk. The fair value measurement disclosures are presented in note 30, and the liquidity risk disclosures are not significantly impacted by the amendments. The Group has taken advantage of the transitional provisions set out in the amendments, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments are not provided in the financial statements.

**Basis of measurement**

The measurement basis used in the preparation of these financial statements is historical cost, except for investments held for trading, available-for-sale investments in listed securities and debt securities, 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 that of the Company using consistent accounting policies.

All intra-group balances, 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 statement of financial position, 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 profit or loss 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%. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately.

**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 financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets 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, which incorporates any dividend or interest earned on the financial assets.

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 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.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

#### *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 profit or loss.

#### *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 profit or loss. Available-for-sale equity instruments 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.

When a debt instrument with equity conversion option is classified as available-for-sale financial asset, the equity conversion option (the embedded derivative) is separated. The amount paid for the bond is split between the debt instrument without the conversion option and the equity conversion option. Changes in the fair value of the equity conversion option are recognised in profit or loss unless the option is part of a cash flow hedging relationship.

#### *Impairment of financial assets*

At the end of each reporting period, 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 profit or loss 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 profit or loss. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through the profit or loss, 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 profit or loss.

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 and unsecured short-term borrowings. 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.

**Convertible notes**

The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of issue costs.

On the issue of the convertible note, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in convertible notes reserve within shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible notes reserve is transferred to share premium account or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible notes reserve is transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of proceeds.

**Cash equivalents**

For the purpose of consolidated statement of cash flows, 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.

**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.

Net income 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 from investments 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.

**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 profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.



**Impairment of non-financial assets**

At the end of each reporting period, 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.

**Borrowing costs**

All borrowing costs are recognised as an expense in the period in which they are incurred.

**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 profit or loss on a straight-line basis over the term of the relevant lease.

**Employee benefits***Short term employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*Defined contribution plans*

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

**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 end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period 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 goodwill; or other 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 is not recognised.

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 end of the reporting period.

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/connected 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;
- (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.

In addition, transactions with connected parties as defined under the Listing Rules are disclosed in the Directors' Report of this annual report.

**Critical accounting estimates and judgement**

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

*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.

*Impairment of investments and receivables*

The Company assesses annually if investment in subsidiaries has suffered any impairment in accordance with *HKAS 36* and follows the guidance of *HKAS 39* in determining whether amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and course the adjustment of their carrying amounts.

*Fair value estimation*

The Group's unlisted debt securities have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics, and taking into consideration the volatility of the underlying asset and duration to maturity. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted debt securities at the end of the reporting period was HK\$26,600,000 (2008: HK\$45,350,351). Details of the valuation methodology are set out in note 13(c).

**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.

Amendments to HKFRS 1	First-time adoption of HKFRS – Additional exemptions for first-time adopters <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKFRS 1 (Revised)	First-time adoption of HKFRS <sup>1</sup>
Amendments to HKAS 39	Eligible Hedged Items <sup>1</sup>
Improvements to HKFRS 2009	Improvements to HKFRS 2009 <sup>2</sup>
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions <sup>3</sup>
Amendments to HKAS 32	Financial Instruments: Presentation – Classification of Rights Issues <sup>4</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>5</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of non-cash Assets to Owners <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Group's financial statements.

**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:

	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
<b>Turnover</b>		
Loss from the sale of listed investments classified under investments held for trading	(16,039,273)	(6,334,669)
<b>Other revenue</b>		
Other income	273	10,860
Interest income	42,306	50,584
Dividend income – listed investments	4,862,346	1,532,020
Exchange gain	–	125,402
Gain on disposal of property, plant and equipment	–	402,304
	4,904,925	2,121,170
<b>Total revenue</b>	(11,134,348)	(4,213,499)

## 5. SEGMENT INFORMATION

The Group has adopted *HKFRS 8* with effect from 1 January 2009. However the adoption of this Standard has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with *HKAS 14*.

For the purpose of internal reporting, the Group only has one business segment, namely, investments in listed and unlisted securities. 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 this only segment.

## Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue and (ii) the Group's non-current assets other than financial instruments ("specified non-current assets"). The geographical location from which the Group derives revenue is based on the location of the markets of the respective investments; and geographical location of the specified non-current assets is based on the physical location of the asset.

	Revenues		Specified non-current assets	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Hong Kong (place of domicile)	(16,853,305)	3,283,970	4,408,327	3,447,082
Taiwan	–	132	–	–
United States	928,332	(7,803,152)	–	–
Others	4,790,625	305,551	–	–
	5,718,957	(7,497,469)	–	–
	<u>(11,134,348)</u>	<u>(4,213,499)</u>	<u>4,408,327</u>	<u>3,447,082</u>

## 6. LOSS BEFORE TAXATION

	2009 HK\$	2008 HK\$
This is stated after charging (crediting):		
<b>Finance costs</b>		
Other borrowings wholly repayable within five years	171,838	2,106,966
Imputed interest expense from zero-coupon convertible notes	1,116,283	391,472
	<u>1,288,121</u>	<u>2,498,438</u>
<b>Staff costs</b>		
Employee benefits expense, excluding directors' remuneration	887,645	736,226
Contributions to defined contribution plans	31,400	26,701
	<u>919,045</u>	<u>762,927</u>

	2009 HK\$	2008 HK\$
This is stated after charging (crediting):		
<b>Other items</b>		
Auditors' remuneration	365,000	395,000
Depreciation	1,487,563	776,005
Exchange loss	24,071	–
Loss on disposal of a subsidiary	5,677,265	–
Operating leases in respect of:		
office premises	722,040	389,019
hire of machinery	48,308	63,432
	<u>                    </u>	<u>                    </u>
<b>Disclosures pursuant to Rule 21.12(1)(c) of the Listing Rules</b>		
Realised loss on disposal of listed investments	86,487,638	223,481,807
Unrealised (surplus) loss on listed investments	(2,849,767)	196,951,788
Unrealised (surplus) loss on unlisted investments	(609,764)	27,437,240
	<u>                    </u>	<u>                    </u>

## 7. TAXATION

Hong Kong Profits Tax has not been provided in the financial statements as companies within the Group incurred losses for taxation purpose for the years 2009 and 2008.

	2009 HK\$	2008 HK\$
Deferred taxation:		
Origination and reversal of temporary difference	485,653	–
Benefit of tax losses recognised	(485,653)	–
	<u>                    </u>	<u>                    </u>
Tax charge for the year	–	–
	<u>                    </u>	<u>                    </u>
<b>Reconciliation of tax expense</b>		
	2009 HK\$	2008 HK\$
Loss before taxation	(100,618,027)	(458,429,088)
	<u>                    </u>	<u>                    </u>
Income tax at applicable tax rate of 16.5% (2008: 16.5%)	(16,601,974)	(75,640,799)
Tax exempt revenue	(2,215,694)	(381,141)
Non-deductible expenses	1,489,499	54,976,193
Unrecognised tax losses	17,092,544	20,989,175
Utilisation of previously unrecognised tax losses	238,494	–
Unrecognised temporary difference	(2,869)	(20,257)
Others	–	76,829
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>

## 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\$100,618,027 (2008: HK\$458,429,088), a profit of HK\$54,491,138 (2008: loss of HK\$539,195,927) 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\$100,618,027 (2008: HK\$458,429,088) and the weighted average number of 113,679,062 (2008 as restated: 28,452,085) ordinary shares in issue during the year. The comparative amount of the basic loss per share for 2008 has been adjusted to reflect the impact of the share consolidation and the rights issue effected during the year.

As there were no dilutive potential ordinary shares, diluted loss per share for the year was the same as basic loss per share. In 2008, as there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares, diluted loss per share was the same as the basic loss per share.

# 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

## (a) Directors' emoluments

The aggregate amount of emoluments received or receivable by the Company's directors were as follows:

	Directors' fees HK\$	2009		Total HK\$
		Salaries, allowances and benefits in kind HK\$	Retirement scheme contributions HK\$	
<b>Executive directors</b>				
Kitchell Osman Bin	–	630,000	12,000	642,000
Davis Angela Hendricks	–	420,000	12,000	432,000
Choi Ka Wing	–	435,000	12,000	447,000
<b>Independent non-executive directors</b>				
Chung Kong Fei, Stephen	120,000	–	–	120,000
Tsang Wing Ki	120,000	–	–	120,000
Swartz Kristi Lynn	120,000	–	–	120,000
Ngai Wai Kin	120,000	–	–	120,000
	<u>480,000</u>	<u>1,485,000</u>	<u>36,000</u>	<u>2,001,000</u>
<b>2008</b>				
	Directors' fees HK\$	2008		Total HK\$
		Salaries, allowances and benefits in kind HK\$	Retirement scheme contributions HK\$	
<b>Executive directors</b>				
Kitchell Osman Bin	–	600,000	12,000	612,000
Chung Wilson	–	36,210	735	36,945
Davis Angela Hendricks	–	225,167	6,758	231,925
Choi Ka Wing	–	430,000	12,000	442,000
<b>Independent non-executive directors</b>				
Chung Kong Fei, Stephen	120,000	–	–	120,000
Tsang Wing Ki	120,000	–	–	120,000
Swartz Kristi Lynn	120,000	–	–	120,000
Ngai Wai Kin	52,903	–	–	52,903
	<u>412,903</u>	<u>1,291,377</u>	<u>31,493</u>	<u>1,735,773</u>

*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, three (2008: three) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the other two (2008: two) individuals are as follows:

	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
Salaries and other emoluments	680,000	628,226
Retirement scheme contributions	21,250	19,500
	<u>701,250</u>	<u>647,726</u>

Their emoluments were within the following band:

	<b>Number of employee</b> <b>2009</b>	<b>2008</b>
HK\$Nil to HK\$1,000,000	<u>2</u>	<u>2</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, no share options were granted to the directors. Details of the share option scheme are disclosed in note 22.

## 11. PROPERTY, PLANT AND EQUIPMENT

## (a) Group

	Leasehold improvements HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicle HK\$	Total HK\$
Reconciliation of carrying amount – year ended 31 December 2008					
At 1 January 2008	177,019	80,292	102,371	1,070,809	1,430,491
Additions	–	112,772	140,495	3,737,025	3,990,292
Disposals	(163,090)	(2,046)	(80,730)	(951,830)	(1,197,696)
Depreciation	(13,929)	(74,204)	(49,862)	(638,010)	(776,005)
At 31 December 2008	<u>–</u>	<u>116,814</u>	<u>112,274</u>	<u>3,217,994</u>	<u>3,447,082</u>
Reconciliation of carrying amount – year ended 31 December 2009					
At 1 January 2009	–	116,814	112,274	3,217,994	3,447,082
Additions	671,400	84,008	–	1,693,400	2,448,808
Depreciation	(18,650)	(77,220)	(51,940)	(1,339,753)	(1,487,563)
At 31 December 2009	<u>652,750</u>	<u>123,602</u>	<u>60,334</u>	<u>3,571,641</u>	<u>4,408,327</u>
At 1 January 2009					
Cost	–	424,069	278,121	3,737,025	4,439,215
Accumulated depreciation	–	(307,255)	(165,847)	(519,031)	(992,133)
	<u>–</u>	<u>116,814</u>	<u>112,274</u>	<u>3,217,994</u>	<u>3,447,082</u>
At 31 December 2009					
Cost	671,400	349,728	154,715	5,430,425	6,606,268
Accumulated depreciation	(18,650)	(226,126)	(94,381)	(1,858,784)	(2,197,941)
	<u>652,750</u>	<u>123,602</u>	<u>60,334</u>	<u>3,571,641</u>	<u>4,408,327</u>



## (b) Company

	Leasehold improvements HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Total HK\$
Reconciliation of carrying amount – year ended 31 December 2008				
At 1 January 2008	177,019	80,292	102,371	359,682
Additions	–	112,772	140,495	253,267
Disposals	(163,090)	(2,046)	(80,730)	(245,866)
Depreciation	(13,929)	(74,204)	(49,862)	(137,995)
	<u>–</u>	<u>116,814</u>	<u>112,274</u>	<u>229,088</u>
At 31 December 2008	<u>–</u>	<u>116,814</u>	<u>112,274</u>	<u>229,088</u>
Reconciliation of carrying amount – year ended 31 December 2009				
At 1 January 2009	–	116,814	112,274	229,088
Additions	671,400	84,008	–	755,408
Depreciation	(18,650)	(77,220)	(51,940)	(147,810)
	<u>652,750</u>	<u>123,602</u>	<u>60,334</u>	<u>836,686</u>
At 31 December 2009	<u>652,750</u>	<u>123,602</u>	<u>60,334</u>	<u>836,686</u>
At 1 January 2009				
Cost	–	424,069	278,121	702,190
Accumulated depreciation	–	(307,255)	(165,847)	(473,102)
	<u>–</u>	<u>116,814</u>	<u>112,274</u>	<u>229,088</u>
At 31 December 2009				
Cost	671,400	349,728	154,715	1,175,843
Accumulated depreciation	(18,650)	(226,126)	(94,381)	(339,157)
	<u>652,750</u>	<u>123,602</u>	<u>60,334</u>	<u>836,686</u>

## 12. INTERESTS IN SUBSIDIARIES

	Company 2009 HK\$	2008 HK\$
Unlisted shares, at cost		
At 1 January	33	41
Disposal	(8)	(8)
	<u>25</u>	<u>33</u>
At 31 December	<u>25</u>	<u>33</u>
Due from subsidiaries	656,031,144	620,228,479
Provision for doubtful debts	(377,271,207)	(459,691,814)
	<u>278,759,937</u>	<u>160,536,665</u>
Total	<u>278,759,962</u>	<u>160,536,698</u>

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

# APPENDIX I

# FINANCIAL INFORMATION OF THE GROUP

The following is a list of the details of the subsidiaries held by the Company at 31 December 2009:

Name of subsidiary	Place of incorporation and type of legal entity	Principal activities	Particulars of issued share capital	Proportion of nominal value of issued capital held by the Company	
				Directly	Indirectly
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	Investment holding	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%	–
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%

## 13. AVAILABLE-FOR-SALE INVESTMENTS

		Group 2009 HK\$	2008 HK\$
	Note		
Equity investment, at fair value			
Listed in Hong Kong		214,556,799	87,685,511
Equity investment, at cost			
Unlisted in Hong Kong		36,058,300	36,058,300
Impairment loss	13(b)	(30,058,300)	(25,656,549)
		6,000,000	10,401,751
Unlisted overseas		11,640,900	–
		17,640,900	10,401,751
Debt investment, unlisted in Hong Kong at fair value			
Loan and receivable portion		24,023,251	39,205,078
Embedded derivative		2,576,749	6,145,273
	13(c)	26,600,000	45,350,351
Total		258,797,699	143,437,613

- (a) As at 31 December 2009, the carrying amount of the Group's interest in the shares or underlying shares 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	Proportion of nominal value of issued capital held by the Group
China Public Healthcare (Holding) Limited	Cayman Islands	Hospital data evaluation analytics, hospital information technology system for medical data acquisition, processing and application system, mining of mineral resources and accessories in the People's Republic of China ("PRC"), radio trunking systems integration and provision of telemedia-related and other value-added telecommunication-related technical services	Ordinary share of HK\$0.01 each	2.65%
China Strategic Holdings Limited	Hong Kong	Manufacturing and trading of battery products and related accessories and investments in securities	Ordinary share of HK\$0.10 each	2.61%

- (b) Provision for diminution in value on unlisted equity investments

	Effective shareholding interest	Cost HK\$	Recoverable amount HK\$	Impairment loss HK\$	Classification of financial assets
(i) Hennabun Capital Group Limited ("Hennabun")	0.91%	31,000,000	6,000,000	25,000,000	Available-for-sale
(ii) Cosmedia Group Holdings Limited ("Cosmedia")	0.49%	5,058,300	–	5,058,300	Available-for-sale
		<u>36,058,300</u>	<u>6,000,000</u>	<u>30,058,300</u>	

- (i) Hennabun is a private company incorporated in British Virgin Island and is principally engaged in investment holding and its subsidiaries are engaged in securities trading, investment holding and provision of brokerage and financial services.

- (ii) Cosmedia is a private company incorporated in Cayman Islands and is principally engaged in business of advertising, media services and television home shopping.

The recoverable amount has been assessed by the directors with reference to latest available financial information of the investee companies.

- (c) The debt investments are unlisted convertible notes issued by listed companies in Hong Kong. At the end of the reporting period, the convertible notes were revalued by independent professional qualified valuers using the Trinomial Tree Pricing Model. The contractual maturity of the convertible notes is used as an input to this model.

	Issuer		Total
	GR Vietnam Holdings Limited	Rising Development Holdings Limited	
Principal amount	HK\$25,000,000	HK\$3,600,000	HK\$28,600,000
Date of maturity	15 November 2010	15 October 2011	
Volatility	137%	126%	
Risk-free interest rate (with reference to Hong Kong Exchange Fund Note)	0.187%	0.237%	
<b>Fair value at 31 December 2009</b>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Loan component	21,625,202	2,398,049	24,023,251
Embedded derivative	1,374,798	1,201,951	2,576,749
	<u>23,000,000</u>	<u>3,600,000</u>	<u>26,600,000</u>

#### 14. INVESTMENTS HELD FOR TRADING

	Group		Company	
	2009 <i>HK\$</i>	2008 <i>HK\$</i>	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Equity investment				
Listed in Hong Kong	18,340,802	6,097,069	–	303,800
Listed overseas	10,807,830	20,625,338	10,807,830	13,004,731
	<u>29,148,632</u>	<u>26,722,407</u>	<u>10,807,830</u>	<u>13,308,531</u>

## 15. INVESTMENTS PORTFOLIO

Pursuant to the requirements stipulated in Rule 21.12 of the Listing Rules, the Group discloses:

- (a) provision for diminution in value on other investments as disclosed in note 13(b); and
- (b) its ten largest investments with brief description of the investee companies as follows:

**Top ten investments****2009**

Name of investee company	Number of shares held	Effective shareholding interest	Cost/carrying value up to 31 December 2009 HK\$	Market value/fair value as at 31 December 2009 HK\$	Unrealised holding gain (loss) arising on revaluation HK\$	Dividends received/receivable during the year HK\$	Classification of financial assets
(i) China Public Healthcare (Holding) Limited	285,000,000	2.65%	58,895,000	60,420,000	1,525,000	-	Available-for-sale
(ii) China Strategic Holdings Limited	96,666,666	2.61%	26,711,866	54,133,333	27,421,467	-	Available-for-sale
(iii) GR Vietnam Holdings Limited (unlisted convertible bonds)	Not applicable	Not applicable	17,991,016	23,000,000	5,008,984	-	Available-for-sale
(iv) Poly Development Holdings Limited	28,456,000	1.43%	7,825,400	21,911,120	14,085,720	-	Available-for-sale
(v) G-Resources Group Limited	41,216,352	0.29%	32,480,857	20,196,013	(12,284,844)	-	Available-for-sale
(vi) China Sci-Tech Holdings Limited	63,891,645	2.01%	14,920,211	15,653,453	733,242	-	Available-for-sale
(vii) China Chief Cable TV Group Limited	28,125,000	1.50%	9,421,875	14,906,250	5,484,375	-	Available-for-sale
(viii) LIC Opportunities Fund (Cayman) Limited	Not applicable	Not applicable	11,640,900	Not applicable	-	-	Available-for-sale
(ix) Pacific Century Regional Developments Limited	11,000,000	0.36%	8,192,800	10,807,830	2,615,030	4,793,042	Held for trading
(x) G-Prop (Holdings) Limited	27,000,000	1.11%	10,071,000	8,235,000	(1,836,000)	-	Available-for-sale

## 2008

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

- (i) China Public Healthcare (Holding) Limited (“C Public Health”) was incorporated in Cayman Islands and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8116). C Public Health is principally engaged in hospital data evaluation analytics, hospital information technology system for medical data acquisition, processing and application system, mining of mineral resources and accessories in the People’s Republic of China, radio trunking systems integration and provision of telemedia-related and other value-added telecommunication-related technical services. For the financial year ended 31 December 2009, the audited consolidated loss from continuing operations attributable to equity holders of C Public Health was HK\$357,796,000 with basic loss per share from continuing operations of HK7.05 cents. As at 31 December 2009, its audited consolidated net assets of C Public Health was HK\$727,437,000.
- (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 manufacturing and trading of battery products and related accessories and investment in securities. For the financial year ended 31 December 2008, the audited consolidated loss attributable to equity holders of China Strategic was HK\$452,365,000 with basic loss per share of HK\$0.23. As at 31 December 2008, its audited consolidated net assets was HK\$349,098,000.
- (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 2009, the audited consolidated loss attributable to equity holders of GR Vietnam was HK\$280,707,000 with basic loss per share of HK\$9.94 cents. As at 31 March 2009, its audited consolidated net assets was HK\$214,536,000.

- (iv) Poly Development Holdings Limited (“Poly Development”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1141). Poly Development is principally engaged in supply and procurement business operations and securities investment. During the financial year of 2009, Poly Development has expanded the business scope of its supply and procurement business into commodities of fuel, metal minerals and recycled metal materials. For the financial year ended 31 March 2009, the audited consolidated loss attributable to equity holders of Poly Development was HK\$4,907,000 with basic and diluted loss per share of HK0.40 cents. As at 31 March 2009, its audited consolidated net assets was HK\$228,033,000.
- (v) G-Resources Group Limited (“G-Resources”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1051). G-Resources is principally engaged in gold and related metals mining business. For the financial year ended 30 June 2009, the audited consolidated loss from continuing operations and discontinued operation attributable to equity holders of G-Resources was HK\$153,287,000 and HK\$10,997,000 respectively with basic and diluted loss per share from continuing and discontinued operations of HK38.4 cents. As at 30 June 2009, its audited consolidated net assets was HK\$497,117,000.
- (vi) China Sci-Tech Holdings Limited (“China Sci-Tech”) was incorporated in Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 985). China Sci-Tech is principally engaged in investment in financial instruments and property investment. For the financial year ended 31 March 2009, the audited consolidated loss attributable to equity holders of China Sci-Tech was HK\$366,522,000 with basic and diluted loss per share of HK69.07 cents. As at 31 March 2009, its audited consolidated net assets was HK\$2,123,686,000.
- (vii) China Chief Cable TV Group Limited (“CCC TV”) was incorporated in Bermuda and the shares of which are listed on Growth Enterprise Market of the Stock Exchange (stock code: 8153). CCC TV is principally engaged in provision of pre-mastering and other media services, audiovisual playout services in Hong Kong, development of digital TV system platform and program database, sales and rental of set-top boxes, design and manufacture digital TV equipment and facilities in PRC. For the financial year ended 31 March 2009, the audited consolidated loss attributable to equity holders of CCC TV was HK\$283,421,000 with basic loss per share of HK33.65 cents. As at 31 March 2009, its audited consolidated net assets was HK\$295,535,000.
- (viii) LIC Opportunities Fund (Cayman) Limited (“LIC Opportunities Fund”) was an open-ended fund at issue price of US\$1,000 per unit and Fortis Prime Fund Solutions (Cayman) Limited and Fortis Prime Fund Solutions (Asia) Limited is the administrator and sub-administrator of the LIC Opportunities Fund respectively. The strategy of LIC Opportunities Fund is to achieve absolute returns through a multi-strategy approach towards investments. Investments of LIC Opportunities Fund would primarily focus in Asia-Pacific equity market.
- (ix) 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. For the financial year ended 31 December 2008, the audited consolidated profit from continuing operations attributable to equity holders of Pacific Century was SG\$32,369,000 with basic and diluted earnings per share of SG1.05 cents. As at 31 December 2008, its audited consolidated net assets was SG\$12,078,000.
- (x) G-Prop (Holdings) Limited (“G-Prop”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 286). G-Prop is principally engaged in the business of property investments and investment and finance. For the financial year ended 31 December 2009, the audited consolidation profit attributable to equity holders of G-Prop was HK\$11,788,000 with basic and diluted earnings per share of HK0.53 cents. As at 31 December 2009, its audited consolidated net assets was HK\$481,577,000.

## 16. OTHER RECEIVABLES

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Deposits and prepayments	377,405	367,633	365,348	367,262
Other receivables	23	6,861,330	23	6,482,833
	<u>377,428</u>	<u>7,228,963</u>	<u>365,371</u>	<u>6,850,095</u>

## 17. INTEREST-BEARING BORROWINGS, UNSECURED

The amounts in 2008 represented loans from third parties which were unsecured, bore interests at prime rate and repayable within one year.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2009 HK\$	2008 HK\$
Forward contracts		
Listed equity investments	<u>—</u>	<u>5,887,591</u>

## 19. ZERO-COUPON CONVERTIBLE NOTES

On 8 October 2008, the Company entered into settlement deeds with two short-term loan lenders pursuant to which convertible notes with a principal amount of HK\$38,000,000 (the “Convertible Notes”) were issued on 26 November 2008 to settle HK\$38,000,000 outstanding loan principal. The Convertible Notes are non-interest bearing with maturity date on 25 November 2011. The holders of the Convertible Notes shall have the right to convert whole or any part of the Convertible Notes on any business day at any time on or after 26 November 2008 up to and including 18 November 2011 (7 days before and excluding the maturity date on 25 November 2011), into ordinary share of the Company at an initial conversion price of HK\$0.132, subject to adjustments for dilutive events throughout the conversion period. The conversion price was adjusted from HK\$0.132 to HK\$0.114 with effect from 3 April 2009 as a result of completion of the right issue.

On initial recognition, the fair value of the liability component of Convertible Notes is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the Convertible Notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the Convertible Notes into equity, is included in equity (convertible notes reserve).

On 24 February 2009, the Company received a conversion notice from the notes holder in respect of the exercise of the conversion rights attached to the Convertible Notes in the principal amount of HK\$18,000,000 at the initial conversion price of HK\$0.132 and the Company issued a total of 136,363,636 shares.

On 7 April 2009, the Company received a conversion notice from the notes holder in respect of the exercise of the conversion rights attached to the Convertible Notes in the principal amount of HK\$20,000,000 at the adjusted conversion price of HK\$0.114 and the Company issued a total of 175,438,596 shares.

As a result, all Convertible Notes had been converted to ordinary shares of the Company during the year.



The movement of the liability component of the Convertible Notes for the year ended 31 December 2009 is set out below:

	<b>Group and Company</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
At 1 January	15,722,690	–
Issue of Convertible Notes	–	15,331,218
Imputed interest expense included in finance costs	1,116,283	391,472
Exercise of conversion rights	(16,838,973)	–
<b>At 31 December</b>	<b>–</b>	<b>15,722,690</b>

## 20. SHARE CAPITAL

	<i>Note</i>	<b>Number of ordinary shares of HK\$0.1 each</b>	<b>Nominal value HK\$</b>
<b>Authorised:</b>			
<b>At 31 December 2008, 1 January 2009 and 31 December 2009</b>		<b>20,000,000,000</b>	<b>2,000,000,000</b>
<b>Issued and fully paid:</b>			
At 1 January 2008		3,131,595,629	313,159,563
Capital reduction		–	(281,843,606)
Share consolidation		(2,818,436,058)	–
Rights issue		1,565,797,810	156,579,781
Share repurchase		(11)	(1)
Capital reduction		–	(150,316,590)
Share consolidation		(1,503,165,896)	–
<b>At 31 December 2008 and 1 January 2009</b>		<b>375,791,474</b>	<b>37,579,147</b>
Conversion of convertible notes	(i) & (iii)	311,802,232	31,180,223
Rights issue	(ii)	512,155,110	51,215,511
Share repurchase	(iv)	(6)	(1)
Placement of shares	(v)	239,000,000	23,900,000
Capital reduction	(vi)(a) (c)	–	(129,487,392)
Share consolidation	(vi)(b)	(1,294,873,929)	–
<b>At 31 December 2009</b>		<b>143,874,881</b>	<b>14,387,488</b>

*Notes:*

- (i) On 24 February 2009, convertible notes in principal amount of HK\$18,000,000 was converted into 136,363,636 ordinary share of HK\$0.10 each of the Company at the conversion price of HK\$0.132.
- (ii) At the extraordinary general meeting of the Company held on 13 March 2009, an ordinary resolution was passed for the issue of 512,155,110 rights shares at a price of HK\$0.10 each to qualifying shareholders on the basis of one rights share for every share held on 13 March 2009. The rights shares were issued on 6 April 2009.
- (iii) On 7 April 2009, convertible notes in principal amount of HK\$20,000,000 was converted into 175,438,596 ordinary shares of HK\$0.10 each of the Company at the conversion price of HK\$0.114.
- (iv) On 5 May 2009, the Company repurchased 6 shares at a market price of HK\$0.088 per share. The title documents of all repurchased shares were cancelled and destroyed on 8 May 2009.
- (v) On 12 June 2009, the Company entered into a placing agreement with a placing agent to place 239,000,000 ordinary shares of HK\$0.10 per placing share. The placing was completed on 22 June 2009.
- (vi) At the extraordinary general meeting of the Company held on 8 June 2009, 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 31 July 2009 and become effective after 4:00 p.m. on 5 August 2009, 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 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. As a result, the adjusted share capital of the Company became HK\$14,387,488 consisting of 143,874,881 ordinary shares of HK\$0.10 each; and
  - (c) the credit amount of HK\$129,487,392 arising from the capital reduction referred to in note (vi)(a) was credited to the capital reduction reserve account of the Company. The amounts in the capital reduction reserve 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, capital reduction reserve of HK\$129,487,392 had been applied to set off against accumulated losses pursuant to the capital reorganisation.

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

# APPENDIX I

# FINANCIAL INFORMATION OF THE GROUP

## 21. RESERVES

### (a) Group

	2009					
	Share premium HK\$	Convertible notes reserve HK\$	Investment revaluation reserve HK\$	Capital reduction reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2009	264,500,318	22,668,782	(119,497,731)	346,585,489	(398,385,153)	115,871,705
Conversion of convertible notes	8,327,532	(22,668,782)	–	–	–	(14,341,250)
Creation of capital reduction reserve pursuant to the capital reorganisation	–	–	–	129,487,392	–	129,487,392
Capital reduction reserve set off against accumulated losses pursuant to the capital reorganisation	–	–	–	(129,487,392)	129,487,392	–
Share issue expenses	(3,381,087)	–	–	–	–	(3,381,087)
Change in fair value of available-for-sale investments	–	–	80,259,057	–	–	80,259,057
Transfer to profit or loss upon impairment of available-for-sale investments	–	–	4,401,751	–	–	4,401,751
Transfer to profit or loss upon disposal of available-for-sale investments	–	–	70,448,365	–	–	70,448,365
Loss for the year	–	–	–	–	(100,618,027)	(100,618,027)
<b>At 31 December 2009</b>	<b>269,446,763</b>	<b>–</b>	<b>35,611,442</b>	<b>346,585,489</b>	<b>(369,515,788)</b>	<b>282,127,906</b>
	2008					
	Share premium HK\$	Convertible notes reserve HK\$	Investment revaluation reserve HK\$	Capital reduction reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2008	238,377,755	–	(109,205,610)	89,584,797	(115,115,569)	103,641,373
Creation of capital reduction reserve pursuant to the capital reorganisation	–	–	–	432,160,196	–	432,160,196
Capital reduction reserve set off against accumulated losses pursuant to the capital reorganisation	–	–	–	(175,159,504)	175,159,504	–
Issues of shares under rights issue	31,315,956	–	–	–	–	31,315,956
Share issue expenses	(5,193,393)	–	–	–	–	(5,193,393)
Issue of convertible notes	–	22,668,782	–	–	–	22,668,782
Change in fair value of available-for-sale investments	–	–	(407,120,736)	–	–	(407,120,736)
Transfer to profit or loss upon impairment of available-for-sale investments	–	–	179,681,477	–	–	179,681,477
Transfer to profit or loss upon disposal of available-for-sale investments	–	–	217,147,138	–	–	217,147,138
Loss for the year	–	–	–	–	(458,429,088)	(458,429,088)
<b>At 31 December 2008</b>	<b>264,500,318</b>	<b>22,668,782</b>	<b>(119,497,731)</b>	<b>346,585,489</b>	<b>(398,385,153)</b>	<b>115,871,705</b>

## (b) Company

	2009					
	Share premium HK\$	Convertible notes reserve HK\$	Investment revaluation reserve HK\$	Capital reduction reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2009	264,500,318	22,668,782	–	346,585,489	(517,882,861)	115,871,728
Conversion of convertible notes	8,327,532	(22,668,782)	–	–	–	(14,341,250)
Creation of capital reduction reserve pursuant to the capital reorganisation	–	–	–	129,487,392	–	129,487,392
Capital reduction reserve set off against accumulated losses pursuant to the capital reorganisation	–	–	–	(129,487,392)	129,487,392	–
Share issue expenses	(3,381,087)	–	–	–	–	(3,381,087)
Profit for the year	–	–	–	–	54,491,138	54,491,138
<b>At 31 December 2009</b>	<b>269,446,763</b>	<b>–</b>	<b>–</b>	<b>346,585,489</b>	<b>(333,904,331)</b>	<b>282,127,921</b>
	2008					
	Share premium HK\$	Convertible notes reserve HK\$	Investment revaluation reserve HK\$	Capital reduction reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2008	238,377,755	–	(70,639,357)	89,584,797	(153,846,438)	103,476,757
Creation of capital reduction reserve pursuant to the capital reorganisation	–	–	–	432,160,196	–	432,160,196
Capital reduction reserve set off against accumulated losses pursuant to the capital reorganisation	–	–	–	(175,159,504)	175,159,504	–
Issues of shares under rights issue	31,315,956	–	–	–	–	31,315,956
Share issue expenses	(5,193,393)	–	–	–	–	(5,193,393)
Issue of convertible notes	–	22,668,782	–	–	–	22,668,782
Transfer to profit or loss on disposal of available-for-sale investments	–	–	70,639,357	–	–	70,639,357
Loss for the year	–	–	–	–	(539,195,927)	(539,195,927)
<b>At 31 December 2008</b>	<b>264,500,318</b>	<b>22,668,782</b>	<b>–</b>	<b>346,585,489</b>	<b>(517,882,861)</b>	<b>115,871,728</b>

Under the Companies Law of the Cayman Islands, share premium and capital reduction reserve subject to the Company's memorandum and article of association of the Company is distributable to the shareholders, which is subject to a solvency test. The Company had a distributable reserve of HK\$282,127,921 as at 31 December 2009 (2008: HK\$115,871,728).

## 22. SHARE OPTION SCHEME

The Company adopted a new share option scheme (the "Option Scheme") on 2 May 2003. Unless otherwise cancelled or amended subject to resolution passed at an extraordinary general meeting of the Company, the Option Scheme will remain in force for 10 years from the date of adoption. Under the Option Scheme, the Directors 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. Eligible participants of the Option Scheme include any directors and employee of any members of the Group or any invested entities, any consultant, adviser or agent engaged by any member of the Group or any invested entities and any vendor, supplier of goods or services or customer of or to any member of the Group or invested entities.

The total number of shares to be issued under the Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any eligible individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any directors' of the Company, substantial shareholders or any of his or her associates in any one year is not permitted: (i) to exceed 0.1% of the shares of the Company in issue at any point in time; and (ii) to have an aggregate value based on the official closing price of the Company's share as stated in the daily quotation sheets of the Stock Exchange on the date of grant in excess of HK\$5 million, without prior approval from the Company's shareholders.

Under the Option Scheme, the options granted may be accepted within 28 days from the date of offer upon payment of HK\$1 by way of consideration for the grant thereof by the grantee. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share option is granted. The exercise price is determined by the directors of the Company, but in any event shall not less than the highest of: (i) the official closing price of the Company's share as stated in the daily quotation sheets of the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's share as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options were granted, lapsed, exercised or expired under the Option Scheme during the financial years of 2008 and 2009.

### 23. CHARGE OF ASSETS AND MARGIN FACILITIES

As at 31 December 2009, margin facilities from several regulated 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 2009, a total amount of HK\$2,250,809 (2008: HK\$Nil) had been utilised against these facilities and the total carrying amount of the available-for-sale investments and investments held for trading charged to the securities brokers is HK\$270,305,431 (2008: HK\$106,759,551).

The margin facilities granted by one of the brokers constituted continuing connected transactions under the Listing Rules and the relevant disclosures are made in the Directors' Report of this annual report.

### 24. DEFERRED TAXATION

#### Recognised deferred tax assets (liabilities) of the Group

	Assets		Liabilities	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Depreciation allowances	–	–	485,653	–
Tax losses	485,653	–	–	–
	<u>485,653</u>	<u>–</u>	<u>485,653</u>	<u>–</u>
Deferred tax assets (liabilities)	485,653	–	(485,653)	–
Offset deferred tax assets and liabilities	(485,653)	–	485,653	–
	<u>(485,653)</u>	<u>–</u>	<u>485,653</u>	<u>–</u>
<b>Net deferred tax assets (liabilities)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Unrecognised deferred tax assets arising from

	2009 HK\$	2008 HK\$
Deductible temporary differences	17,964	35,352
Tax losses	635,831,010	245,449,570
	<u>635,848,974</u>	<u>245,484,922</u>
<b>At 31 December</b>	<b><u>635,848,974</u></b>	<b><u>245,484,922</u></b>

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.

## 25. CASH (USED IN) GENERATED FROM OPERATIONS

	2009 HK\$	2008 HK\$
Loss before taxation	(100,618,027)	(458,429,088)
Depreciation	1,487,563	776,005
Gain on disposals of property, plant and equipment	–	(402,304)
Change in fair value of listed investments classified under investments held for trading	(2,849,767)	38,819,960
(Reversal of) Impairment on unlisted debt investments classified under available-for-sale investments	(5,011,515)	19,549,649
Impairment of unlisted equity investments classified under available-for-sale investments	4,401,751	2,000,000
Impairment of listed investments classified under available-for-sale investments	–	158,131,828
Realised loss on disposal of listed investments classified under available-for-sale investments	70,448,365	217,147,138
Interest income	(42,306)	(50,584)
Interest expenses	1,288,121	2,498,438
Dividend income	(4,862,346)	(1,532,020)
Loss on disposal of a subsidiary	5,677,265	–
Change in working capital:		
Investments held for trading	(7,213,723)	85,007,274
Other receivables	6,851,535	(2,008,933)
Other payables and accruals	2,055,313	(299,756)
Derivative financial instruments	(5,887,591)	629,778
<b>Cash (used in) generated from operations</b>	<b><u>(34,275,362)</u></b>	<b><u>61,837,385</u></b>

**26. DISPOSAL OF A SUBSIDIARY**

	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
Net assets disposed of:		
Investments	7,637,265	–
Net assets disposal of	7,637,265	–
Total consideration received, satisfied by cash	(1,960,000)	–
Loss on disposal of a subsidiary	5,677,265	–

**27. OPERATING LEASE COMMITMENTS**

At 31 December 2009 and 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases, which are payable as follows:

	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
Within one year	346,616	940,130
In the second to fifth years (both years inclusive)	320,380	312,580
	666,996	1,252,710

**28. CONTINGENT LIABILITIES****Financial guarantee issued**

The Company had corporate guarantee for securities trading account maintained by one of its subsidiaries with a broker, which were unutilised (2008: HK\$Nil) at the year end date.

The Company has not recognised any deferred income for the corporate guarantee given in respect of the securities trading facilities for subsidiaries as their fair value cannot be reliably measured and their transactions price were zero.

The directors do not consider probable that a claim will be made against the Company under any of the guarantee at 31 December 2009 and 2008.

**29. RELATED PARTY TRANSACTIONS****Compensation of key management personnel of the Group**

	<b>2009</b> <i>HK\$</i>	<b>2008</b> <i>HK\$</i>
Short-term benefits	1,485,000	1,291,377
Post-employment benefits	36,000	31,493
	1,521,000	1,322,870

Further details of directors' emoluments are included in note 10(a).

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's major financial instruments include equity investments, other receivables and other payables. 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 utilisation of margin facilities of securities brokers.

At 31 December 2009 and 2008, if interest rates had been 200 basis point higher/lower and all other variables were held constant, the effect on the Group's net loss would be minimal.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 200 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual report date. The analysis is performed on the same basis for 2008.

*Foreign currency risk*

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

At 31 December 2009, 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\$540,000 (2008: approximately HK\$937,000) 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 end of reporting period 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 particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual report date. 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 2008.



*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 obtaining various borrowings or carrying out fund raising activities. The maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted payments are summarised below:

## (a) Group

	On demand HK\$	Less than 3 months HK\$	2009 4-12 months HK\$	1-3 years HK\$	Total HK\$
Other payables and accruals	2,575,834	–	–	–	2,575,834
	<u>2,575,834</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,575,834</u>
	On demand HK\$	Less than 3 months HK\$	2008 4-12 months HK\$	1-3 years HK\$	Total HK\$
Interest-bearing borrowings, unsecured	–	9,500,000	–	–	9,500,000
Other payables and accruals	520,521	–	–	–	520,521
Derivative financial instruments:					
Listed equity investments forward contracts	–	7,568,242	3,477,826	–	11,046,068
Convertible notes	–	–	–	38,000,000	38,000,000
	<u>520,521</u>	<u>17,068,242</u>	<u>3,477,826</u>	<u>38,000,000</u>	<u>59,066,589</u>

## (b) Company

	On demand HK\$	Less than 3 months HK\$	2009 4-12 months HK\$	1-3 years HK\$	Total HK\$
Other payables and accruals	286,025	–	–	–	286,025
	<u>286,025</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>286,025</u>
	On demand HK\$	Less than 3 months HK\$	2008 4-12 months HK\$	1-3 years HK\$	Total HK\$
Interest-bearing borrowings, unsecured	–	9,500,000	–	–	9,500,000
Other payables and accruals	448,021	–	–	–	448,021
Derivative financial instruments:					
Listed equity investments forward contracts	–	7,568,242	3,477,826	–	11,046,068
Convertible notes	–	–	–	38,000,000	38,000,000
	<u>448,021</u>	<u>17,068,242</u>	<u>3,477,826</u>	<u>38,000,000</u>	<u>58,994,089</u>

*Price risk*

Certain of the Group's available-for-sale investments and investments held for trading are measured at fair value at each reporting period. Therefore, the Group is exposed to 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\$1,457,000 (2008: decrease/increase by approximately HK\$1,336,000).

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\$12,940,000 (2008: increase/decrease by approximately HK\$7,172,000). The Group's sensitivity to equity price has not changed significantly from the prior year.

**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 2009 and 2008.

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 end of reporting period were as follows:

	2009 HK\$	2008 HK\$
Interest-bearing borrowings, unsecured	–	9,500,000
Convertible notes – liability portion	–	15,722,690
Other payables	2,250,809	–
Less: Cash balance maintained with a broker	(23)	(6,861,330)
Less: Bank balances and cash	(6,359,142)	(4,245,589)
Net (receivable)/debt	(4,108,356)	14,115,771
Total equity	296,515,394	153,450,852
Add: Net unrealised reserves	(35,611,442)	119,497,731
Adjusted capital	260,903,952	272,948,583
<b>Debt-to-adjusted capital ratio</b>	<b>Not applicable</b>	<b>5%</b>

**Fair value**

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

The fair value of listed securities included in 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.

**Fair value disclosures**

The following presents the carrying value of financial instruments measured at fair value at 31 December 2009 across the three levels of the fair value hierarchy defined in *HKFRS 7, Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

**Assets measured at fair value**

	<b>31 December 2009 HK\$</b>	<b>Level 1 HK\$</b>	<b>Level 2 HK\$</b>	<b>Level 3 HK\$</b>
Investments held for trading				
Listed equity investment	29,148,632	29,148,632	–	–
Available-for-sale				
Investments				
Listed equity investments	214,556,799	214,556,799	–	–
Unlisted debit investments	26,600,000	–	26,600,000	–
	<u>270,305,431</u>	<u>243,705,431</u>	<u>26,600,000</u>	<u>–</u>

During the year ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

**31. EVENTS AFTER THE YEAR END**

On 5 January 2010, the Company and Kingston Securities Limited entered into a placing agreement pursuant to which Kingston Securities Limited had conditionally agreed to place an aggregate of 28,770,000 placing shares at a price of HK\$0.38 per placing share. The placing was completed on 14 January 2010.

On 15 January 2010, 11,995,000 share options were granted to qualified grantees under the share option scheme of the Company at an exercise price of HK\$0.42 per share. These share options were fully exercised on 18 January 2010.

On 7 September 2009, the Company and Get Nice Securities Limited entered into a placing agreement pursuant to which Get Nice Securities Limited had conditionally agreed to place an aggregate of 100,000,000 placing shares at a price of HK\$0.38 per placing share. The placing was completed on 19 February 2010.

Pursuant to the Company's announcement dated 4 March 2010, the Company and Get Nice Securities Limited entered into an underwritten agreement on 2 March 2010 pursuant to which the Company proposed to raise approximately HK\$85.39 million before expenses by way of a rights issue of issuing 569,279,762 rights shares at a price of HK\$0.15 per rights share on the basis of two rights shares for every share held on the record date by the qualifying shareholder(s).

**3. INDEBTEDNESS**

At the close of business on 28 February 2010, 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\$2,285,000, representing the margin financing facilities obtained from regulated securities dealers.

The Group has pledged its investments held for trading and available-for-sale investments, which are approximately HK\$274,440,000, to secure margin financing facilities obtained from regulated securities dealers. As at 28 February 2010, these facilities have been utilised up to the extent of HK\$2,285,000.

**Contingent liabilities**

As at 28 February 2010, the Group had no material contingent liabilities.

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, at the close of business 28 February 2010, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantee or other material liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**4. 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 at least the next twelve months from the date of this circular.

**5. 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 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**6. BUSINESS REVIEW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009****Operation Review**

The Company is an investment company listed under Chapter 21 of the Listing Rules. Its principal activities remain engaging in listed and unlisted investments in Hong Kong and in 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\$100,618,027 for the year ended 31 December 2009 (the "Year") (2008: HK\$458,429,088). The decrease in net loss was mainly attributable to decrease in realised loss on disposal of its listed available-for-sale investments; impairment of its listed and unlisted available-for-sale investments and unrealised loss on revaluation of its listed investments held for trading, all of which were as a result of improvement in equity market in Hong Kong. Loss per Share was HK\$0.89 (2008 as restated: HK\$16.11).

Given the continuous volatile market condition since out-break of the global financial tsunami and slowdown of United States economy at the end of 2008, the listed investments held for trading of the Group has suffered and posted realised losses of approximately HK\$16 million (2008: approximately HK\$6 million), while the listed available-for-sale investments reported realised losses of approximately HK\$71 million (2008: approximately HK\$217 million). During the Year, the Board was focus more on listed equity and unlisted debt securities in Hong Kong. The Company entered into a sale and purchase agreement with an independent third party to dispose its subsidiary, Runway Group Limited, at a consideration of HK\$1,960,000 so as to cease its investment in Taiwan through the disposed subsidiary. The Group also disposed all listed securities investments in United States during the year. The Company keep caution in identifying any investment opportunities to achieve medium-term or long-term capital appreciation.

Going forward, the Board would maintain diversified investment portfolio to cover a wide range of industries and sectors, including, but not limited to, companies engaged in securities investment, trading, information technologies, media, electronic products and property investment etc.

**Liquidity, Capital Resources and Capital Structure**

The consolidated net asset value per share of the Company as at 31 December 2009 was HK\$2.06 (2008: HK\$0.41). The consolidated net asset value per Share is calculated based on the net assets of the Group of HK\$296,515,394 (2008: HK\$153,450,852) as at 31 December 2009 and 143,874,881 issued shares of the Company as at that date (2008: 375,791,474 shares).

As at 31 December 2009, the Group's gearing ratio was 0.86% (2008: 17.09%), which is calculated based on the Group's total liabilities divided by its total assets. As at 31 December 2009, the Group did not have any unsecured, interest bearing short-term borrowings (2008: HK\$9,500,000) and the retained cash of HK\$6,359,142 (2008: HK\$4,245,589). 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 was financed by its shareholders' funds and internally generated funds. As at 31 December 2009, the Group had shareholders' funds of HK\$296,515,394 (2008: HK\$153,450,852). During the Year, the Company completed a rights issue on a one for one basis in April 2009, 512,155,110 rights shares were issued at a price of HK\$0.10 per rights share with net proceeds of approximately HK\$48.2 million. The Company also completed a share placement for 239,000,000 new shares at a price of HK\$0.10 per share in June 2009, raising further net proceeds of approximately HK\$23.3 million to enhance its capital structure and to promote greater financial flexibility for seizing appropriate investment opportunities as they arisen.

All zero-coupon convertible notes with an aggregate principal amount of HK\$38 million issued by the Company in 2008 had been converted to 311,802,232 ordinary shares of the Company during the Year.

On 8 June 2009, a special resolution was passed by the Shareholders at the extraordinary general meeting of the Company to approve capital reorganisation including reduction of capital and share consolidation of ten reduced shares into one adjusted share. The capital reduction was approved by the Grand Court of the Cayman Islands on 31 July 2009, pursuant to which an aggregate credit amount of HK\$129,487,392 arose was utilised to set-off against the accumulated losses of the Company for the year ended 31 December 2008.

## **7. FINANCIAL AND TRADING PROSPECTS**

If 2008 was "Annus Horribilis" to many investors, 2009 turned out to be a surprising "Annus Mirabilis" for the global capital markets. At the beginning of 2009, the state of the world economy certainly looked precarious, as the global banking system was under stress, which threatened the G7 countries with a full-blown protracted synchronised recession unseen for many years. Even China was not immune against the global economic downturn, as its export-oriented economy began to show signs of sharp slowdown in growth. These have led to a concerted effort by the governments of the major western countries, led by the United States ("US"), in re-inflating their economies in order to lessen the pains of recessions.

Pickups in commodity prices have helped many developing countries in 2009, as consumption returned compared to 2008. The Baltic Dry Index has also experienced dramatic rise in 2009, led by strong commodity price and Chinese demand. Yet, commodity prices during the Year in general have been relatively docile compared to the record levels of 2008, enabling the central banks to be less concerned with cost-push inflation and focus on unfreezing the credit crunch and job creation.

The US, Europe, Japan and China all relaxed their money supply as well as lower interest rates in a concerted effort to avoid a credit crunch. Fiscal stimuli were also deployed to boost spending as the US stepped in with tax cuts and spending programs in an attempt to break arguably the worst recession since the Great Depression of the 1930s. All these have helped the economies to stabilise and stock markets in the world experienced strong rebounds since March 2009.

On the other hand, it is still early to say that the global economy is completely out of trouble. The US economy has been undergoing deleveraging and recovery is likely to be mild with high risk of “double dip” as money supply growth is reduced. Europe has to face the fiscal excesses of the PIGS countries (acronym for Portugal, Italy, Greece and Spain) and the forthcoming adjustments will be painful for all parties concerned.

Going forward, the Group will continue to look for appropriate investment opportunities to expand and diversify its portfolio, with continuing special consideration towards the challenges of the global economy. In addition the Group will also consider fundraising to strengthen its asset base.

# 1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

## Introduction

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the proposed rights issue on the basis of two rights shares for every share held on the record date ("Rights Issue") on the audited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 December 2009.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net assets of the Group as at 31 December 2009, as extracted from the published annual report of the Group for the year ended 31 December 2009 set out in Appendix I to this circular, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2009 <i>(Note 2)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 3)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue <i>HK\$'000</i>	Audited consolidated net tangible assets per share attributable to the owners of the Company as at 31 December 2009 <i>(Note 4)</i> <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the owners of the Company after completion of the Rights Issue <i>(Note 5)</i> <i>HK\$</i>
Rights Issue of 569,279,762 Rights Shares <i>(Note 1)</i>	296,516	81,260	377,776	2.061	0.442



*Notes:*

1. The issue of 569,279,762 Rights Shares under the Rights Issue is based on the number of issued Shares as at the Latest Practicable Date. Details of the movement in number of Shares from 31 December 2009 up to the Latest Practicable Date is as follows:

	<i>Number of Shares</i>
As at 31 December 2009	143,874,881
Placing of Shares on 14 January 2010	28,770,000
Exercise of share options on 18 January 2010	11,995,000
Placing of Shares on 19 February 2010	100,000,000
	<hr/>
As at the Latest Practicable Date	284,639,881
	<hr/>

2. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2009 is arrived at based on the published annual report of the Company for the year ended 31 December 2009 as set out in Appendix I to this circular.
3. The estimated net proceeds from the Rights Issue is calculated based on 569,279,762 Rights Shares to be issued at the Subscription Price of HK\$0.15 per Rights Share, after deduction of the estimated related expenses of approximately HK\$4,130,000.
4. The number of Shares used for the calculation of audited consolidated net tangible assets per Share as at 31 December 2009 and prior to the completion of the Rights Issue is based on 143,874,881 Shares in issue as at 31 December 2009.
5. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company after the completion of the Rights Issue is calculated based on 853,919,643 Shares in issue upon completion of the Rights Issue, which represents the 284,639,881 Shares in issue as at the Latest Practicable Date and 569,279,762 Rights Shares expected to be issued on the completion of the Rights Issue.
6. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2009.

This unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the change in net tangible assets arising from the movement of number of shares of the Company from 31 December 2009 up to the Latest Practicable Date, as specified in Note 1 above.

**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**

9 April 2010

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 statement of adjusted consolidated net tangible assets (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 in Section 1 of Appendix II to the circular of the Company dated 9 April 2010 (the “Circular”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed rights issue on the basis of two rights shares for every Share (as defined in the Circular) held on the Record Date (as defined in the Circular) at the subscription price of HK\$0.15 per rights share, might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the introduction and notes to the Unaudited Pro Forma Financial Information as set out in Section 1 of this Appendix.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS**

It is the responsibility solely of the directors of the Company 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 (the “HKICPA”).

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 HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. 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 Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company 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 judgments and assumptions of the directors of the Company, 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 2009 or any future date.

**OPINION**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company 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  
26th Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

**Directors of the Investment Manager**

Yap Wai Tso, Joseph  
26th Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

Wong Foelan  
26th Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

**Custodian**

Chong Hing Bank Limited  
Chong Hing Bank Centre  
24 Des Voeux Road Central  
Hong Kong

**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. Yap Wai Tso, Joseph (“Mr. Yap”) has more than 14 years of professional experiences in the financial services 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.

Mr. Foelan Wong (“Mr. Wong”) has more than 10 years of professional experiences in the financial services industry. Mr. Wong has worked for regional financial institutions. Mr. Wong has been engaged in proprietary trading in equity, futures and options, fund management, research analyst, equity capital market and private equity investment. Mr. Wong is a licensed responsible officer under Securities and Futures Commission. Mr. Wong graduated from Edith Cowan University in Australia and received a Master of Science degree. Mr. Wong was appointed as the managing director of CUIM on 4 March 2010.

#### **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 Hong Kong Code on Takeovers and Mergers 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\$") and Singapore Dollars ("SG\$"), the Group is exposed to the movement in the HK\$/US\$ and HK\$/SG\$ exchange rates. The Group's exposure to foreign exchange risk was not significant, therefore, no financial instrument 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 23 December 2009 for another one-year period up to 31 December 2010.

**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 2009, 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 2009. Save for 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 2009.

# APPENDIX III

# ADDITIONAL DISCLOSURES

	Name of investee company	Stock code	Number of share held	Effective shareholding interest	Cost/carrying value up to 31 December 2009 HK\$	Market value/ fair value as at 31 December 2009 HK\$	Unrealised holding gain (loss) arising on revaluation HK\$	Dividend received/ receivable during the year HK\$
i)	China Public Healthcare (Holding) Limited	8116	285,000,000	2.65%	58,895,000	60,420,000	1,525,000	-
ii)	China Strategic Holdings Limited	235	96,666,666	2.61%	26,711,866	54,133,333	27,421,467	-
iii)	GR Vietnam Holdings Limited (unlisted convertible bonds)	-	Not applicable	Not applicable	17,991,016	23,000,000	5,008,984	-
iv)	Poly Development Holdings Limited	1141	28,456,000	1.43%	7,825,400	21,911,120	14,085,720	-
v)	G-Resources Group Limited	1051	41,216,352	0.29%	32,480,857	20,196,013	(12,284,844)	-
vi)	China Sci-Tech Holdings Limited	985	63,891,645	2.01%	14,920,211	15,653,453	733,242	-
vii)	China Chief Cable TV Group Limited	8153	28,125,000	1.50%	9,421,875	14,906,250	5,484,375	-
viii)	LIC Opportunities Fund (Cayman) Limited	-	Not applicable	Not applicable	11,640,900	Not applicable	-	-
ix)	Pacific Century Regional Developments Limited	P15.SI	11,000,000	0.36%	8,192,800	10,807,830	2,615,030	4,793,042
x)	G-Prop (Holdings) Limited	286	27,000,000	1.11%	10,071,000	8,235,000	(1,836,000)	-

(i) China Public Healthcare (Holding) Limited (“C Public Health”) was incorporated in Cayman Islands and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8116). C Public Health is principally engaged in hospital data evaluation analytics, hospital information technology system for medical data acquisition, processing and application system, mining of mineral resources and accessories in the People’s Republic of China, radio trunking systems integration and provision of telemedia-related and other value-added telecommunication-related technical services. For the financial year ended 31 December 2009, the audited consolidated loss from continuing operations attributable to equity holders of C Public Health was HK\$357,796,000 with basic loss per share from continuing operations of HK7.05 cents. As at 31 December 2009, its audited consolidated net assets of C Public Health was HK\$727,437,000.

(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 manufacturing and trading of battery products and related accessories and investment in securities. For the financial year ended 31 December 2008, the audited consolidated loss attributable to equity holders of China Strategic was HK\$452,365,000 with basic loss per share of HK\$0.23. As at 31 December 2008, its audited consolidated net assets was HK\$349,098,000.

(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 2009, the audited consolidated loss attributable to equity holders of GR Vietnam was HK\$280,707,000 with basic loss per share of HK9.94 cents. As at 31 March 2009, its audited consolidated net assets was HK\$214,536,000.

(iv) Poly Development Holdings Limited (“Poly Development”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1141). Poly Development is principally engaged in supply and procurement business operations and securities investment. During the financial year of 2009, Poly Development has expanded the business scope of its supply and procurement business into commodities of fuel, metal minerals and recycled metal materials. For the financial year ended 31 March 2009, the audited consolidated loss attributable to equity holders of Poly Development was HK\$4,907,000 with basic and diluted loss per share of HK0.40 cents. As at 31 March 2009, its audited consolidated net assets was HK\$228,033,000.

- (v) G-Resources Group Limited (“G-Resources”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1051). G-Resources is principally engaged in gold and related metals mining business. For the financial year ended 30 June 2009, the audited consolidated loss from continuing operations and discontinued operation attributable to equity holders of G-Resources was HK\$153,287,000 and HK\$10,997,000 respectively with basic and diluted loss per share from continuing and discontinued operations of HK38.4 cents. As at 30 June 2009, its audited consolidated net assets was HK\$497,117,000.
- (vi) China Sci-Tech Holdings Limited (“China Sci-Tech”) was incorporated in Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 985). China Sci-Tech is principally engaged in investment in financial instruments and property investment. For the financial year ended 31 March 2009, the audited consolidated loss attributable to equity holders of China Sci-Tech was HK\$366,522,000 with basic and diluted loss per share of HK69.07 cents. As at 31 March 2009, its audited consolidated net assets was HK\$2,123,686,000.
- (vii) China Chief Cable TV Group Limited (“CCC TV”) was incorporated in Bermuda and the shares of which are listed on Growth Enterprise Market of the Stock Exchange (stock code: 8153). CCC TV is principally engaged in provision of pre-mastering and other media services, audiovisual playout services in Hong Kong, development of digital TV system platform and program database, sales and rental of set-top boxes, design and manufacture digital TV equipment and facilities in PRC. For the financial year ended 31 March 2009, the audited consolidated loss attributable to equity holders of CCC TV was HK\$283,421,000 with basic loss per share of HK33.65 cents. As at 31 March 2009, its audited consolidated net assets was HK\$295,535,000.
- (viii) LIC Opportunities Fund (Cayman) Limited (“LIC Opportunities Fund”) was an open-ended fund at issue price of US\$1,000 per unit and Fortis Prime Fund Solutions (Cayman) Limited and Fortis Prime Fund Solutions (Asia) Limited is the administrator and sub-administrator of the LIC Opportunities Fund respectively. The strategy of LIC Opportunities Fund is to achieve absolute returns through a multi-strategy approach towards investments. Investments of LIC Opportunities Fund would primarily focus in Asia-pacific equity market.
- (ix) 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. For the financial year ended 31 December 2008, the audited consolidated profit from continuing operations attributable to equity holders of Pacific Century was SG\$32,369,000 with basic and diluted earnings per share of SG1.05 cents. As at 31 December 2008, its audited consolidated net assets was SG\$12,078,000.
- (x) G-Prop (Holdings) Limited (“G-Prop”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 286). G-Prop is principally engaged in the business of property investments and investment and finance. For the financial year ended 31 December 2009, the audited consolidation profit attributable to equity holders of G-Prop was HK\$11,788,000 with basic and diluted earnings per share of HK0.53 cents. As at 31 December 2009, its audited consolidated net assets was HK\$481,577,000.

## AVAILABLE-FOR-SALE INVESTMENTS

The details of the available-for-sale investments of the Group as at 31 December 2009 are as follows:

	<b>2009</b> <b>HK\$</b>	2008 <b>HK\$</b>
<b>Equity investment, at fair value</b>		
Listed in Hong Kong	<b>214,556,799</b>	87,685,511
<b>Equity investment, at cost</b>		
Unlisted in Hong Kong	<b>36,058,300</b>	36,058,300
Impairment loss ( <i>Note</i> )	<b>(30,058,300)</b>	(25,656,549)
	<b>6,000,000</b>	10,401,751
Unlisted overseas	<b>11,640,900</b>	–
	<b>17,640,900</b>	10,401,751
<b>Debt investment, unlisted in Hong Kong, at fair value</b>		
Loan and receivable portion	<b>24,023,251</b>	39,205,078
Embedded derivative	<b>2,576,749</b>	6,145,273
	<b>26,600,000</b>	45,350,351
<b>Total</b>	<b>258,797,699</b>	143,437,613

*Note:*

Provision for diminution in value on unlisted equity investments as at 31 December 2009 comprises:

		<b>Effective shareholding interest</b>	<b>Cost HK\$</b>	<b>Recoverable amount HK\$</b>	<b>Impairment loss HK\$</b>
(i)	Hennabun Capital Group Limited ("Hennabun")	0.91%	31,000,000	6,000,000	25,000,000
(ii)	Cosmedia Group Holdings Limited ("Cosmedia")	0.49%	5,058,300	–	5,058,300
			<u>36,058,300</u>	<u>6,000,000</u>	<u>30,058,300</u>

<sup>(i)</sup> Hennabun is a private company incorporated in British Virgin Island and is principally engaged in investment holding and its subsidiaries are engaged in securities trading, investment holding and provision of brokerage and financial services.

<sup>(ii)</sup> Cosmedia is a private company incorporated in Cayman Islands and is principally engaged in business of advertising, media services and television home shopping.

The recoverable amount has been assessed by the Directors with reference to latest available financial information of the investee companies.

**1. THE COMPANIES LAW**

Reference is made to the circular of the Company dated 24 February 2009 and prospectus of the Company dated 16 March 2009 (together the “Documents”) in relation to, among other matters, the proposed rights issue of the Company. Appendix IV (the “Appendix”) of the Documents provided a summary of the constitution of the Company and the Cayman Islands Companies Law (the “Law”). Since certain changes have been made to the Law, the disclosures relating to the following matters contained in the Appendix have been revised as follows:-

**(a) 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 Grand Court of the Cayman Islands (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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company’s affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company’s capital accordingly.

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.

**(b) Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. 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 or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. 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 qualified 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 authorised 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

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. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

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. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(c) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (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.

**2. GENERAL**

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice dated 9 April 2010 regarding the above mentioned changes in 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.



**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 immediately following the completion of the Rights Issue were as follows:

<i>Authorised:</i>	<i>HK\$</i>
20,000,000,000 Shares of HK\$0.10 each	2,000,000,000
<i>Issued and to be issued:</i>	
284,639,881 Shares in issue as the Latest Practicable Date	28,463,988.10
569,279,762 Rights Shares to be allotted and issued under the Rights Issue	56,927,976.20
853,919,643 Shares in issue immediately after completion of the Rights Issue	85,391,964.30

All of the Rights Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all 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, the Company has no 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, there were no arrangement under which future dividends are waived or agreed to be waive.

### 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 the 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	569,279,762 (Note 1)	66.67% (Note 2)
Get Nice Incorporated	Interest of controlled corporation	569,279,762 (Note 1)	66.67% (Note 2)
Underwriter	Beneficial owner	569,279,762 (Note 1)	66.67% (Note 2)
Wo Fung Securities Company Limited	Beneficial owner	160,000,000	18.74% (Note 2)

#### Notes:

- These are the Rights Shares which the Underwriter has agreed to underwrite in respect of the Rights Issue. The Underwriter is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.
- The percentage of shareholding in the Company is calculated on the basis of 853,919,643 Shares in issue immediately after the Rights Issue.

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) As at the Latest Practicable Date, 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 2009, the date to which the latest published audited financial statements of the Group were made up, notwithstanding that the Directors may from time to time, not in their capacities as Directors, hold de minimis investments in non-associated listed companies, the shares of which may also be acquired by or disposed of by the Company during its ordinary course of business.
- (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:

<b>Name</b>	<b>Qualification</b>
Veda Capital Limited	a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity 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 2009, 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. 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.

## **9. 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 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;
- (ii) 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;
- (iii) a settlement deed dated 8 October 2008 entered into between the Company and Union Glory Finance Inc. (an indirect 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;
- (iv) a settlement deed dated 8 October 2008 entered into between the Company and Double Smart Finance Limited (an indirect 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;

- (v) an agreement dated 30 January 2009 entered into between the Company and Get Nice Securities Limited in relation to the rights issue of 512,155,110 rights Shares on the basis of one rights Share for every Share held by qualifying shareholders at the subscription price of HK\$0.10 per rights Share, details of which have already been disclosed in the announcement of the Company dated 2 February 2009;
- (vi) an agreement dated 12 June 2009 entered into between the Company and Get Nice Securities Limited regarding a placing of 239,000,000 new Shares at a placing price of HK\$0.10 per Share, details of which have already been disclosed in the announcement of the Company dated 12 June 2009;
- (vii) an agreement dated 7 September 2009 entered into between the Company and Get Nice Securities Limited regarding a placing of 100,000,000 new Shares on a fully underwritten basis at a placing price of HK\$0.38 per Share, details of which have already been disclosed in the announcement of the Company dated 7 September 2009;
- (viii) an agreement dated 7 September 2009 entered into between the Company and Get Nice Securities Limited regarding a placing of 200,000,000 new Shares on a best effort basis at a placing price of HK\$0.38 per Share (the “Best Effort Placing Agreement”), details of which have already been disclosed in the announcement of the Company dated 7 September 2009;
- (ix) a termination agreement dated 8 December 2009 entered into between the Company and Get Nice Securities Limited to terminate the Best Effort Placing Agreement, details of which have already been disclosed in the announcement of the Company dated 8 December 2009;
- (x) an agreement dated 5 January 2010 entered into between the Company and Kingston Securities Limited regarding a placing of 28,770,000 new Shares on a fully underwritten basis at a placing price of HK\$0.38 per Share, details of which have already been disclosed in the announcement of the Company dated 5 January 2010; and
- (xi) the Underwriting Agreement.

**10. CORPORATE INFORMATION**

Registered office of the Company

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman IslandsHead office and principal place of  
business of the Company in Hong KongRoom 2206, 22nd Floor  
China United Centre  
28 Marble Road  
North Point  
Hong KongBranch share registrar  
and transfer office of the Company  
in Hong KongTricor 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 KongLIU Tsui Fong  
Room 2206, 22nd Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

Company secretary

LIU Tsui Fong, *FCCA, ACIS, ACS*  
Room 2206, 22nd Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong

**Legal advisers to the Company***(As to Hong Kong Law)*

Richards Butler  
in association with Reed Smith LLP  
20th Floor, Alexandra House  
16-20 Chater Road, Central  
Hong Kong

*(As to Cayman Islands Law)*

Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Auditors**

Mazars CPA Limited  
*Certified Public Accountants*  
42nd Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**Principal bankers**

The Hong Kong 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**Independent non-executive Directors**

CHUNG Kong Fei, Stephen

33 Shuicheng Rd. South  
Shanghai 201103  
PRC

TSANG Wing Ki

Unit 306-307, 3rd Floor  
Lippo Sun Plaza  
28 Canton Road  
Tsim Sha Tsui  
Kowloon, Hong Kong

NGAI Wai Kin

Suite 2801-03, 28th Floor  
China United Centre  
28 Marble Road  
North Point  
Hong Kong



**Executive Directors:**

**Mr. KITCHELL Osman Bin (“Mr. KITCHELL”)**, aged 45, 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. Mr. KITCHELL studied Economics in the University of Toronto, Canada. Mr. KITCHELL is a veteran investor mainly in the Hong Kong equity markets with 14 years experience. Mr. KITCHELL had 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 43, 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 27, 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 53, obtained a Bachelor Degree of Science from the Wharton School of Business, University of Pennsylvania, 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 People Republic of China (the “PRC”). Mr. CHUNG has extensive experience in investments 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 48, 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. Mr. TSANG has more than 20 years of experience in 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.

**Mr. NGAI Wai Kin (“Mr. NGAI”)**, aged 45, 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 of experience in finance and accounting field in both Hong Kong and Australia. Mr. NGAI was appointed as an independent non-executive Director on 23 July 2008.

#### **11. MISCELLANEOUS**

The English texts of this circular and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistencies.

#### **12. 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\$4.13 million, and will be payable by the Company.

#### **13. 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 Companies Law;
- (c) the annual reports of the Company for the three financial years ended 31 December 2007, 31 December 2008 and 31 December 2009;
- (d) the letter of advice from Veda Capital, the text of which is set out on pages 24 to 34 of this circular;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain changes of the Cayman Islands companies law as referred to in the paragraph headed “General” in Appendix IV to this circular;
- (f) 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;
- (g) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix; and
- (h) the written consents referred to in the paragraph under the heading “Experts” in this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**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 Monday, 26 April 2010 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution:

### **ORDINARY RESOLUTION**

**“THAT**

- (i) the underwriting agreement dated 2 March 2010 (as amended by a supplemental agreement dated 17 March 2010) (the “**Underwriting Agreement**”, a copy of which having 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**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) the issue of 569,279,762 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\$0.15 per Rights Share in the proportion of two Rights Shares for every Share held by holders of Shares (the “**Shareholders**”) whose names appear on the register of members of the Company on 26 April 2010 (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 conditions set out in a circular to the Shareholders in respect of the Rights Issue dated 9 April 2010 (the “**Circular**”, a copy of which having 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; (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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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 (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, 9 April 2010

*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 and a proxy so appointed shall have the same right as the member to speak at the meeting. 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 any number of proxies to attend in his stead at any one general meeting.
- (3) The instrument appointing a proxy must be in writing under the hand of the appointor 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 such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, **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 any adjourned meeting at which the person named in such instrument proposes to vote. 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 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 and Mr. NGAI Wai Kin.*