



UniVision Engineering Limited



Annual Report

Year ended 31 March 2006

UNIVISION ENGINEERING LIMITED
Annual Report
Year ended 31 March 2006

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BOARD OF DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors

Stephen Sin Mo KOO, *Executive Chairman*
Stephen Pui Ming CHAN, *Chief Executive Officer*
Chun Pan WONG, *Technical Director*
Johnny Ka Siu TANG, *Finance Director*
Tak Ding TAM, *Non-Executive Director*
Andrew Ping Sum TANG, *Non-Executive Director*

Senior Management

Chun Hung WONG, *Director of Operations*
Yip Tak CHAN, *Director of Sales and Marketing*
Ching Man MAK, *Financial Controller*

Audit Committee

Tak Ding TAM, *Chairman*
Andrew Ping Sum TANG
Stephen Sin Mo KOO

Remuneration Committee

Andrew Ping Sum TANG, *Chairman*
Tak Ding TAM
Stephen Sin Mo KOO

Company Secretary

Johnny Ka Siu TANG

Registered Office

8/F Lever Tech Centre
69-71 King Yip Street
Kwun Tong
Kowloon
Hong Kong
Tel: (852) 2389 3256
Fax: (852) 2797 8053
E-mail: uvel@hk.uvel.com
Website: www.uvel.com

AIM Stock Code: UVEL

Nominated Adviser and Broker

Insinger de Beaufort
131 Finsbury Pavement
London EC2A 1NT
UK

Auditors

RSM Nelson Wheeler
7/F Allied Kajima Building
138 Gloucester Road
Hong Kong

Financial Public Relations

Tavistock Communications
131 Finsbury Pavement
London EC2A 1NT

Registrars

Computershare Investor Services (Channel
Islands) Limited
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW
Channel Islands

UK Depositary

Computershare Investor Services Plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
UK

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to report on the results of UniVision Engineering Limited ("UniVision" or the "Company") for the financial year ended 31 March 2006, our first year as a public company, which has proved to be an exciting and successful period for Univision.

The Company's Admission to the AIM of the London Stock Exchange in December 2005 has given us the opportunity to access international capital markets and enhance our growing reputation in the commercial marketplace, particularly in Europe, where we see significant growth opportunities to develop as an international company and create greater value for our shareholders.

We have been providing our customers with digital surveillance and integrated security systems - "total surveillance video solutions" - in the Pacific region for a number of years and, as our product range and skills base have grown, we are increasingly able to deliver to clients on a global basis. The recent acquisition of a majority shareholding in T-Com Tech. Co. Ltd has added momentum to our continued growth.

We are confident in the Company's long-term growth potential, especially given the launch of our new products in the third quarter of financial year 2007. Our objectives are to further develop our expertise in producing high quality, reliable and innovative digital video solutions and to consolidate our sales network throughout the Greater China region in order to respond to growing demand in the surveillance industry both domestic and international.

FINANCIAL REVIEW

During the period under review, turnover increased by 47% to £3.89m (2005: £2.65m). This growth is attributable to additional sales to existing clients, the improvement in market conditions and heightened awareness in the areas on which we focus. The development of new applications has generated additional revenue streams both from existing and new clients, which is particularly pleasing. I am delighted that turnover for the period was significantly higher than our internal forecasts.

Gross profit margin remains the same at 33% (2005: 33%). Distribution costs increased by 23% to £94,133 (2005: £76,570). Administration expenses, other operating expenses and non-operating expenses were in line with the Company's increase in capital investment, marketing and office expansion rising by 124% to £927,412 (2005: £414,332). The increase is principally due to the listing cost for the admission of UniVision's shares to AIM in December 2005.

Net growth in profit before tax after excluding all one-off expenses relating to the Company's flotation increased by 79% to £0.9 million.

Basic earnings per share have fallen slightly to 0.18p from 0.20p reflecting a greater number of shares in issue following the flotation together with related expenses of the float of £392,380, charged to the income statement, which kept net profits at £510,007 compared to £502,993 in the previous period.

MARKET REVIEW

It is forecast that by 2008 total global revenues for digital surveillance video equipment will amount to approximately US\$ 1.2 billion. Industrial and economic growth in Hong Kong, China and Macau together with global events such as the Beijing Olympics 2008, Shanghai Expo 2010, all lead to increased construction of facilities, such as hotels, shopping centres, and convention and exhibition centres. The continuing demand for digital video products such as Digital Video Recorders (DVRs), Network Video Recorders (NVRs) and Internet Protocol (IP) cameras shows no signs of slowing.

CHAIRMAN'S STATEMENT

(Continued)

BUSINESS REVIEW

Markets

Hybrid solutions which connect IP and analogue cameras with CCTV Matrix Controllers and DVRs became mainstream in 2006. Hybrid solutions provide large installed base analogue cameras with a gateway to transmit video streams from networks and the Internet. The Company is looking into many different solutions, including:

- Video compression technology MPEG-4 and H.264 enables real-time transmission of high quality video over a low bandwidth network. We believe that MPEG-4 is a leading compression standard which will gradually be replaced by H.264 in the next two years.
- Intelligent video analysis software that enables the tracking of suspicious objects and checks for rule violation by those objects. This is an additional feature to the present video management system for bombs, unattended objects and people flow monitoring.
- Digital Encoder and Decoder (CoDec) with built-in video analysis algorithms in the Homeland Security field such as intruder detection, loitering detection, left behind objects and trip wire will be the new area of interest. We believe this is the transformation of analogue to Digital Video Systems. Hong Kong Automatic Traffic Control is the first contract for UniVision to deploy its digital CoDec for video transmission over fibre network using TCP/IP technology. This technology and project reference helps to increase our contract hit rate and increases our turnover and margins for new projects of a similar nature.

The Board believes that an open platform to integrate various systems, such as cameras, Matrix, DVRs, Card Access Systems and Fire Alarm Systems, to provide a total integrated security solution will be the next major development within the digital security market. We also believe that UniVision will be among the pioneers of this movement and we hope to expand our sphere of business accordingly.

Technologies, Solutions and Products

On the solutions side, an ongoing IT development programme is in place to cater for the needs of the Company's growing client base in the Asia Pacific region.

The Company is currently developing a new digital server series with PC and embedded base solutions using our own designed integrated circuit microchips (with video control, video overlay and multiplexer functions), together with an open platform central monitoring system which is capable of integrating with various bands of DVRs, Access Control, Matrix and Fire Alarm Systems with high level integration. These products will be launched in the third quarter of financial year 2007. We are currently working on H.264 CoDec with built in video analysis algorithms which we expect to launch in early financial year 2008.

Acquisitions and Investments

The success of our investment in T-Com Tech. Co. Ltd in the first quarter of financial year 2007 has reinforced the Company's strategy of acquiring interests in companies with synergistic and/or strategic value. To this end, the Company is currently assessing a number of companies in related fields with a view to making further strategic investments.

Contract Wins

During the reporting period, I am pleased to report that the Company was awarded a number of high profile projects including the CCTV System for the World Trade Organization Convention, Hong Kong Airport Skyplaza Car Park CCTV System, Museum of Coastal Defence CCTV System and the Taipo Sewage Plant CCTV System.

CHAIRMAN'S STATEMENT

(Continued)

Macau Casinos

As well as growing our business by winning public sector mandates our reputation has grown in the entertainment and leisure industry and several significant projects were undertaken in Macau. The key projects took place at the Grand View Casino, Jai-A-Lai Casino, Emperor Casino, Diamente Casino, and the Louvre Casino. The Board sees the leisure industry becoming an area of substantial opportunity over the coming years and the strategy put in place to capitalise on these developments is bearing fruit.

MTR & Maintenance

Our maintenance contracts are particularly important to the business by providing strong visibility in our revenue and I am delighted that we have continued to develop this side of the business. In particular our relationship with the Mass Transit Railway has proved to be significant with a further 3-year maintenance contract for the CCTV, Public Address and Passenger Information Display System (PIDS). This was also extended during the period to include the important Disneyland Line. In August 2005 UniVision entered into a 5-year maintenance contract with the Tai Po and North District Traffic Control and two separate 3-year maintenance contracts were entered into with the Hong Kong Police for Border Control and Stanley Prison's Correctional Service Department in December 2005 and March 2006 respectively.

PROSPECTS

The Company's performance domestically has been strong with new revenue streams from both the public and private sector. Our London office is expected to be operational in the fourth quarter of financial year 2007 and will spearhead our expansion into the UK and European markets whilst our product and application development programmes continue to enhance and expand well.

The first few months of the current financial year have been very encouraging. In view of the strong demand for our camera, DVRs, Optical Transceiver and Matrix products from our existing customers, and the positive sentiment and exposure towards the digital surveillance products in general, the Board is confident of making further significant progress in the current year.

APPRECIATION

Finally, on behalf of the Board, I would like to thank our customers, suppliers and shareholders for their continued support of UniVision. I would also like to acknowledge the hard work of the management and all the staff for their contribution and dedication to the Company.

Mr. Stephen Sin Mo KOO
Executive Chairman

Hong Kong
26 July 2006

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

DIRECTORS' BIOGRAPHIES

Tak Ding TAM – Non Executive Director (aged 54)

Mr. Tam was appointed as a non-executive Director on 1 December 2005. Mr. Tam is a certified accountant and the proprietor of T D Tam & Company, Certified Public Accountants. He is a fellow of the Association of Chartered Accountants and an Associate of the Institute of Chartered Secretaries and Administration.

Andrew Ping Sum TANG – Non Executive Director (aged 49)

Mr. Tang was appointed as a non-executive Director on 1 December 2005. Mr. Tang holds a Bachelor of Commerce Degree from the University of Western Australia and a Masters Degree in Applied Finance from Macquarie University. He is a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Certified Public Accountants of Australia and the Hong Kong Securities Institute, a director of the Institute of Securities Dealers and a member of the advisory board of the Society of Registered Financial Planners of Hong Kong. Mr. Tang was a Manager of the Licensing Department of Securities and Futures Commission from 1993 to 1995. As the Manager of Licensing Department, Mr. Tang's responsibilities covered, principally, processing applications, on-going monitoring of registrants under Securities Ordinance and other legislations. He also participated in the development of licensing systems and procedures. Mr. Tang has over 10 years experience in the financial services industry. He joined Hantec Group in Hong Kong in 1998 and is the Deputy Chairman and General Manager of Hantec Investment Holdings Limited, a financial services group listed on the main board of the Stock Exchange of Hong Kong.

Stephen Sin Mo KOO – Executive Chairman (aged 48)

Mr. Koo joined UniVision in 1998 and was appointed as a Director on 3 March 2003. He holds both a Bachelor Degree from the University of Technology, Sydney, and a Masters Degree in Business from the Royal Melbourne Institute of Technology in Australia. He was a director of MultiVision Holdings Limited in 2001, prior to being appointed to the Board of UniVision. He is a Fellow of the Institute of Certified Public Accountants of Australia and of the Hong Kong Institute of Certified Public Accountants.

Stephen Pui Ming CHAN – Chief Executive Officer (aged 51)

Mr. Chan joined UniVision in 2001 and was appointed as a Director on 1 December 2005. Mr. Chan holds a Master of Business Administration degree from Newport University, USA, and a Higher Certificate in Electronic Engineering from the Hong Kong Polytechnic University. He has over 20 years' experience in project management and was the Engineering Director of an international base company in Hong Kong prior to joining UniVision in 2001. Mr. Chan is responsible for formulating and overseeing the implementation of UniVision's business development strategies and for the management of the Company's operations. He is a member of the Institute of Electrical and Electronics Incorporated Engineers in the United Kingdom and of the Hong Kong Computer Society.

Chun Pan WONG – Technical Director (aged 45)

Mr. Wong joined UniVision in 1991 and was appointed as a Director on 25 March 1992. He has a degree in Computer Science from the University of Edinburgh, Scotland, and over 15 years' experience in the surveillance industry. He is responsible for the development of UniVision's state of the art CCTV control and monitoring systems and smart card access systems.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

(Continued)

Johnny Ka Siu TANG – Finance Director (aged 35)

Mr. Tang was appointed as a Director on 1 December 2005. Mr. Tang obtained a Bachelor of Arts degree in Accountancy from The Hong Kong Polytechnic University in 1993 and joined KPMG in the same year where he remained until 1999 before starting his own practice. He is a director of Zhong Yi (Hong Kong) CPA Company Limited and a member of the Hong Kong Institute of Certified Public Accountants and The Society of Chinese Accountants and Auditors.

SENIOR MANAGEMENT'S BRIEF BIOGRAPHIES

Chun Hung WONG – Director of Operations (aged 47)

Mr. Wong was appointed Director of Operations in 2004. He has a Master's Degree in Business Administration from the Open University of Hong Kong and approximately 10 years' experience in the electronics system industry. He is responsible for the management of UniVision's Project and Maintenance Division.

Yip Tak CHAN – Director of Sales and Marketing (aged 42)

Mr. Chan joined UniVision in 1995. He holds a Degree in Computing from the University of Northwest Missouri and has approximately 10 years' experience in sales and project management. He is responsible for UniVision's Sales and Marketing Division.

Ching Man MAK – Financial Controller (aged 28)

Ms. Mak joined UniVision in 2005. She holds a Bachelor of Commerce Degree from the University of Toronto, Canada. Before joining UniVision, she worked as a staff/senior accountant at Ernst & Young in Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. She is responsible for the Company's daily finances, administration and other support functions.

DIRECTORS' REPORT

The Directors have pleasure in presenting their first annual report since listing on AIM together with the audited financial statements of the Company for the year ended 31 March 2006.

Principal Activities

The principal activities of the Company are the supply, design, consultation, installation and maintenance of closed circuit television and surveillance systems, sale of security related products.

Review of the Business

A review of the Company and its likely future development is included in the Chairman's Statement.

Financial Position

The Company's profit for the year ended 31 March 2006 and the state of affairs of the Company at that date are set out in the income statement on page 17 and in the balance sheet on page 18 respectively.

The Company's changes in equity for the year ended 31 March 2006 are set out in the statement of changes in equity on page 19.

The Company's cash flow for the year ended 31 March 2006 are set out in the cash flow statement on pages 20 to 21.

Share Capital and Reserves

Details of the movements in share capital are set out in note 22 on pages 36 to 37.

The movements in reserves during the year are set out in the statement of changes in equity on page 19.

Dividends

The Directors do not propose the payment of a dividend for the year ended 31 March 2006 (2005: Nil).

Plant and Equipment

Details of the movements in plant and equipment are set out in note 16 on page 33.

Admission to AIM and Second Placing

The Company was admitted to the AIM on 16 December 2005. 50,000,000 new ordinary shares of HK\$0.0625 were placed at a price of 3 pence per share. The funds raised were used as general working capital and for future acquisitions.

On 20 January 2006, a further 10,333,333 new ordinary shares of HK\$0.0625 were placed at a price of 3 pence per share. This placing raised £310,000 before expenses for the Company and the funds were used to provide additional working capital for the Company.

DIRECTORS' REPORT

(Continued)

Directors

The directors who held office during the period and to the date of this report were as follows:

Stephen Pui Ming CHAN	(appointed 1 December 2005)
Stephen Sin Mo KOO	
Tak Ding TAM	(appointed 1 December 2005)
Johnny Ka Siu TANG	(appointed 1 December 2005)
Andrew Ping Sum TANG	(appointed 1 December 2005)
Chun Pan WONG	

Mr. Stephen Sin Mo KOO, Mr. Tak Ding TAM and Mr. Andrew Ping Sum TANG retire by rotation at the forthcoming annual general meeting in accordance with the Company's Articles of Association and, being eligible, offers themselves for re-election.

Directors' Interests in Contracts

No director had a material interest in any contract of significance to the business of the Company to which the Company was a party subsisted at the end of the year or at any time during the year.

Directors' Interests in Shares

According to the register of Directors' Shareholdings kept by the Company, particulars of interests of the Directors (or their immediate families) who held office at the end of the financial year in the ordinary shares of the Company are as set out in the table below:

	Ordinary Shares held as at 31 March 2006
Stephen Pui Ming CHAN	-
Stephen Sin Mo KOO*	78,744,000
Tak Ding TAM	-
Johnny Ka Siu TANG	-
Andrew Ping Sum TANG	-
Chun Pan WONG	-

* The ordinary shares are registered under the name of Up Sky Investments Limited which is an investment holding company incorporated under the laws of the British Virgin Islands and is wholly-owned by Mr. Stephen Sin Moo KOO. Mr. Stephen Sin Mo KOO, is deemed to be interested in all the ordinary shares registered in the name of Up Sky Investments Limited.

Save as disclosed in this report, none of the Directors (or their immediate families) who held office at the end of the financial year had interests in the share capital of the Company during the financial year.

The market price of UniVision Engineering Limited ordinary shares at 31 March 2006 was 3.25 pence and the range during the period was 3.25 pence to 4.56 pence.

Directors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company a party to any arrangement to enable the directors of the Company to acquire by means of the acquisition of shares in, or debentures of any other body corporate.

DIRECTORS' REPORT

(Continued)

Substantial Shareholdings

As at 31 July 2006 the Directors had been informed of the following companies held in 3% or more of the Company's issued ordinary share capital.

	Number of ordinary shares	% of total issued share capital
UniVision Holdings Limited ⁽¹⁾	183,736,000	56.8
Up sky Investments Limited ⁽²⁾	78,744,000	24.4
Pershing Keen Nominees Limited	15,801,668	4.9
W B Nominees Limited	17,434,000	5.4

⁽¹⁾ UniVision Holdings is an investment holding company incorporated under the laws of the British Virgin Islands and is wholly-owned by Mayne Management Limited. Mayne Management Limited is a wholly-owned subsidiary of Cameo Management Group Limited which, in turn, is a trustee of a trust set up for the benefit of members of the Chen's family, a Hong Kong based family with widespread investments.

⁽²⁾ Up Sky Investments Limited is an investment holding company incorporated under the laws of the British Virgin Islands and is wholly-owned by Mr. Stephen Sin Mo KOO.

Payments to Creditors

The Company does not follow any code or standard on payment practice but instead the Company policy is to pay all creditors in accordance with agreed terms of business.

Political and Charitable Donations

During the year the Company made no political or charitable contributions (2005: Nil).

Employees

The Company values staff involvement at all levels of operations, and uses various means to train, inform and consult the employees. The Company encourages the management to discuss regularly with the employees on both corporate and individual matters and discloses information to them that will increase their awareness of the financial and economic factors affecting the Company.

The Company recognises its obligations to provide a fair consideration on all vacancies towards people with disability and to ensure that such persons are not discriminated against on the grounds of their disability. For those employees who become disabled during their employment period, the Company will give every effort to ensure that their employment will continue and that sufficient training is arranged.

Annual General Meeting

The Annual General Meeting of the Company will be held at UniVision Engineering Limited, 8/F Lever Tech Centre, 69-71 King Yip Street, Kwun Tong, Kowloon, Hong Kong, on 29 September 2006 at 5:00p.m.. The Notice of Meeting appears on page 39.

Annual Report

The annual report for the year ended 31 March 2006 will be sent to shareholders and will be available, free of charge, from the offices of the Company's nominated adviser, Insinger de Beaufort at 131 Finsbury Pavement London EC2A 1NT and the Company's registrar, Computershare Investor Services (Channel Islands) Limited at PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, Channel Island from 4 September 2006.

DIRECTORS' REPORT
(Continued)

Auditors

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be put at the forthcoming Annual General Meeting.

By Order of the Board

Mr. Stephen Sin Mo KOO
Executive Chairman

Hong Kong
26 July 2006

REMUNERATION REPORT

The Remuneration Committee presents this report to shareholders on behalf of the Board.

Membership of Remuneration Committee

The Remuneration Committee comprises Mr. Tak Ding TAM (our Non-executive Director), Mr. Andrew Ping Sum TANG (our Non-executive Director) and Mr. Stephen Sin Mo KOO (our Executive Chairman) and is chaired by Mr. Andrew Ping Sum TANG.

Policy Statement

The Remuneration Committee sets the remuneration and all other terms of employment of the executive Directors with a vision to provide a package which is suitable for the responsibilities involved. The remuneration of the executive directors is determined by the remuneration committee having regard to the performance and experience of individuals, the overall performance of the Company and market trends.

Directors' Remuneration

Details of individual Directors' remuneration for the year are set out in the table below:

	Salary and fees £	Pension Scheme Contribution £	Bonus £	2006 Total £	2005 Total £
Executive Directors					
Stephen Pui Ming CHAN	15,859	288	-	16,147	-
Stephen Sin Mo KOO	19,607	-	4,903	24,510	-
Johnny Ka Siu TANG	8,650	-	-	8,650	-
Chun Pan WONG	30,276	865	3,280	34,421	32,450
Non-executive Directors					
Tak Ding TAM	2,883	-	-	2,883	-
Andrew Ping Sum TANG	2,883	-	-	2,883	-

Except for Mr. Chun Pan WONG, who is entitled to the directors' remuneration for the whole financial year 2006, all other Directors are entitled to the directors' remuneration with effective from 1 December 2005.

Directors' Interests in Contracts and Interests in Shares

Details of Directors' Interests in Contracts and Interest in Shares are given in the Directors' Report.

REPORT ON CORPORATE GOVERNANCE

Introduction

The Directors believe that their foremost function is to generate continuous profits for the Company's investors, and that this should be achieved by a policy of high standards of corporate governance, integrity and ethics. As the Company is listed on AIM and not subject to the Listing Rules of the UK Listing Authority, it is not officially required to comply with the provisions detailed in the Combined Code on Corporate Governance. However, it is the intention of the Board to manage the Company affairs in accordance with this Code, in so far as is practical and appropriate for a public company of this size and complexity. The following are a few examples on how the Directors have applied the principles of good corporate governance to manage the Company throughout the year.

Board of Directors

The Board directs and controls the Company and is responsible for strategy and operating performance. It meets regularly throughout the year and has adopted a schedule of matters specifically reserved for its decision.

All Directors are elected by shareholders at the first opportunity after their initial appointment to the Board and to be re-elected thereafter at intervals of not more than three years. Biographical information on all the Directors is listed in the Directors' and Senior Management's Biographies section to the annual report, which may help the shareholders to make a decision at the time of re-election.

Upon their appointments, the Directors are offered an opportunity to request for information and training relevant to their legal and other duties. They are also given written guidelines and rules defining their responsibilities within an AIM listed company.

The Board considers that all non-executive directors are independent of management and day to day operation, and free from any commercial relationship with the Company. These non-executive directors do not participate in any of the Company's pension schemes or bonus. The Chairman of the Audit and Remuneration Committee are both non-executive directors.

Nomination Committee

As the Board of Directors of the Company is small, there is no separate Nomination Committee. All nominations to the Board are considered by all of the directors.

Audit Committee

Our Audit Committee comprises Mr. Tak Ding TAM (our Non-executive Director), Mr. Andrew Ping Sum TANG (our Non-executive Director) and Mr. Stephen Sin Mo KOO (our Executive Chairman) and is chaired by Mr. Tak Ding TAM. The Chairman of the Audit Committee has full discretion to invite any Executive Directors to attend its meetings. The Audit Committee meets not less than twice per annum.

The responsibilities of the Committee are to:

- monitor the quality of the overall internal control system of all financial matters;
- review the Company's Accounting Policies and ensure compliance with accounting standards;
- ensure that the financial performance of the Company is properly measured and reported on;
- consider the appointment/re-appointment of the external auditor;
- review the conduct of the audit and discuss the audit fees;
- review reports from the Auditors relating to the Company's accounting and internal controls;
- to ensure the Company complies with the AIM Rules.

REPORT ON CORPORATE GOVERNANCE

(Continued)

Remuneration Committee

Our Remuneration Committee comprises Mr. Tak Ding TAM (our Non-executive Director), Mr. Andrew Ping Sum TANG (our Non-executive Director) and Mr. Stephen Sin Mo KOO (our Executive Chairman) and is chaired by Mr. Andrew Ping Sum TANG. The Remuneration Committee meets as required.

The responsibilities of the Committee are to:

- determine the specific remuneration package for each Directors including Director's fees, salaries, allowances, bonuses, options, benefits-in-kind;
- seek professional advice, including comparison with similar businesses, in order to correctly fulfil its duties, as the Committee deems appropriate; and

In discharging its functions, the Committee may obtain independent external legal and other professional advices as it deems necessary. The expenses of such advices shall be borne by the Company.

Internal Control

The Board of Directors is responsible for ensuring that the Company maintains an internal financial control system with appropriate monitoring procedures. The purpose of this system is to safeguard Company assets, maintain proper accounting records, and ensure that reliable financial information are used within the Company and for publication purposes. However, the system is designed to manage rather than completely eliminate risk and can only provide reasonable but not absolute assurance against material misstatement.

In order to achieve the above responsibilities, the Board meets regularly and monitors the Company's internal financial control by reviewing the overall process and the performance of the systems, setting annual budgets and monthly forecasts, and issuing any prior approval for all significant expenditure.

The Company currently does not have an internal audit department and after extensive review and consideration, the Board has concluded that the existing control mechanisms are sufficient for the size of the Company. This decision will be kept under review.

Going Concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's financial statements.

Investor Relations

The Company realizes that effective communication can increase the transparency and accountability to its shareholders; as such, the Company discloses its information to its shareholders through RNS (i.e. the news distribution service operated by the London Stock Exchange plc). The same information can also be found on the Company's website (www.uvel.com). The Company will make every effort to ensure that all price-sensitive information is released publicly and immediately. If an immediate announcement is not possible, the Company will try to publicize the information at the earliest time possible to ensure that the shareholders and the public will have a fair access to it.

The Company will send the Annual Report and the notice of the Annual General Meeting (AGM) to all its shareholders. This notice is also made available on RNS. The Company recognizes the importance of the shareholders' views and encourages them to attend the AGMs where they can share their opinions and direct their queries and concerns towards the Directors, including the chairperson of each of the Board Committees. The shareholders are also welcomed to discuss any issues on an informal basis at the conclusion of the AGMs.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Directors are responsible to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNIVISION ENGINEERING LIMITED (Incorporated in Hong Kong with limited liability)

We have audited the financial statements on page 17 to 38 which have been prepared in accordance with International Financial Reporting Standards.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs the Company as at 31 March 2006 and of its results and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
26 July 2006

UNIVISION ENGINEERING LIMITED
INCOME STATEMENT
For the year ended 31 March 2006

	Note	<u>2006</u> £	<u>2005</u> £
Turnover	6	3,886,780	2,645,742
Cost of sales		<u>(2,607,317)</u>	<u>(1,767,709)</u>
Gross profit		1,279,463	878,033
Other revenue	7	257,611	132,741
Distribution costs		(94,133)	(76,570)
Administrative expenses		(475,948)	(414,332)
Other operating expenses		<u>(59,084)</u>	<u>-</u>
Profit from operations	8	907,909	519,872
Non-operating expenses	9	(392,380)	-
Finance costs	12	<u>(5,522)</u>	<u>(16,879)</u>
Profit before taxation		510,007	502,993
Taxation	13	<u>-</u>	<u>-</u>
Profit for the year		<u>510,007</u>	<u>502,993</u>
<hr/>			
Earnings per share			
Basic	15	<u>0.18p</u>	<u>0.20p</u>
Diluted	15	<u>0.18p</u>	<u>0.20p</u>

The notes on pages 22 to 38 form an integral part of these financial statements.

UNIVISION ENGINEERING LIMITED
BALANCE SHEET
At 31 March 2006

	Note	<u>2006</u> £	<u>2005</u> £
ASSETS			
Non-current assets			
Plant and equipment	16	<u>13,665</u>	<u>9,445</u>
Current assets			
Inventories	17	192,213	616,704
Due from construction contract customers	18	934,195	371,300
Trade receivables	19	1,303,736	737,831
Other receivables	20	898,869	329,085
Cash and cash equivalents	21	<u>1,414,313</u>	<u>381,815</u>
		<u>4,743,326</u>	<u>2,436,735</u>
Total assets		<u><u>4,756,991</u></u>	<u><u>2,446,180</u></u>
EQUITY			
Capital and reserves			
Share capital	22	1,451,085	1,167,981
Share premium		1,278,981	-
Special capital reserve		143,439	143,439
Retained earnings		644,611	134,604
Exchange differences		<u>95,023</u>	<u>(18,449)</u>
Total equity		<u><u>3,613,139</u></u>	<u><u>1,427,575</u></u>
LIABILITIES			
Current liabilities			
Due to construction contract customers	18	452,536	252,569
Trade payables and accruals	23	<u>691,316</u>	<u>766,036</u>
		<u>1,143,852</u>	<u>1,018,605</u>
Total liabilities		<u><u>1,143,852</u></u>	<u><u>1,018,605</u></u>
Total equity and liabilities		<u><u>4,756,991</u></u>	<u><u>2,446,180</u></u>

These financial statements were approved by the Board on Directors on 26 July 2006

On behalf of the Board of Directors

Stephen Sin Mo KOO
Director

Stephen Pui Ming CHAN
Director

The notes on pages 22 to 38 form an integral part of these financial statements.

UNIVISION ENGINEERING LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2006

	Note	Share capital £	Share premium £	Retained earnings £	Special capital reserve £	Exchange differences £	Total £
Balance at 1 April 2004 ¹		12,742,506	-	(12,618,834)	-	7,223	130,895
Issue of share capital	22	986,721	-	-	-	-	986,721
Capital reduction	22	(12,845,324)	-	12,659,055	143,439	42,830	-
Interim dividend paid	14	-	-	(161,411)	-	-	(161,411)
Net profit for the year		-	-	502,993	-	-	502,993
Effect of translation		-	-	-	-	(31,623)	(31,623)
Balance at 31 March 2005 ¹		883,903	-	381,803	143,439	18,430	1,427,575
Presentational currency adjustment ²		284,078	-	(247,199)	-	(36,879)	-
Balance at 31 March 2005 - restated		1,167,981	-	134,604	143,439	(18,449)	1,427,575
Issue of shares upon listing	22	235,015	1,279,985	-	-	-	1,515,000
Issue of shares upon placing	22	48,089	261,911	-	-	-	310,000
Share issue costs	9	-	(262,915)	-	-	-	(262,915)
Net profit for the year		-	-	510,007	-	-	510,007
Effect of translation		-	-	-	-	113,472	113,472
Balance at 31 March 2006		<u>1,451,085</u>	<u>1,278,981</u>	<u>644,611</u>	<u>143,439</u>	<u>95,023</u>	<u>3,613,139</u>

¹ As previously reported in the Admission Document dated 9 December 2005

² Adjustment to better reflect the impact of currency translation on the capital reduction on 20 November 2004

The currency translation from Hong Kong dollars to the presentational currency of £ Sterling used in these financial statements has no impact on the available distributable reserves of the Company which at 31 March 2006 were HK\$9,520,984 (31 March 2005: HK\$2,445,954).

The notes on pages 22 to 38 form an integral part of these financial statements.

UNIVISION ENGINEERING LIMITED
CASH FLOW STATEMENT
For the year ended 31 March 2006

	<u>2006</u>	<u>2005</u>
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	510,007	502,993
Adjustments for:		
Depreciation	5,833	5,265
Admission to AIM costs	392,380	-
Reversal of provision for bad debts	(13,124)	-
Provision for obsolete inventories	59,084	-
Written back on trade payables and accruals	(77,136)	-
Interest income	(15,929)	(18,930)
Interest expenses	-	11,294
	<hr/>	<hr/>
Operating profit before working capital changes	861,115	500,622
Decrease in inventories	404,631	16,225
Increase in trade receivables	(481,284)	(101,742)
Increase in amounts due from construction contract customers	(520,553)	(72,339)
Decrease in retention receivables	24,578	11,878
(Increase)/Decrease in deposits, prepayments and other receivables	(248,595)	67,123
Decrease in amount due from a related company	-	122,339
Increase in amounts due to construction contract customers	175,351	82,361
(Decrease)/Increase in trade payables and accruals	(56,660)	240,243
Decrease in amount due to a related company	-	(185,240)
Effect of changes in foreign exchange	(36,890)	(4,032)
	<hr/>	<hr/>
Net cash from operations	121,693	677,438
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of plant and equipment	(9,207)	(7,152)
Receipts from settlement of short term loan	176,465	-
Advance of short term loan receivable	(360,428)	-
Increase in pledged deposits	(122,655)	(33,931)
Interest received	15,929	189
	<hr/>	<hr/>
Net cash used in investing activities	(299,896)	(40,894)

The notes on pages 22 to 38 form an integral part of these financial statements.

UNIVISION ENGINEERING LIMITED
CASH FLOW STATEMENT (Continued)
For the year ended 31 March 2006

	<u>2006</u>	<u>2005</u>
	£	£
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-	(11,294)
Dividend paid	-	(161,411)
Proceeds from issue of shares	1,810,000	986,721
Payment for issue of shares and admission to AIM	(653,220)	-
Payment of finance lease liabilities	-	(2,107)
Payment of bank loan	-	(1,028,385)
Repayment of amount due to immediate holding company	-	(129,865)
Payment of amount due to ultimate holding company	-	(31,268)
	<hr/>	<hr/>
Net cash from / (used in) financing activities	1,156,780	(377,609)
NET INCREASE IN CASH AND CASH EQUIVALENTS	978,577	258,935
EFFECT OF CHANGES IN FOREIGN EXCHANGE	53,921	(8,387)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	381,815	131,267
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,414,313	381,815
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents (note 21)	1,414,313	381,815
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 22 to 38 form an integral part of these financial statements.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

1. GENERAL INFORMATION

The Company is incorporated in Hong Kong as a limited company. The address of its registered office is 8/F Lever Tech Centre, 69-71 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company has its primary listing on the Alternative Investment Market of the London Stock Exchange ("AIM").

The Company is engaged in the supply, design, installation and maintenance of closed circuit television and surveillance systems and the sale of security system related products.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention. In the current year, the Company has applied all International Financial Reporting Standards ("IFRSs") (which also include the International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee relevant to its operations and effective for periods beginning on 1 January 2005. The transition from accounting principles generally accepted in Hong Kong (HKGAAAP) to IFRS has not resulted in material impact on the Company's accounting policies and has no effect on the amounts reported in the income statement, balance sheet, cash flow statement and statement of changes in equity for the current or prior years.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The accounting policies set out in Note 3 below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 April 2004 for the purpose of the transition to IFRS.

The Company has not applied the new IFRSs in issue at the date of authorisation of the financial statements but are not yet effective. In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Company's financial statements for the period beginning 1 January 2006. The application of these IFRSs and amendments are not expected to have material impact on the financial statements of the Company.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards.

(a) Revenue recognition

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the delivery of goods to customers and the passing of title to customers.

Revenue from service contracts is recognised by reference to the stage of completion, as measured by reference to services performed to date as a percentage of total services to be performed.

Revenue from construction contracts is recognised in accordance with the Company's accounting policy on construction contracts.

Revenue from solution sales is recognised when the services are rendered.

(b) Construction contracts

The Company enters into contracts for the supply, design and installation of surveillance systems. These contracts are classified as construction contracts.

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the degree of completion of each contract, as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. Contract costs are recognised as expenses in the period in which they are incurred.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as due from construction contract customers. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as due to construction contract customers.

(c) Research and development costs

Expenditure on research activities, undertaken with prospect of gaining new technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the capitalised research and development costs.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses and are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Computer equipment	30%
Furniture and fixtures	20%
Leasehold improvements	20%
Motor vehicles	30%

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average method and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(h) Trade payables and accruals

Trade payables and accruals are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the cash flow statement, bank overdrafts which are repayable on demand and form an integral part of an enterprise's cash management are also included as a component of cash and cash equivalents.

(j) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease term.

(k) Foreign currency translation

The Company's functional currency is the Hong Kong Dollar. Transactions in foreign currencies have been translated into Hong Kong Dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

The Company has chosen to use £ Sterling as the presentational currency for the financial information presented in these financial statements. Assets and liabilities at each balance sheet date have been translated at the closing rate for that balance sheet date. Income and expenses for each income statement have been translated at the average rate for each year, which rate is considered to be a reasonable approximation to the actual rates arising in the year. Components of equity have been translated at the rate in effect when the equity item arose. Share capital and retained earnings were first converted into the presentational currency on 1 April 2002 and the rate in effect on that date was used to convert share capital and retained earnings at that date. All resulting exchange differences have been recognised as a separate component of equity.

(l) Employee benefits

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as expenses in the income statement as incurred.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(n) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(o) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

(p) Event after the balance sheet date

Post-year-end events that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(q) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

4. FINANCIAL RISK MANAGEMENT

Financial assets of the Company are bank and cash; pledged bank deposits; deposits, prepayments and other receivables; amounts due from construction contract customer; short term loan receivable, trade receivables and retention receivables. Financial liabilities mainly include trade payables and accruals and amounts due to construction contract customers. The Company had no position in derivative contracts that qualified as, or were designated as, hedging instruments as at 31 March 2005 and 2006 respectively.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

4. **FINANCIAL RISK MANAGEMENT (CONT'D)**

Financial risk management objectives and policies

The Company's exposure to financial risk includes primarily credit risk, liquidity risk, foreign currency risk and interest rate risk.

Credit risk

The Company's credit risk is primarily attributable to amounts due from contract customers, trade receivables, short term loan receivable and retention receivables due to the risk inherent in debt collections within the Company's industry. The Company seeks to maintain strict control and management is required to assess customer credit before tendering for contract works to mitigate credit risk. All receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management.

At 31 March 2006, the Company has certain trade receivables of £691,117 due from a People's Republic of China ("PRC") customer in respect of solution sales conducted during the year. Management has reviewed the progress of the contracts undertaken by the customer and a repayment schedule was agreed subsequent to the year end date that the receivable will be repaid within 1 year. In addition the Company has an interest free short term loan of £368,868 advanced to the same PRC customer which the repayment date was expired during the year. The repayment date of the loan has been extended and will be repaid within 1 year. The loan is secured on 100% share capital of the PRC customer and 45% of the share capital of another PRC company. In view of the above, the Company's exposure to bad debts on the trade receivables and the short term loan receivable has been reduced.

Liquidity risk

In managing the liquidity risk, the Company's policy is to regularly monitor and maintain an adequate level of cash and cash equivalents determined by the management to finance the Company's operations. The management also needs to ensure the continuity of funding for both the short and long terms, and to mitigate the effects of cash flow fluctuation.

Foreign currency risk

The Company operates mostly in Hong Kong and revenue and expenditure are mainly denominated in Hong Kong dollars ("HKD"). The Company is also exposed to foreign currency risks as it engages in projects that were billed in US dollars ("USD"), and some of the listing proceeds received in Sterling ("£"). For sales denominated in USD, as HKD is pegged to USD, the Company does not expect any significant movements in the USD/HKD exchange rate, the foreign currency exposure regarding the USD is considered to be minimal. For the listing proceeds denominated in £, the Company expects to have some foreign currency risk on its future use due to the fluctuation of its exchange rate against HKD.

Management believes that foreign currency risk is not significant, therefore, as of the balance sheet date, the Company has not engaged in any hedging activities and it has no formal policies to hedge the foreign currency risk.

Interest rate risk

For the years ended 31 March 2005 and 2006, the Company has no bank and other borrowings. Accordingly management consider that the Company's exposure to interest rate risk is not significant.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

4. **FINANCIAL RISK MANAGEMENT (CONT'D)**

Fair value

Management consider that the carrying amounts of the Company's financial assets and liabilities approximated to their fair value at each balance sheet date.

5. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, the actual results will, by definition, seldom equal those estimates. The estimates and assumptions that involving a high degree of judgements are discussed below:

Estimation of contract costs

Estimated costs to completion of contracts are judged by management by the application of their experience and knowledge of the industry in which the Company operates. However, contract performance can be difficult to predict accurately. Management believes that contract budgets do not deviate materially from actual costs incurred due to a strong cost control system with regular review of budgets which highlights any incidences which come to their attention that could affect estimated costs to completion.

Estimation of provision for inventories

The identification of provision for inventories of the Company requires the use of judgement and estimates of the management. Management estimate the net realisable value of inventories by reference to the latest invoice prices and the values in use. Operational procedures have been in place to monitor the condition and usefulness of its inventories. Management regularly review the age of inventories to identify slowing moving items and physical inventory count is carried out on a regular basis to identify obsolete or defective items. Provisions will be established for inventories where an impairment has been identified. At 31 March 2006, £59,084 provision for obsolete inventories was recognised as expense in the income statement.

Estimation of provision for trade receivables

The estimation of provision for trade receivables includes an assessment of recoverability of individual account balance and a review of ageing analysis of trade receivables by management. Management will also review the credit history of customers in assessing the ultimate realisation of trade receivables. When any indication comes to their attention that certain trade receivables might not be recovered in full, provision will be made and recognised as expense in the income statement.

At 31 March 2006, the management reassessed the recoverability of an overdue balance due from a PRC customer in respect of the solution sales conducted during the year. Repayment schedule was agreed with the customer subsequent to the year end date that the amount due will be settled by instalments within next financial year when the customer receives progress payments from its customer. After reviewing the progress of the contracts undertaken by the PRC customer with its customers for which the Company provides solutions sales, management are satisfied that the amounts due are recoverable within one year. Therefore, no provision for bad debts in respect of these trade receivables is recognised in the income statement.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) by business segment on a primary segment reporting basis; and (b) by geographical segment on a secondary segment reporting basis.

(a) Business segments

The Company is organised into the following business segments:

- Construction contracts
- Maintenance contracts
- Product sales
- Solution sales

Results by business segment for the year ended 31 March 2006 are as follows:

	Construction contracts	Maintenance contracts	Product sales	Solution sales	Unallocated	Total
	£	£	£	£	£	£
<i>Profit and loss information:</i>						
Sales	2,189,020	514,015	400,756	782,989	-	3,886,780
Operating profit	319,131	323,113	9,566	403,865	(147,766)	907,909
<i>Balance sheet information:</i>						
Assets	2,204,691	543,848	281,803	1,706,064	20,585	4,756,991
Liabilities	911,509	122,021	35,484	24,901	49,937	1,143,852
<i>Other information:</i>						
Depreciation	2,715	670	347	2,101	-	5,833
Capital expenditure	4,286	1,057	548	3,316	-	9,207
Provision for obsolete inventories	45,265	4,100	9,719	-	-	59,084

Results by business segment for the year ended 31 March 2005 are as follows:

	Construction contracts	Maintenance contracts	Product sales	Solution sales	Unallocated	Total
	£	£	£	£	£	£
<i>Profit and loss information:</i>						
Sales	1,724,394	474,628	446,720	-	-	2,645,742
Operating profit	455,606	278,465	26,598	-	(240,797)	519,872
<i>Balance sheet information:</i>						
Assets	1,631,412	234,682	554,312	-	25,774	2,446,180
Liabilities	765,071	83,133	132,593	-	37,808	1,018,605
<i>Other information:</i>						
Depreciation	3,549	510	1,206	-	-	5,265
Capital expenditure	4,820	694	1,638	-	-	7,152
Provision for obsolete inventories	-	-	-	-	-	-

(b) Geographical segments

In determining the Company's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

No further geographical segment information is presented as all of the Company's revenue is derived from customers based in one geographic segment comprising Hong Kong, Macau and the People's Republic of China, and all of the Company's assets are located in the same geographic segment.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

7. OTHER REVENUE

	<u>2006</u>	<u>2005</u>
	£	£
Exchange gains	26,189	-
Reversal of provision for bad debts	13,124	-
Compensation income	112,453	-
Interest income	15,929	18,930
Written back on trade payables and accruals	77,136	-
Services, handling and sundry income	12,780	113,811
	<u>257,611</u>	<u>132,741</u>

8. PROFIT FROM OPERATIONS

Profit from operations is stated after charging / (crediting) the following:

	<u>2006</u>	<u>2005</u>
	£	£
Cost of inventories recognised as expenses	1,457,844	1,056,173
Provision for obsolete inventories	59,084	-
Auditors' remuneration	28,834	10,423
Depreciation		
Leased plant and equipment	-	1,232
Owned plant and equipment	5,833	4,033
	5,833	5,265
Directors' remuneration (note 10)	89,494	32,450
Net exchange (gains)/losses	(26,189)	1,088
Reversal of provision for bad debts	(13,124)	-
Research and development costs	25,585	-
Operating leases - land and buildings	28,079	33,618
Staff costs (excluding directors' remuneration)	522,289	464,547
Written back on trade payables and accruals	(77,136)	-

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

9. NON-OPERATING EXPENSES

	<u>2006</u>	<u>2005</u>
	£	£
Total share issue and admission to AIM costs	<u>668,220</u>	<u>-</u>
Charged to equity:		
Share placing costs	15,500	-
Share issue costs upon admission to AIM	<u>247,415</u>	<u>-</u>
	262,915	-
Charged to income statement:		
Admission to AIM costs	392,380	-
Exchange differences	<u>12,925</u>	<u>-</u>
Total share issue and admission to AIM costs	<u>668,220</u>	<u>-</u>

A total of 50,500,000 and 10,333,333 new ordinary shares were issued and have raised £1,500,000 and £310,000 during the admission to AIM and placing process respectively.

The total share issue and admission to AIM costs amounted to £668,220, in which £15,000 was settled by issuance of new ordinary shares to Insinger de Beaufort in part satisfaction of their fee for the admission to AIM process. A portion of these share issue costs that relates to stock market listing have been recognised as an expense in the year and a portion of these share issue costs that relates to issuing new shares have been charged to equity.

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year is disclosed as follows:

	<u>2006</u>	<u>2005</u>
	£	£
Fees	38,926	-
Other emoluments:		
Salaries, bonuses and allowances	49,415	31,616
Pension scheme contributions	<u>1,153</u>	<u>834</u>
	<u>89,494</u>	<u>32,450</u>

Fees include £ 5,767 (2005: £Nil) paid to independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2005: £Nil).

11. STAFF COSTS

	<u>2006</u>	<u>2005</u>
	£	£
Wages and salaries	589,689	476,751
Pension scheme contributions	<u>22,094</u>	<u>20,246</u>
	<u>611,783</u>	<u>496,997</u>

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

12. **FINANCE COSTS**

	<u>2006</u>	<u>2005</u>
	£	£
Bank charges	5,522	5,427
Bank loan interests	-	11,294
Finance leases charges	-	158
	5,522	16,879

13. **TAXATION**

(a) No provision for Hong Kong profits tax has been made in the financial statements since the Company has sufficient tax losses brought forward to set off against current year's assessable profit.

(b) The taxation on the Company's profit before taxation differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	<u>2006</u>	<u>2005</u>
	£	£
Profit before taxation	510,007	502,993
Tax at Hong Kong profits tax rate of 17.5%	89,251	88,024
Tax effect of income that is not taxable in determining taxable profit	(2,297)	-
Tax effect of expenses that are not deductible in determining taxable profit	82,685	185
Tax effect of temporary differences not recognised	(1,126)	(1,303)
Tax effect of utilisation of tax losses not previously recognised	(168,513)	(86,906)
Taxation charge	-	-

At the balance sheet date, the Company has unused tax losses of £6,274,096 (2005: £6,799,368) that are available for offset against future taxable profits of the Company. No deferred tax asset has been recognised due to the unpredictability of the future profit streams. Tax losses may be carried forward indefinitely.

No provision for deferred tax liabilities has been made in the financial statements as the tax effect of temporary differences is immaterial to the Company.

14. **DIVIDEND**

	<u>2006</u>	<u>2005</u>
	£	£
Interim dividend of £Nil (2005: HK\$721) per ordinary share	-	161,411

For the year ended 31 March 2005, an interim dividend was declared and paid out of distributable reserves.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the net profit attributable to shareholders for the year of £510,007 (2005: £502,993), and the weighted average of 279,155,799 (2005: 257,931,950) ordinary shares in issue during the year.

There were no potential dilutive ordinary shares outstanding during the year (2005:Nil).

16. PLANT AND EQUIPMENT

The movement of plant and equipment during the year is as follows:

	Furniture and fixtures £	Computer equipment £	Motor vehicles £	Leasehold improvements £	Total £
Cost					
At 1 April 2004	70,570	110,489	13,960	6,047	201,066
Additions	2,871	4,281	-	-	7,152
Exchange realignment	(2,051)	(3,207)	(395)	(171)	(5,824)
At 31 March 2005	71,390	111,563	13,565	5,876	202,394
Additions	5,466	3,741	-	-	9,207
Exchange realignment	5,926	9,147	1,101	477	16,651
At 31 March 2006	82,782	124,451	14,666	6,353	228,252
Accumulated depreciation					
At 1 April 2004	70,375	109,408	7,422	6,047	193,252
Charge for the year	234	1,232	3,799	-	5,265
Exchange realignment	(1,997)	(3,121)	(279)	(171)	(5,568)
At 31 March 2005	68,612	107,519	10,942	5,876	192,949
Charge for the year	1,237	2,376	2,220	-	5,833
Exchange realignment	5,601	8,787	940	477	15,805
At 31 March 2006	75,450	118,682	14,102	6,353	214,587
Net book value					
At 31 March 2006	7,332	5,769	564	-	13,665
At 31 March 2005	2,778	4,044	2,623	-	9,445

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

17. INVENTORIES

	<u>2006</u>	<u>2005</u>
	£	£
Raw materials	138,849	249,068
Work in progress	1,695	24,791
Finished goods	<u>51,669</u>	<u>342,845</u>
	<u><u>192,213</u></u>	<u><u>616,704</u></u>

The cost of inventories recognised as expense and included in cost of sales amounted to £1,457,844 (2005: £1,056,173).

18. CONSTRUCTION CONTRACTS IN PROGRESS

	<u>2006</u>	<u>2005</u>
	£	£
Contract costs incurred	2,419,074	2,488,307
Attributable profits less foreseeable losses	<u>626,434</u>	<u>688,993</u>
	3,045,508	3,177,300
Progress billings	<u>(2,563,849)</u>	<u>(3,058,569)</u>
	<u><u>481,659</u></u>	<u><u>118,731</u></u>
Due from construction contract customers	934,195	371,300
Due to construction contract customers	<u>(452,536)</u>	<u>(252,569)</u>
	<u><u>481,659</u></u>	<u><u>118,731</u></u>

At 31 March 2006 retentions held by customers for contract work amounted to £38,882 (2005: £59,225).

At 31 March 2006 there are no advances received from customers for contract work included in amount due to customers (2005: £Nil).

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

19. TRADE RECEIVABLES

The directors consider that the carrying amount of the trade receivables approximates to their fair value. An aging analysis of the trade receivables as at the balance sheet date is as follows:

	<u>2006</u>	<u>2005</u>
	£	£
Current to 90 days	528,164	460,420
91 to 180 days	65,608	176,990
181 to 270 days	570,717	44,449
Over 270 days	<u>153,283</u>	<u>81,377</u>
	1,317,772	763,236
Less: Bad debt provision	<u>(14,036)</u>	<u>(25,405)</u>
	<u>1,303,736</u>	<u>737,831</u>

At 31 March 2006, certain trade receivables of £691,117, of which £453,356 aged over 180 days, were due from a PRC customer in respect of the provision of technical know-how on the design and installation of forest fire monitoring systems and sales of inventories (refer as solution sales in these financial statements) during the year. According to the repayment schedule agreed with the PRC customer after the balance sheet date, these trade receivables are repayable within 1 year.

20. OTHER RECEIVABLES

	<u>2006</u>	<u>2005</u>
	£	£
Short term loan receivable	368,868	185,436
Retention receivables	38,882	59,225
Deposits, prepayments and other receivables	329,568	51,105
Pledged bank balances	<u>161,551</u>	<u>33,319</u>
	<u>898,869</u>	<u>329,085</u>

The directors consider that the carrying amount of other receivables approximates to their fair value.

The short term loan receivable at 31 March 2006 is secured on 100% share capital of the counterparty and 45% of the share capital of a PRC company. The 45% shareholding is owned by two shareholders of the counterparty who are the directors of both this PRC company and the counterparty. The loan is interest free and repayable within 1 year.

The short term loan receivable at 31 March 2005 is unsecured, interest free and was repaid during the year.

At 31 March 2006 there is no amount (2005: £20,469) included in retention receivables arising from construction contracts which are due for settlement after twelve months.

At 31 March 2006, the Company has pledged bank deposits of £161,551 (2005: £33,319) to banks for performance bonds in respect of construction contracts undertaken by the Company.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

21. CASH AND CASH EQUIVALENTS

	<u>2006</u>	<u>2005</u>
	£	£
Cash and bank balances	268,313	381,815
Short term bank deposits	<u>1,146,000</u>	<u>-</u>
	<u>1,414,313</u>	<u>381,815</u>

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Short term bank deposits are made for periods of seven or eight days and earn interest at an interest rate ranging from 2.9%p.a. to 3.85%p.a.

22. SHARE CAPITAL

	<u>2006</u>	<u>2005</u>
	£	£
Authorised:		
800,000,000 (2005: 3,281) ordinary shares of HK\$0.0625 (2005: HK\$5,000) each	<u>3,669,470</u>	<u>1,167,981</u>
Issued and fully paid:		
323,313,333 (2005: 3,281) ordinary shares of HK\$0.0625 each (2005: HK\$5,000)	<u>1,451,085</u>	<u>1,167,981</u>

The Company has one class of ordinary shares.

By an ordinary resolution passed on 11 June 2004 the authorised ordinary share capital of the Company was increased from HK\$145,060,000 (£12,742,506) to HK\$159,245,000 (£13,729,227) by the creation of 2,837 shares of HK\$5,000 each, such new shares ranking pari passu in all respects with the existing shares of the Company. On the same date the Company issued 2,837 ordinary shares of HK\$5,000 each at par for cash fully paid totalling HK\$14,185,000 (£986,721) to provide additional working capital.

By a special resolution passed on 30 July 2004 and Order of the High Court dated 20 November 2004, the authorised and issued capital of the Company was reduced from HK\$159,245,000 (£13,729,227) divided into 31,849 ordinary shares of HK\$5,000 each to HK\$16,405,000 (£1,167,981) divided into 3,281 ordinary shares of HK\$5,000 each. The reduction of capital was effected by cancellation of 28,568 ordinary shares of HK\$5,000 each in the issued and paid up share capital of the Company. The Company established a non-distributable special capital reserve account into which HK\$2,071,307 (£143,439) was credited as a result of capital reduction.

Pursuant to the Order of the High Court dated 20 November 2004, any future recoveries of the Company's accumulated provision for obsolete inventories and provision for bad debts amounting to HK\$1,935,002 (£132,028) and HK\$3,592,540 (£245,124) respectively will be credited to another non-distributable special capital reserve.

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

22. SHARE CAPITAL (Cont'd)

By an ordinary resolution passed on 28 November 2005 the authorised and issued ordinary share of HK\$5,000 each in the capital of the Company was reorganised and subdivided into 80,000 ordinary shares of HK\$0.0625 each in the capital of the Company. On the same date, the authorised ordinary share capital of the Company was increased from HK\$16,405,000 divided into 262,480,000 shares of HK\$0.0625 each to HK\$50,000,000 by the creation of 537,520,000 shares of HK\$0.0625 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

A total of 60,833,333 new ordinary shares were issued during the year:

On 16 December 2005, the Company was admitted to AIM and 50,000,000 new ordinary shares of HK\$0.0625 were placed at a price of 3 pence per share by Insinger de Beaufort. The fund was used as general working capital for the Company. On the same date, 500,000 new ordinary shares of HK\$0.0625 at a price of 3 pence per share were allotted and issued to Insinger de Beaufort in part satisfaction of their fee for the AIM listing process.

On 20 January 2006, 10,333,333 new ordinary shares of HK\$0.0625 were placed at a price of 3 pence per share by Insinger de Beaufort. The placing raised £310,000 before expenses for the Company and the funds were used as additional working capital for the Company.

23. TRADE PAYABLES AND ACCRUALS

The directors consider that the carrying amount of the trade payables and accruals approximates to their fair value.

	<u>2006</u>	<u>2005</u>
	£	£
Trade creditors	205,007	566,568
Provision for employee's benefit	35,464	32,800
Provision for taxation	21,513	-
Accruals and other payables	429,332	166,668
	691,316	766,036

24. OPERATING LEASE COMMITMENTS

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases for the office and warehouse premises are payable as follows:

	<u>2006</u>	<u>2005</u>
	£	£
Within one year	25,135	28,515
In the second to fifth years inclusive	1,047	24,216
	26,182	52,731

UNIVISION ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

25. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the key management of the Company during the year was as follows:-

	<u>2006</u>	<u>2005</u>
	£	£
Salaries and other short term benefits	<u>176,253</u>	<u>144,303</u>

The remuneration of key management personnel comprise the remuneration of executive directors and key executives.

Executive directors include the executive chairman, the chief executive officer and the technical director of the Company. The remuneration of the executive directors is determined by the remuneration committee having regard to the performance of individuals, the overall performance of the Company and market trends. Further information about the remuneration committee and the directors' remuneration is provided in the Remuneration Report and the Report of Corporate Governance to the annual report and note 10 to the financial statements.

Key executives include the sales manager, the operations manager and the financial controller of the Company. The remuneration of the key executives is determined by the executive directors annually having regard to the performance of individuals and market trends.

Biographical information on key management personnel is disclosed in the Directors' and Senior Management's Biographies section to the annual report.

26. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, in a press announcement of the Company dated 17 May 2006, the directors of the Company stated that the Company had successfully completed the acquisition of 52.25% equity interests in T-Com Tech. Co. Ltd at a cash consideration of approximately £514,000.

T-Com Tech. Co. Ltd., established in 1998, is a security system integrator and a turn-key provider of technology-based security solutions for medium and large commercial enterprises and government agencies in Taiwan. It is also engaged in the sale of closed circuit television systems, access control systems, integrated security systems and intelligent transport systems in Taiwan and to Taiwan's manufacturer in PRC.

27. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statement were approved and authorised for issue by the board of directors on 26 July 2006.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2006 Annual General Meeting of UniVision Engineering Limited will be held at UniVision Engineering Limited, 8/F Lever Tech Centre, 69-71 King Yip Street, Kwun Tong, Kowloon, Hong Kong, on 29 September 2006 at 5:00P.M.. The following businesses will be transacted then:

1. To receive and adopt the Company's audited financial statements for the financial year ended 31 March 2006 together with the Directors' report and the auditors' report;
2. To reelect Mr. Stephen Sin Mo KOO who retired by rotation, as a Director of the Company;
3. To reelect Mr. Tak Ding TAM who retired by rotation, as a Non-Executive Director of the Company;
4. To reelect Mr. Andrew Ping Sum TANG who retired by rotation, as a Non-Executive Director of the Company;
5. To reappoint RSM Nelson Wheeler as auditor of the Company, to hold office from the conclusion of the meeting to the conclusion of the next meeting, during which accounts will be laid before the Company and to authorize the Directors to adjust their remuneration packages;
6. To consider and, if considered appropriate, pass the following resolution as an ordinary resolution that the directors of the Company be and are hereby generally and unconditionally authorized to exercise all powers of the Company to allot ordinary shares of HK\$0.0625 each in the capital of the Company (the 'Ordinary Shares'). Such authority (unless and to the extent previously revoked, varied or renewed by the Company during the general meeting) to expire 15 months after the date of the passing of such resolution or on the conclusion of the Company's next Annual General Meeting to be held, following the date of passing such resolution, whichever occurs first, save that the Company may before such expiry make any offer or agreement which would or might require Ordinary Shares to be allotted after such expiry, and that the Directors may allot Ordinary Shares in pursuance of such an offer or an agreement as if such authority had not expired. This authority substitutes all subsisting authorities to the extent unused.

By Order of the Board

Registered office:
8/F Lever Tech Centre,
69-71 King Yip Street,
Kwun Tong, Kowloon,
Hong Kong

Mr. Stephen Sin Mo KOO
Executive Chairman
26 July 2006

NOTES:

1. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend and vote at the Annual General Meeting. A member so entitled may appoint one or more proxies (whether they are members or not) to attend and, on a poll, to vote in place of the member.
2. A form of proxy is enclosed with this notice. To be valid, the form of proxy and any power of attorney or other authority (if any) under which it is signed, or a notarized and certified copy of that power of authority, must be lodged with the Company's registrars, Computershare Investor Services (Channel Islands) Limited at PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW, Channel Island, not less than 48 hours before the Annual General Meeting takes place.
3. Completion and return of a proxy does not preclude a member from attending and voting at the Annual General Meeting.

4. The Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the Register of Members of the Company as of 27 September 2006 are entitled to attend or vote at the Annual General Meeting in respect to the number of shares registered in their name at that time. Changes to entries on the Register after that time will be disregarded when determining the rights of any person to attend or vote in the Annual General Meeting.