Company Number: 5389216

Sweet *China*

SWEET CHINA PLC

Annual Report and
Financial Statements

For the period ended
31 December 2005

SWEET CHINA PLC

CONTENTS
FOR THE PERIOD 11 MARCH 2005 TO 31 DECEMBER 2005

SWEET CHINA PLC

COMPANY INFORMATION

Directors	David Zulman, *non executive chairman* Martin Frost, *executive deputy chairman* Christopher Cleverly, *chief executive* Sun Xiao, *non-executive director*
Secretary	Michael Lindsay
Company Registration Number	5389216
Registered Office and UK Office (from August 2006)	6 Newburgh Street London W1F 7BQ Tel: +44 (0) 20 7479 7410
Auditors	BDO Stoy Hayward LLP Northside House, 69 Tweedy Road Bromley, Kent BR1 3WA
Solicitors	Richards Butler LLP Beaufort House 15 St Botolph Street London EC3A 7EE
Nominated Advisers and Brokers	Rowan Dartington & Co. Limited Colston Tower, Colston Street Bristol BS1 4RD
Registrars	Lloyds TSB Registrars The Causeway Worthing, West Sussex BN99 6DA
Public Relations	Portland PR 125 High Holborn London WC1V 6QA
Other advisers	HongTa Innovation Partners Limited 801-802 HongTa Building, Keyi Road Hi-tech Zone, Kumming City, China Cathay Corporate Managers Hillyfields House, Woodhill Lane Shamley Green, Guildford GU5 0SP
Company Website	www.sweetchinaplc.com

CHAIRMAN'S STATEMENT AND REVIEW OF THE PERIOD FOR THE PERIOD 11 MARCH 2005 TO 31 DECEMBER 2005

INTRODUCTION

I am pleased to present the first annual report and financial statements for your Company which cover the period from its incorporation on 11 March 2005 to 31 December 2005.

REVIEW OF ACTIVITIES

Sweet China plc was admitted to AIM, a market operated by the London Stock Exchange, on 31 March 2005 with the intention of acquiring businesses or investments in companies operating in the manufacturing and marketing of confectionery and gift food products in mainland China and Hong Kong for both Chinese and world-wide sale.

As reported in our interim statement, the initial launch of the Group and its introduction and placing on AIM exceeded the board's expectations with £1,272,001 raised as initial capital. Expenses incurred amounted to £237,028 and were deducted from share premium.

On 22 March 2005, prior to its admission to AIM, the Company acquired Sweet China Trading Limited which had been carrying out preliminary investigations into trading in China and Hong Kong and which owned the Sweet China website. This has been accounted for in these financial statements as an acquisition and the costs of acquiring the company are being amortised over five years.

The loss for the period of £353,709, after taxation, reflects the operating costs of the Group for the period whilst our first acquisition is being sought. This represents a loss per share of 3.67 pence. The net assets of the Group at 31 December 2005 amounted to £681,264 including cash balances of £635,334.

During the period your board identified a number of potential acquisitions and investments. On 30 November 2005 we announced that we were in advanced negotiations with a view to making a substantial acquisition, and, as a result of this, trading on AIM was suspended. Unfortunately it did not prove possible to complete these negotiations by 30 May 2006 and, on that date, trading in the Company's shares on AIM was cancelled as the Company's shares had been suspended for a period of six months, the maximum suspension period permitted under the AIM Rules.

The negotiations for that acquisition are still continuing and the Board is extremely hopeful that they will be concluded in the third quarter of 2006. The terms of the acquisition will then be placed before shareholders for their approval together with the terms of a proposed placing of new shares to finance the acquisition and future trading. Readmission to AIM will be sought at the same time.

In addition to the above acquisition, the Group has also been investigating other opportunities for growth. As part of this process, we have entered into an agreement with HongTa Innovation Partners Limited (HTIP) to act as the Group's strategic adviser in China and to assist the Group in its negotiations with an identified business opportunity on the Chinese mainland. HTIP is a dedicated private equity operation owned and managed by HongTa, one of China's largest companies.

The Group is currently in negotiations to secure additional working capital for the Group until such time as a further placing of ordinary shares can be arranged. It is anticipated that such placing would occur contemporaneously with the above acquisition.

FUTURE PROSPECTS

The proposed acquisition, when concluded and if approved by shareholders, will, in the opinion of the directors, give the Group a number of attractive confectionery brands with considerable capacity for future growth and provide the Group with an excellent confectionery design and merchandising team in the UK and Hong Kong.

As importantly, it will give the Group an established trading base in China with relationships with manufacturing companies on the Chinese mainland. It will form a strategic acquisition for the future and create a local presence which will make future acquisitions more readily achievable. As indicated above, the board is in the early stages of negotiations for a further acquisition and is hopeful that this, or another opportunity, will be concluded during the forthcoming year.

It has taken longer to reach this stage than the Board originally anticipated, but the future is one in which we have confidence and we look forward to the remainder of 2006 and to 2007 with enthusiasm.

David Zulman
Chairman
26 July 2006

DIRECTORS' REPORT
FOR THE PERIOD 11 MARCH 2005 TO 31 DECEMBER 2005

The directors present their report with the financial statements of the Company for the period 11 March 2005 to 31 December 2005.

INCORPORATION

The Company was incorporated on 11 March 2005 as Sweet China Trading Limited and changed its name to Sweet China plc on 24 March 2005 when it was re-registered as a Public Limited Company.

PRINCIPAL ACTIVITY

The principal activity of the Group is the investment in, and operation of, businesses operating in the manufacture and marketing of confectionery and gift foods, principally in Mainland China and Hong Kong.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

On 22 March 2005, prior to its introduction to AIM, the Company acquired 100% of the share capital and operations of Sweet China Trading Limited (previously Sweet China Limited), which had been carrying out preliminary investigations into trading in China. On 31 March 2005, the Group was admitted to AIM.

During the period the Group has been reviewing a number of business opportunities and has been negotiating the possible acquisition of two of those businesses within its target sphere of operations. Neither opportunity was concluded during the period and the results for the period comprise administration expenses incurred in that process. Further details are given in the Chairman's Statement on page 2.

The results for the period and financial position of the Group are as shown in the financial statements. No dividend is recommended for the period.

CHANGES IN SHARE CAPITAL

Two ordinary shares of 1p each were issued on incorporation. A further 8,160,097 ordinary shares of 1p each were issued on various dates between incorporation and 30 March 2005 in order to raise working capital and 1,920,001 ordinary shares of 1p each were issued on admission of the Company to AIM on 31 March 2005. Further details are give in notes 9 and 13 to the financial statements.

DIRECTORS

The directors during the period under review were:

David Zulman *	appointed 24 March 2005
Martin Frost *	appointed 3 August 2005
Christopher Cleverly *	appointed 11 March 2005
Sun Xiao *	appointed 24 March 2005
Mark Chapman	appointed 11 March 2005; resigned 24 March 2005
RB Directors One Limited	appointed 11 March 2005; resigned 11 March 2005

* The directors in office having been appointed during the period and being eligible for re-appointment offer themselves for election at the forthcoming first Annual General Meeting.

BIOGRAPHIES OF DIRECTORS

David Zulman (aged 45) is the Group's non-executive chairman. He is currently the joint chairman and managing director of Ashbury Confectionery Limited which he founded in 1988. David is also a non-executive director of Galleway Food (Pty) Ltd, a South African importer and vendor of major branded confectionery products in the South African markets. He was previously a non-executive director of BestSweet Inc., a USA company, and Managing Director of South Africa's largest confectionery manufacturer, Beacon Sweets & Chocolates (Pty) Ltd.

Martin Frost (aged 55) is the Group's executive deputy chairman. He was previously President and CEO of Seagram Europe, Middle East and Africa division. He is also currently chairman of GX-Laboratories Limited and holds a number of other directorships across a range of business interests.

Chris Cleverly (aged 38) is the Group's chief executive. Chris invented, developed and marketed the high energy guarana "Goco" chocolate bar sold, via licence, to customers including Tesco and BP. Between 1990 and 2002 Chris was a practising barrister. In 2003, he founded Event Data Correlation Limited, a company specialising in technology solutions for the gaming industry. This company was acquired by the AIM-listed Global Gaming Technologies plc in 2005 where he is a non-executive director. Prior to founding Sweet China plc, he was a consultant for The Essential Box Company Limited, a UK and Hong Kong based confectionery company.

Sun Xiao (aged 44) is a non-executive director. He is a director of HongTa Innovation Partners Limited based in China. Prior to joining HongTa, he worked as the Minister's Secretary at the Ministry of the Chemical Industry and as office director of the State Bureau for Light Industry in China. He is also a director of Sinovation Plc, an OFEX traded company, of AIM-listed China Wonder Limited, and of two companies traded on the China "A share" market, the main Chinese market.

DIRECTORS' INTERESTS

The interests of the directors in the share capital of the company were as follows:

	Number of ordinary shares of 1p each	
	On incorporation or at date of appointment	At 31 December 2005
David Zulman	–	78,000
Martin Frost	–	–
Christopher Cleverly	1	5,280,100*
Sun Xiao	–	–

* Of these, 5,000,000 shares are registered in the name of Castle Trust Management & Services Limited on behalf of the Sweet China Funded Unapproved Retirement Benefits Scheme.

POLITICAL AND CHARITABLE DONATIONS

The Company made no political or charitable donations during the period.

SUBSTANTIAL SHAREHOLDINGS

As at 21 July 2006 the Company had been notified of the following interests in its issued share capital pursuant to Part VI of the Companies Act 1985, being interests amounting to 3% or more of the issued share capital:

	Number of ordinary shares of 1p each	Percentage of issued ordinary share capital
Christopher Cleverly	5,280,100*	52.4%
James Capel Nominees Limited	1,000,000	9.9%
Pershing Keen Nominees Limited	575,999	5.7%
Peter Taylor	360,000	3.6%

* See note to table above.

EQUAL OPPORTUNITIES

The Group endorses and supports the principles of equal employment opportunities. It is the policy of the Group to provide equal employment opportunities to all qualified individuals which ensures that all employment decisions are made, subject to legal obligations, on a non-discriminatory basis.

SUPPLIERS' PAYMENT TERMS

It is the policy of the Group to agree terms of payment with its suppliers when trading relationships are established, to ensure that the terms of payment are clear and to abide by the agreed terms as far as possible provided that suppliers meet their obligations. At 31 December 2005, the Company's trade creditors represented 10 days' purchases.

ANNUAL GENERAL MEETING

The Notice of this year's Annual General Meeting is set out on pages 23 and 24. The notice of the Meeting includes Special Business as Resolutions 7 and 8 to allow, *inter alia*, the directors under Section 95 of the Companies Act 1985 to allot shares by way of rights to shareholders and to allot shares for cash up to a nominal value of £50,400 (equivalent to 50% of the existing issued share capital) without first offering such shares pro rata to existing shareholders, as would otherwise be required under section 89 of the Act. This will allow the directors some flexibility when considering how best to finance new business opportunities and working capital requirements. The authority under this resolution lasts until the next Annual General Meeting or for a maximum of 15 months, whichever is the shorter.

AUDITORS

BDO Stoy Hayward LLP were appointed the first auditors of the Company by the board of directors. They will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985 at the forthcoming Annual General Meeting.

On behalf of the board:

David Zulman
Chairman
26 July 2006

The directors acknowledge the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although The Combined Code is not compulsory for AIM companies, the directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

THE BOARD OF DIRECTORS

Since admission to AIM on 31 March 2005, the board has comprised at least a chairman, one executive director and one non-executive director.

The board meets regularly and is responsible for strategy, performance, approval of capital projects and the framework of internal controls. To enable the board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed to all directors in advance of board meetings. In addition, procedures are in place to enable the directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Group's expense.

A nominations committee is not considered appropriate because of the current size of the board and the Group but all appointments or potential appointments are fully discussed by all board members.

Directors are subject to re-election by the shareholders at Annual General Meetings. The Articles of Association provide that directors will be subject to re-election at the first opportunity after their appointment and directors will voluntarily submit to re-election at intervals of three years.

AUDIT COMMITTEE

An audit committee has been established consisting of David Zulman, chairman and Martin Frost, deputy chairman. The audit committee meets at least twice a year to consider the appointment and fees of the external auditors and discuss the scope of the audit and its findings. The committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the board.

REMUNERATION COMMITTEE

In view of the size of the Group, a remuneration committee has not currently been established and remuneration policy is dealt with by the full board. It is intended that a remuneration committee will be formed once the company makes its first profitable trading acquisition. The committee's role will be to consider and approve the remuneration and benefits of the executive directors. Details of directors' remuneration are set out on page 9.

INTERNAL CONTROL

The board is responsible for establishing and maintaining the Group's system of internal control and places importance on maintaining a strong control environment. The key procedures which the directors have established with a view to providing effective internal control are as follows:

- the Group's organisational structure has clear lines of responsibility;
- the board is responsible for identifying the major business risks faced by the Group and for determining the appropriate courses of action to manage those risks;
- responsibility for all major decisions, such as project expenditure, is retained by the board and decisions are taken by the board as a whole;
- the Group prepares an annual budget that is approved by the board; monthly results are reported against the budget and variances are monitored by the directors; and
- all significant payments approved by at least two directors.

The directors recognise, however, that such a system of internal control can only provide reasonable, not absolute, assurance against material misstatement or loss. The audit committee has reviewed the effectiveness of the system of internal financial control as it operated during the period to 31 December 2005.

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority. The board uses the Annual General Meeting to communicate with investors and welcomes their participation. The chairman aims to ensure that the directors are available at the Annual General Meeting to answer questions.

STATEMENT BY DIRECTORS ON COMPLIANCE WITH THE PROVISIONS OF THE COMBINED CODE

The board considers that they have complied with the provisions of The Combined Code as far as practicable and appropriate for a public company of this size.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom generally accepted accounting practice.

Where financial statements are published on the Group's website, they are published in accordance with United Kingdom legislation governing the preparation and dissemination of financial statements, which may vary from legislation of other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors which also extends to the ongoing integrity of the financial information contained therein.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in preparing these financial statements.

GOING CONCERN

The directors expect, on the basis set out in note 1 to the financial statements, which assumes that additional funding currently being negotiated and a future placing of ordinary shares will be obtained, that the Group will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the financial statements have been prepared on the going concern basis.

In view of the current size of the Group the board considers it appropriate that remuneration policy is decided by the whole board (excluding any director whose remuneration is under discussion) rather than by a separate remuneration committee.

SERVICE AGREEMENTS

The Company has entered into service agreements with Mr Cleverly and Mr Frost. Mr Cleverly's agreement as director and chief executive officer is for an initial period of twelve months from 30 March 2005 and is then terminable by either party on twelve months' written notice. Mr Cleverly is entitled to an annual fee of £37,500 once an initial profitable acquisition is made by the Company rising to £50,000 per annum once a second profitable acquisition is made.

Mr Frost's service agreement as director and executive deputy chairman is for a period of an initial twelve months from 3 August 2005 at an annual fee of £22,500 per annum and is terminable at twelve months' notice by either party thereafter. Mr Frost is also entitled to consultancy fees at £750 per day for work in excess of two days per month.

Mr Zulman's appointment as non-executive director and chairman is for a period of an initial twelve months from 30 March 2005 at an annual fee of £20,000 per annum and is terminable at six months' notice by either party thereafter. Mr Zulman is also entitled to consultancy fees at £750 per day for work in excess of two days per month.

Mr Sun is remunerated by Cathay Corporate Managers Limited which has a contract with the Company for the provision of consultancy and management services to the Company. This contract is terminable on one month's notice. The fees payable under the contract are £30,000 of which the Company has been informed that £20,000 is paid to Mr Sun.

DIRECTORS' REMUNERATION

	Period ended 31 December 2005			
	Basic Salaries and Fees	Payments for consultancy services	Benefits in kind	Total for period
	£	£	£	£
David Zulman	15,000	6,375	–	21,375
Martin Frost	9,329	7,500	–	16,829
Christopher Cleverly	–	–	–	–
Sun Xiao	–	–	–	–
Total	24,329	13,875	–	38,204

Mr Sun was paid £15,000 for the period ended 31 December 2005 by Cathay Corporate Managers Limited, with whom the Company has a consultancy agreement, in respect of his services to the Company.

SHARE OPTIONS

Mr Zulman is entitled to be granted options over £100,000 worth of shares in the Company when the Company makes its first profitable acquisition and options over £200,000 worth of shares in the Company when a second profitable acquisition is made.

Mr Frost is entitled to be granted options over £200,000 worth of shares in the Company when the Company makes its first profitable acquisition options over £400,000 worth of shares in the Company when a second profitable acquisition is made.

The terms attaching to any options issued in respect of these entitlements, including the price and exercise period, have yet to be agreed. For the purposes of these entitlements (and the entitlement of Mr Cleverly to the remuneration set out above) a profitable acquisition is one which, when consolidated into the annual or interim financial statements of the Group, results in an annualised profit after tax of the Group of more than £200,000.

David Zulman
Chairman
26 July 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SWEET CHINA PLC FOR THE PERIOD 11 MARCH 2005 TO 31 DECEMBER 2005

We have audited the group and parent company financial statements (the "financial statements") of Sweet China plc for the period ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with those financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Company Information, Chairman's Statement and Review of the Period, Directors' Report, Corporate Governance, Report on Directors' Remuneration and the Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 December 2005 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2005; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter – Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements regarding the financing requirements which indicate the existence of a material uncertainty over the ability of the Group to continue as a going concern and, accordingly, the valuation of the goodwill included in the consolidated balance sheet at £108,574. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

BDO Stoy Hayward LLP BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Bromley

26 July 2006

SWEET CHINA PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 11 MARCH 2005 TO 31 DECEMBER 2005

	Notes	£
TURNOVER		–
Administrative expenses		(369,838)
OPERATING LOSS	3	(369,838)
Interest receivable and similar income	4	17,429
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(352,409)
Tax on loss on ordinary activities	6	(1,300)
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		(353,709)
Dividends		–
DEFICIT FOR THE PERIOD	14	(353,709)
BASIC AND DILUTED LOSS PER SHARE	7	(3.67p)

CONTINUING OPERATIONS

The business of Sweet China Trading Limited which was acquired during the period has been fully integrated into the business of the Company. In the opinion of the directors, it is not possible to make a meaningful division between the operations of the two businesses subsequent to acquisition.

No operations have been terminated during the period.

TOTAL RECOGNISED GAINS AND LOSSES

The Group has no recognised gains or losses other than the loss for the current period.

SWEET CHINA PLC

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2005

	Notes		£
FIXED ASSETS			
Intangible Assets – Goodwill	9		108,574
			108,574
CURRENT ASSETS			
Debtors	11	9,237	
Cash at bank		635,334	
		644,571	
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	12	(71,881)	
Net current assets			572,690
TOTAL ASSETS LESS CURRENT LIBILITIES AND NET ASSETS			**681,264**
Represented by:			
Called up share capital	13		100,801
Share premium	14		718,172
Other reserves	14		216,000
Profit and loss account	14		(353,709)
TOTAL SHAREHOLDERS' FUNDS			**681,264**

Approved by the board and authorised for issue on 26 July 2006.

Christopher Cleverly
Chief Executive

The notes on pages 16 to 22 form part of these financial statements

SWEET CHINA PLC

COMPANY BALANCE SHEET
AT 31 DECEMBER 2005

	Notes		£
FIXED ASSETS			
Investment in subsidiary undertaking	10		285,001
			285,001
CURRENT ASSETS			
Debtors	11	8,552	
Cash at bank		608,489	
		617,041	
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	12	(337,642)	
Net current assets			279,399
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS			**564,400**
Represented by:			
Called up share capital	13		100,801
Share premium	14		718,172
Other reserves	14		216,000
Profit and loss account			(470,573)
TOTAL SHAREHOLDERS' FUNDS			**564,400**

Approved by the board and authorised for issue on 26 July 2006.

Christopher Cleverly
Chief Executive

The notes on pages 16 to 22 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM 11 MARCH 2005 TO 31 DECEMBER 2005

	Notes	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	18		(342,435)
Returns on investment and servicing of finance			
Interest received			17,929
Taxation			–
Acquisitions			
Net cash acquired with subsidiary undertaking	10		209,868
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING			(114,638)
Management of liquid resources			
Cash on deposit and money market			(500,000)
NET CASH OUTFLOW BEFORE FINANCING			(614,638)
Financing			
Issue of ordinary share capital	13	987,000	
Share issue costs	14	(237,028)	
			749,972
NET CASH INFLOW			**135,334**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT:		
Increase in cash in the period		135,334
Opening cash at bank and in hand		–
		135,334
Cash on deposit and money market at 31 December 2005	19	500,000
NET FUNDS AT 31 DECEMBER 2005	**19**	**635,334**

The notes on pages 16 to 22 form part of these financial statements

1. ACCOUNTING POLICIES

Basis of preparation

The results have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The principal accounting policies used are set out below.

Going concern

The Group is currently negotiating a loan of £300,000 to provide working capital until such time as a further placing of ordinary shares can be arranged. It is the intention of the board that such a placing would occur contemporaneously with an acquisition of another business. However no such funding or acquisition has yet been irrevocably agreed and the placing, and any acquisition, would be conditional upon shareholder approval at an Extraordinary General Meeting.

In considering the appropriateness of the going concern assumption, the directors have assumed that the current negotiations for the working capital funding and a future placing will be successfully concluded and the necessary shareholder approval will be forthcoming. As a result the company would receive sufficient funds to provide, *inter alia*, additional working capital for the Group.

Were it not to prove possible to agree the proposed loan financing or to carry out a future placing, either in connection with or separately from any proposed acquisition, or were shareholders not to approve such proposals when they were placed before them, alternative finance might be required to enable the Company and the Group to continue in operational existence as a going concern. The directors are confident that the funding proposals will be achieved and that shareholder approval will be forthcoming but until such approval is given some uncertainty will exist regarding the ability of the Group to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Acquisition of Sweet China Trading Limited

Sweet China Trading Limited has been included in the consolidated financial statements using the acquisition method of accounting. Accordingly, the Consolidated Profit and Loss Account and Cash Flow Statement include the results of Sweet China Trading Limited for the period since its acquisition on 22 March 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Goodwill

Goodwill arising on the acquisition of Sweet China Trading Limited is shown as a fixed asset and is being amortised through the profit and loss account over five years, being the directors' estimate of its useful life. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Foreign currency transactions

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at rates ruling at the balance sheet date. Exchange differences are included in operating profit or loss.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing difference. Deferred tax balances are not discounted.

1. ACCOUNTING POLICIES (continued)

Presentation

The Company has not presented its own profit and loss account as permitted by Section 230(3) of the Companies Act 1985.

2. ACQUISITION OF SWEET CHINA TRADING LIMITED

On 22 March 2005 the Company acquired 100% of the issued share capital of Sweet China Trading Limited for consideration of 6,900,098 ordinary shares in the Company. Further details of the acquisition are given in note 10.

The summary results of Sweet China Trading Limited for the period from its incorporation on 16 September 2004 to the date of its acquisition by the Company on 22 March 2005 were as follows:

	£
Turnover	–
Operating loss	(129,357)
Loss before taxation	(126,738)
Taxation	–
Loss after taxation	(126,738)

No analysis of turnover, cost of sales and expenses is given between the acquired business and continuing operations. As all business of the acquired company has been subsumed into the operations of the parent company as far as practical and the two companies are being run as a unified operation, any such analysis would not, in the opinion of the directors, provide any useful information.

3. OPERATING LOSS

The operating loss is stated after charging:

	£
Amortisation of intangible fixed assets	20,164
Auditors' remuneration – audit services	12,000
– non-audit services	3,600
Directors' emoluments	38,204

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	£
Bank interest receivable	17,429

5. STAFF

	Number
Average number of employees of the Group and of the Company, including directors, during the period	4

Staff costs, including directors, for the Group and for the Company were as follows:

	£
Wages and salaries	58,664
Social security costs	4,558
	63,222

Directors' emoluments totalling £38,204 were paid during the period. In addition, £15,000 was paid for the services of one of the directors by a third party with whom the Company has a consultancy agreement.

6. TAXATION

Tax charge for the period

	£
Corporation tax payable on results for the period	1,300

No deferred tax asset has been recognised on the losses during the period as there is no certainty as to when the Group will be able to utilise these losses. The group has losses carried forward of £466,896 available to be utilised in the reduction of future tax liabilities, subject to agreement with HM Revenue and Customs.

Factors affecting the tax charge for the period

	£
Loss on ordinary activities before taxation	(352,409)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(105,723)
Effects of:	
Expenses not deductible for tax purposes (primarily amortisation of goodwill)	9,870
Tax losses not utilised in period	139,679
Small companies tax rate	(16,760)
Other	(25,766)
Tax charge for the period	1,300

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic loss per share is based on the loss after taxation of £353,709 and on 9,625,231 ordinary shares, being the weighted average number of ordinary shares in issue during the period. There is no difference between the basic loss per share and the loss per share on a diluted basis.

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The parent company's loss for the financial period amounted to £470,573.

9. INTANGIBLE FIXED ASSETS

	Group
	£
Goodwill arising on acquisition (note 10)	128,738
Amortisation in period	(20,164)
Net book value at 31 December 2005	108,574

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

	Company
	£
Cost:	
Additions in the period	285,001
At 31 December 2005	285,001

The investment in subsidiary undertaking comprises a 100% interest in the share capital of Sweet China Trading Limited which was acquired during the period. Sweet China Trading Limited's activities are the same as those of the parent company. Sweet China Trading Limited is incorporated in Great Britain and registered in England and Wales.

The following table summarises the assets and liabilities acquired:

	Book and fair value
	£
Debtors	9,957
Cash and bank	209,868
Creditors	(63,562)
Net assets acquired	156,263
Consideration	
Issue of 6,900,098 ordinary shares in exchange for the whole of the issued share capital of the company	285,001
Goodwill arising on acquisition (note 9)	128,738

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company	Group
	£	£
Other debtors	4,093	4,778
Prepayments and accrued income	4,459	4,459
Total	8,552	9,237

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company	Group
	£	£
Trade creditors	7,151	13,628
Amounts owed to group undertakings	278,338	–
Corporation tax	–	1,300
Other creditors	2,456	2,456
Accruals and deferred income	49,697	54,497
Total	337,642	71,881

13. SHARE CAPITAL

Ordinary shares of 1p each

	Number	£
Authorised	500,000,000	5,000,000
Allotted, issued and fully paid	10,080,100	100,801

During the period the following ordinary shares of 1p each were issued :

	Number	£
On incorporation, at par for cash	2	–
In exchange for shares in Sweet China Trading Limited on 22 March 2005 (further details of this acquisition are given in notes 2 and 10)	6,900,098	69,001
For working capital:		
On 24 March 2005 at 25p per share for cash	280,000	2,800
On 30 March 2005 at 25p per share for cash	979,999	9,800
On 31 March 2005 at 35p per share for cash	1,920,001	19,200
Total issued in period	10,080,100	100,801

14. RESERVES

	Share premium *account*	Other *reserves*	Profit and loss *account*
	£	£	£
Share premium arising in the period	955,200	–	–
Reserve arising on acquisition	–	216,000	–
Share issue costs	(237,028)	–	–
Deficit for the period	–	–	(353,709)
At 31 December 2005	718,172	216,000	(353,709)

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group £
Loss for the financial period	(353,709)
Net proceeds of shares issued	1,034,973
Net addition to shareholders' funds	681,264
Shareholders' funds at 31 December 2005	681,264

16. RELATED PARTY DISCLOSURES

During the period the Group has paid £25,419 to Event Data Correlation Limited (EDC) for serviced office accommodation and secretarial support. Mr Cleverly is a director and shareholder of EDC's ultimate parent company, Global Gaming Technologies plc.

The Group has also entered into a contract with HongTa Financial Innovation Partners Limited (HTIP) of which Mr Sun is a director. The contract provides for HTIP to supply consultancy services to the Company for an annual fee of S120,000. HTIP will also receive reward based payments in the event that the Company acquires an investment or business introduced by it. The contract is terminable at one month's notice. £20,132 has been incurred and charged in the period in relation to this contract.

On 22 March 2005, the Company acquired Sweet China Trading Limited by way of share exchange. As part of this transaction, the following share exchanges took place:

Party	Shares issued by the Company to connected party No.	Shares in Sweet China Trading Limited acquired by the Company No.
Christopher Cleverly	99	100
Castle Trust Management & Services Limited	5,000,000	5,000,000

All shares in both companies are ordinary shares of 1p each. Trust Management & Services Limited was the registered holder of shares on behalf of the Sweet China Funded Unapproved Retirement Benefits Scheme in which Mr Cleverly has an interest.

17. FINANCIAL INSTRUMENTS

Risks and policies

The Group's financial instruments comprise cash, treasury deposits and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk arising from the Group's financial instruments is interest rate risk. The Group has not entered into any derivative transactions. The performance of each investment and the ability to liquidate it is monitored by the board and its advisers.

Short-term debtors and creditors have been excluded from the disclosures.

Currency profile

The main functional currency of the Group is sterling. Currency risk on existing contracts in foreign currencies is not material in the context of the operating results of the Group.

Interest rate risk profile of financial assets

	Group £
All held in sterling	
Cash at bank – current account assets on which no interest is earned	135,334
Cash at bank – money market deposits held at fixed two-weekly rates	500,000
Total	635,334

The interest rate on money market deposits held at the year end was 3.724% per annum.

Fair value of financial assets and liabilities

There was no material difference between the fair value of the Group's financial assets and liabilities and their book value at the end of the period.

Borrowing facilities

The Group had no borrowing facilities agreed with its bankers at 31 December 2005.

18. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	£
Operating loss	(369,838)
Add back goodwill amortisation	20,164
Decrease in debtors	220
Increase in creditors	7,019
Net cash outflow from operating activities	(342,435)

19. ANALYSIS OF CHANGES IN NET FUNDS

	Opening balances £	Cash flow in period £	At 31 December 2005 £
Cash at bank – current account	–	135,334	135,334
Cash at bank – money market	–	500,000	500,000
At 31 December 2005	–	635,334	635,334

SWEET CHINA PLC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sweet China plc ("the Company") will take place at 10.30 am on 6 September 2006 at the offices of Richards Butler LLP, 15 St Botolph Street, London EC3A 7EE to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Company's financial statements for the period ended 31 December 2005 and the Directors' Report and Auditors' Report thereon
2. To re-appoint Mr David Zulman as a director of the Company
3. To re-appoint Mr Martin Frost as a director of the Company
4. To re-appoint Mr Christopher Cleverly as a director of the Company
5. To re-appoint Mr Sun Xiao as a director of the Company
6. To re-appoint BDO Stoy Hayward LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the members and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolution 8 will be proposed as a special resolution:

7. That, in substitution for all existing unexercised authorities, the directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £4,899,199, such authority to expire at the conclusion of the next Annual General Meeting of the Company or the expiry of 15 months from the date of passing of this resolution whichever is earlier, except that the Company may make an offer or agreement before such expiry which would or might require relevant securities to be allotted after such an expiry and the directors may allot any relevant securities in pursuance of such an offer or agreement as if such authority had not expired and that this authority shall be in substitution for all previous authorities conferred upon the directors pursuant to section 80 of the Act but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.
8. That, subject to the passing of resolution 7 and in substitution for all existing unexercised authorities, the directors of the Company be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) to section 94(3) of the Act) of the Company pursuant to the authority conferred by resolution 7 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(b) otherwise than pursuant to paragraph (a) above, up to an aggregate nominal value of £50,400

and shall expire at such time as the general authority conferred on the directors by resolution 7 above expires save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the board

Michael Lindsay
Company Secretary

Registered office:
91-94 Saffron Hill
London
EC1N 8PT

Registered in England and Wales
Registered No: 5389216
26 July 2006

Notes

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not also be a member of the Company.
2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's registrars so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to and during the meeting.