

Chairman's Statement

BUSINESS FOCUS

On behalf of Universal Holdings Limited, I am pleased to present to shareholders the annual report of the Company and its subsidiaries (the "Group") for the year ended 31st December 2005.

In the past year, the Group successfully underwent a period of transformation. While we have principally been engaged in the retail and distribution of home audio and video equipment as well as provision of IP telephony and related services, the Group observed that there were promising opportunities in the China media industry. Consequently, we acquired the entire issued share capital of Anglo Alliance whose principal asset represents 50% interest in Asian Union Film and Media ("AUFM"), thus launching the Group into the high growth media business in China.

The impetus that motivated Universal Holdings into entering this burgeoning sector began when the Chinese government proposed to deregulate the media sector. In a market with vast number of consumers and ever-increasing consumption power, we foresee an exponential level of growth in this sector as well as potentially huge demand for media content. While in the past, China's media industry was highly regulated, there has been a gradual shift that followed the country's entry into the WTO, thus allowing businesses such as our own to take a participatory role. The opening of China's media sector does not place early entrants at a disadvantage, but actually expands the overall size of the market as people become more aware and interested in getting involved.

Universal Holdings recognised this opportunity and by acquiring Anglo Alliance has become one of the first entrants in the China media industry — gearing ahead for still greater growth. We regard the acquisition of Anglo Alliance as a major and proactive step forward. By holding interest in one of the largest media corporations in China, we have realised our vision of expanding the Group's reach into the country's media market.

Anglo Alliance Group is engaged in various media related businesses in China, including production of television dramas, movies, as well as advertising agency and advertisement productions. It also holds a company which in turn owns the operating rights of a nation wide Channel in China with a theme in Travel and Leisures (the "Travel Channel"). The acquisition not only offers us an ideal opportunity to invest in the local media industry, particularly the advertising segment, but also helps the Group to diversify its income stream. It is a valuable opportunity to acquire interest in such a well-established media business that already has an experienced management team in place; hence the initiative has been a prudent and opportune one.

While developing into a new sector, the Group's other major investment in recent years, the business of DVN (Holdings) Limited ("DVN"), continues to improve, reflecting increasing acceptance and adoption of set-top boxes ("STB") in STB deployments throughout China as the country embraces digitalisation on a mass scale.

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PROSPECTS

We are bullish about the prospects of the China media industry which is a key component of the consumer sector and is expected to maintain a strong "outperformance" for at least up to 2008 — the year of the Olympics in Beijing. The outlook appears particularly bright in the advertising industry which has experienced a major boost over past years, mainly due to economic upturn around the region, plus the readiness of both consumption and brand expenditure. Moreover, China's advertising industry is expected to continue expanding, characterised by a rapid rise in ad spend within the country.

Anglo Alliance is only the first step in providing shareholders with the opportunity to invest in the China media sector. To further exploit the potential of this segment, we will realign our business focus accordingly. By taking advantage of the growing advertising market in China and the coming Olympics, we remain optimistic about the future well-being of Universal Holdings.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to fellow Directors for their commitment to the Group; and to all our staff for their diligence and dedication. I would also like to thank the shareholders, partners and associates for their continuing support.

Ko Chun Shun, Johnson

Chairman

Hong Kong, 26th April 2006