

REVIEW OF OPERATIONS

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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



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

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

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

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

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

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

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

INVESTMENT PORTFOLIO

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

PROSPECTS

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

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

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

PLEDGE OF ASSETS

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

EMPLOYEES

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

By order of the Board

PANG Shuen Wai, Nichols

Chairman and Executive Director

Hong Kong, 10 April 2006