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MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF CONVERTIBLE NOTE

SUBSCRIPTION OF CONVERTIBLE NOTE

The Board announces that on 8 October, 2008, Union Glory, a subsidiary of the Company entered into the Settlement Deed with Unity, pursuant to which Unity agreed to issue and Union Glory has agreed to accept the issue of the Convertible Note in full and final settlement of the Loan.

The subscription of Convertible Note by Union Glory constitutes a discloseable transaction for the Company.

A circular containing, among other things, further particulars of the Settlement Deed and the Convertible Note will be depatched to the Shareholders as soon as possible in accordance with the requirement of the Listing Rules.

INTRODUCTION

The Board announces that on 8 October, 2008, Union Glory, a wholly-owned subsidiary of the Company entered into the Settlement Deed with Unity, pursuant to which Unity agreed to issue and Union Glory has agreed to accept the issue of the Convertible Note in full and final settlement of the Loan.

The Loan is unsecured, bears interest at the prime rate minus one per cent per annum and is repayable on 13 October, 2008. The Loan did not constitute a notifiable transaction at the time when the relevant loan agreement was entered into.

As at the date hereof the principal amount of Loan outstanding is HK\$18 million with interest accrued at HK\$119,466.

THE SETTLEMENT DEED

Date: 8 October, 2008

Parties:

1. Union Glory
2. Unity

The shares of Unity are listed on the main board of the Stock Exchange (Stock Code: 913). Unity is primarily engaged in investments in listed securities in Hong Kong and the other main stock markets around the world and also in unlisted companies. As at the date of this announcement, the Company holds 16,086,200 Shares in Unity representing approximately 4.28% of the issued share capital of the Unity and Unity holds 174,273,000 Shares in the Company representing approximately 6.10% of

the existing issued share capital of the Company. Ms. Kristi Swartz is an independent non-executive director of the Company and Unity. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiry, Unity is an independent third parties not connected with the Company or Connected Persons of the Company.

Pursuant to the Settlement Deed, Unity has agreed to issue and Union Glory has agreed to accept the issue of the Convertible Note in full and final settlement of the Loan. The accrued interest will be paid by Unity to Union Glory in cash on completion of the Settlement Deed.

Assuming that Union Glory exercises conversion rights under the Convertible Note in full at the initial Conversion Price of HK\$0.132 per share of Unity, a total of 136,363,636 Conversion Shares will be issued. The Conversion Shares represent (i) approximately 36.29% of the existing issued share capital of Unity, (ii) approximately 26.63% of the issued share capital of Unity as enlarged only by the issue of the Conversion Shares to the Company. Together with the existing 16,086,200 Shares in Unity held by the Company, on the basis of 136,363,636 Conversion Shares to be issued, the Company will hold an aggregate of 152,449,836 Shares in Unity, representing approximately 29.77% of the issued share capital of Unity as enlarged by the issue of the Conversion Shares to the Company.

The Conversion Price of HK\$0.132 per Conversion Share was arrived at after arm's length negotiation between the Company and Unity having taken into the current market price and the announced monthly net asset value of the shares in Unity. The Conversion Price represents a discount of approximately 5.71% of the closing price of HK\$0.14 per share in Unity as quoted on the Stock Exchange on the Last Trading Day, a premium of approximately 2.33% on the closing price of HK\$0.129 per share in Unity on 8 October, 2008, the date of the Settlement Deed; and a discount of approximately 10.93% to the average closing price of HK\$0.148 per share in Unity as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date.

CONDITIONS

Completion of the Settlement Deed is conditional upon:

- (i) the Listing Committee granting the listing of and permission to deal in the Conversion Shares; and
- (ii) shareholders of Unity approving the issue of the Convertible Note and the Conversion Shares to be issued upon exercise of the conversion rights thereunder.

If any of the conditions above have not been fulfilled by 31 December, 2008 (or such other date as the parties may agree), the Settlement Deed will lapse and become null and void and Unity will remain liable for the repayment of the Loan together with interest forthwith.

The Settlement Deed does not state that the subscription of the Convertible Note by the Company is inter-conditional upon the subscription of other convertible notes issued by Unity at the same time.

COMPLETION

Completion of the Settlement Deed will take place on the third Business Day after the fulfillment of the conditions set out above (or such other date as the parties may agree).

TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are arrived after arm's length negotiation between the Company and Union Glory and are summarised as follows:

Principal Terms:

Aggregate Principal amount:	HK\$18,000,000
Conversion Price:	HK\$0.132 per Conversion Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.
Interest rate:	zero coupon
Maturity Date:	the third anniversary of the date of issue
Amount payable on Maturity:	100% of the principal amount outstanding
Transferability:	the Convertible Notes are not transferable without the prior written consent of Unity, except by a transfer to subsidiaries or the holding company of the holder of the Convertible Notes. The Convertible Notes may not be transferred by the holder of the Convertible Notes, without the prior written consent of Unity, to any connected person (as defined under the Listing Rules) of Unity.
Authorised denomination:	HK\$1,000,000
Conversion period:	The holders of the Convertible Notes shall have the right to convert the outstanding principal amount of the Convertible Notes into Conversion Shares at any time from the date of issue of the Convertible Notes until the date 7 days before (and excluding) the maturity date (as described above) at the Conversion Price.

The Noteholders shall be deemed to have delivered a conversion notice and exercised in full their conversion rights for the outstanding principal amount of the Convertible Notes, unless previously converted into shares in Unity, at the Conversion Price, subject to adjustments if the closing price of the shares in Unity as published on the Stock Exchange daily quoted sheets for each dealing day during a consecutive 30 dealing days period is equal to or in excess of 150% of the initial Conversion Price of HK\$0.132, subject to adjustments.

Notwithstanding the conversion rights attaching to the Convertible Notes, a holder of the Convertible Notes shall not exercise the conversion rights and Unity shall not issue any shares if, upon such issue, (i) the holder of the Convertible Notes and the parties acting in concert with it, will be interested in 30% (or such amount 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) or more of the then enlarged issued share capital of Unity on the relevant conversion date, or (ii) the shareholding in Unity held by the public will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time.

Voting: The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of Unity by reason only of it being the holders of the Convertible Notes.

Listing: No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other securities exchange. An application will be made by Unity for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.

Ranking: The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank *pari passu* in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes.

The Company will comply with the Listing Rules, to the extent applicable, on exercise of conversion rights under the Convertible Notes.

FINANCIAL INFORMATION ON UNITY

Set out below is the audited consolidated financial information of Unity for each of the two financial years ended 31 December, 2006 and 31 December, 2007 as extracted from the 2007 Unity Annual Report:

	Year ended 31 December,	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
(Loss)/profit before and after tax and extraordinary items	(98,995,641)	12,204,259
Net Assets	416,800,936	212,261,266

According to the 2007 Unity Annual Report, the increase in net loss principally reflected the realised loss on disposal from both investments held for trading and available-for-sale investments.

REASONS FOR THE SUBSCRIPTION

The Company was approached by Mr. Osman Kitchell, an executive director of Unity in relation to the grant of the Loan which the Company was of the view that it gave the Company a better return for the funds as compared with placing the same on fixed deposit.

Prior to entering into the Settlement Deed, the Company had reviewed and analysed the publically available information of Unity in particular the 2007 Unity Annual Report and is of the view that the Company has a strong balance sheet as at 31st December, 2007 with a significant positive net worth.

The reason the Company has entered into the Settlement Deed is to take advantage of the recent trading price of the Shares in Unity, which is close to the lowest point this year. The Company is of the view the Convertible Note would give the Company the flexibility and opportunity, should it consider appropriate at any time in during the term of the Convertible Note, to exercise its rights to convert into Shares in Unity and to take the upside benefit of any increase in the share price of Unity.

Given that (i) the Conversion Price is at a significant discount of approximately 74.62% to the net asset value per share of Unity as at 30 September, 2008 of HK\$0.52 as set out in the announcement of Unity dated 6 October, 2008, (ii) any upside benefit as a result of the increase in share price of Unity could outweigh the low deposit rates if the Company accepted cash repayment of the Loan on maturity and placed it in financial institutions, (iii) the net assets of Unity had close to doubled from HK\$212 million as at 31st December, 2006 to HK\$417 million as at 31st December, 2007, (iv) the current depressed market conditions and (v) the Loan was unsecured under its original terms, the Directors consider that the terms of the Settlement Deed (including the Conversion Price) are fair and reasonable and in the best interest of Shareholders and the Company as a whole, notwithstanding that the terms of the Convertible Note being unsecured and non interest bearing and that Unity had suffered a loss for the financial year ended 31st December, 2007.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in the (i) manufacturing and sale of accessories for photographic, electrical and multimedia products; (ii) property investment and (iii) investment in securities.

The subscription of the Convertible Note under the Settlement Deed constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, further particulars of the Settlement Deed and the Convertible Note will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules. The Company has not entered into any transactions with Unity and its subsidiaries and associates in the past 12 months which would require aggregation with the present transaction.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Business Day(s)”	any day (other than a Saturday and Sunday) on which licensed banks are open for business in Hong Kong
“Company”	Mascotte Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange
“Connected Persons”	has the meaning ascribed thereto in the Listing Rules
“Conversion Shares”	new shares in Unity which would fall to be issued by the Unity upon the exercise of the conversion rights under the Convertible Note
“Conversion Price”	the initial conversion price of HK\$0.132 per Conversion Share (subject to adjustment)
“Convertible Note”	zero coupon convertible note due 2011 in the principal amount of HK\$18,000,000 proposed to be issued by Unity to Union Glory pursuant to the Settlement Deed
“Director(s)”	director(s) of the Company
“Group”	the Company, its subsidiaries and its associated companies
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Date”	6 October, 2008, the last trading date prior to the date of the Settlement Deed
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the revolving loan facility in the principal amount of HK\$18 million advanced by Union Glory to Unity pursuant to the loan agreement between Union Glory and Unity dated 13 August, 2008
“Union Glory”	Union Glory Finance Inc., a company incorporated in British Virgin Islands, a wholly-owned subsidiary of the Company

“Unity”	Unity Investments Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Settlement Deed”	the conditional settlement deed dated 8 October, 2008 entered into between Union Glory and Unity in relation to the settlement of the Loan by the issue of Convertible Note, subject to the terms and conditions contained therein
“Shareholder(s)”	holder(s) of the Shares
“Shares”	shares of a par value of HK\$0.10 each in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.
“2007 Unity Annual Report”	Unity’s annual report for the financial year ended 31 December, 2007

By order of the Board of
Mascotte Holdings Limited
Lo Yuen Wa Peter
Acting Chief Executive Officer

Hong Kong, 10 October, 2008

As at the date of this announcement, the Board comprises Mr. Peter Temple Whitelam (Chairman), Mr. Lo Yuen Wa Peter (Acting Chief Executive Officer), Mr. Au Yeung Kai Chor and Mr. Lam Suk Ping as executive Directors, Mr. Chan Sze Hung, Ms. Kristi L Swartz and Ms. Hui Wai Man, Shirley as independent non-executive Directors.