



Unity Investments Holdings Limited  
合一投資控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(於開曼群島註冊成立之有限公司)

**Interim Report 2003**

二零零三年中期業績報告

## **CORPORATE INFORMATION**

### **DIRECTORS**

#### **Executive Directors**

AU Shuk Yee, Sue  
PANG Shuen Wai, Nichols  
WONG Man Ho, William  
NGAN Man Kit (*resigned on 15th July 2003*)

#### **Independent Non-executive Directors**

LAM Ping Cheung  
NG Wai Hung

### **COMPANY SECRETARY**

Alice CHOI

### **REGISTERED OFFICE**

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
British West Indies

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

30th Floor, China United Center,  
28 Marble Road  
North Point  
Hong Kong

### **INVESTMENT MANAGER**

Sinox Fund Management Limited  
Suite A, 63rd Floor  
Bank of China Tower  
No. 1, Garden Road  
Central  
Hong Kong

**LEGAL COUNSEL****Hong Kong**

Iu, Lai & Li  
20th Floor  
Gloucester Tower  
The Landmark  
Central  
Hong Kong

**AUDITORS**

PricewaterhouseCoopers  
*Certified Public Accountants*  
22nd Floor, Prince's Building  
Central  
Hong Kong

**PRINCIPAL BANK**

Standard Chartered Bank

**CUSTODIAN**

Standard Chartered Bank  
15th Floor, Standard Chartered Tower  
388 Kwun Tong Road  
Kwun Tong  
Kowloon, Hong Kong

**SHARE REGISTRARS AND TRANSFER OFFICE**

Tengis Limited  
28th Floor, BEA Harbour View Centre  
56 Gloucester Road  
Wanchai, Hong Kong

The Board of Directors (the "Board") of Unity Investments Holdings Limited (the "Company") announces the interim report and condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2003 (the "Period"). The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the Period, and the consolidated balance sheet as at 30th June 2003, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 3 to 10 of this report.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited</b>	
		<b>Six months ended 30th June</b>	
	<i>Note</i>	<b>2003</b>	2002
		<b>HK\$'000</b>	HK\$'000
Turnover			
Proceeds from sale of trading securities	2	14,343	19,761
Cost of sales		<u>(7,008)</u>	<u>(19,120)</u>
Realised gain on sale of trading securities		7,334	641
Unrealised holding (loss) gain on trading securities		(9,101)	1,218
Other revenues	2	182	900
Administrative expenses		<u>(3,056)</u>	<u>(4,032)</u>
Operating loss	3	(4,640)	(1,273)
Finance costs	4	<u>(375)</u>	<u>-</u>
Loss before taxation		(5,014)	(1,273)
Taxation	5	-	(36)
Loss attributable to shareholders	6	<u>( 5,014)</u>	<u>(1,309)</u>
Basic loss per share (cents)	7	<u>(2.51)</u>	<u>(0.65)</u>
Fully diluted loss per share (cents)	7	<u>N/A</u>	<u>(0.65)</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>Unaudited Six months ended 30th June</b>	
	<i>Note</i>	<b>2003 HK\$'000</b>	<b>2002 HK\$'000</b>
Fixed assets		330	252
Investment securities	8	53,786	84,853
Current assets			
Trading securities	9	49,580	49,788
Deposits, prepayments and other receivables		–	1,819
Bank balances and cash		15	393
		<u>49,595</u>	<u>52,000</u>
Current liabilities			
Sundry payables and accruals		145	512
Bank overdrafts, secured	10	13,274	12,051
		<u>13,419</u>	<u>12,563</u>
Net current assets		<u>36,176</u>	<u>39,437</u>
Total assets less current liabilities		<u>90,292</u>	<u>124,542</u>
Financed by:			
Share capital	11	20,000	20,000
Reserves		70,292	104,542
		<u>90,292</u>	<u>124,542</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

5

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operations	<b>(9,224)</b>	(2,698)
Net cash inflow (outflow) from investing activities	<b>1,856</b>	(109)
Net cash outflow from financing activities	<b>(375)</b>	–
Decrease in cash and cash equivalents	<b>(1,601)</b>	(2,807)
Cash and cash equivalents as at beginning of the period	<b>(11,658)</b>	73,576
Cash and cash equivalents as at end of the period	<b>(13,259)</b>	70,769
Analysis of balance of cash and cash equivalents:		
Bank balances and cash	<b>15</b>	70,769
Bank overdraft	<b>(13,274)</b>	–
	<b>(13,259)</b>	70,769

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Group			
	Share	Investment	Retained	Total
	premium	(deficit)/ revaluation reserve	profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003	74,032	23,091	7,420	104,543
Deficit on revaluation of investment securities	–	(29,237)	–	(29,237)
Loss for the period	–	–	(5,014)	(5,014)
<b>At 30th June 2003 (unaudited)</b>	<b><u>74,032</u></b>	<b><u>(6,146)</u></b>	<b><u>2,406</u></b>	<b><u>70,292</u></b>
At 1st January 2002	84,032	10,800	7,899	102,731
2001 final dividend paid	–	–	(1,000)	(1,000)
Deficit on revaluation of investment securities	–	(1,800)	–	(1,800)
One to one bonus issue of shares	(10,000)	–	–	(10,000)
Loss for the period	–	–	(1,309)	(1,309)
<b>At 30th June 2002 (unaudited)</b>	<b><u>74,032</u></b>	<b><u>9,000</u></b>	<b><u>5,590</u></b>	<b><u>88,622</u></b>

Notes:

## 1 BASIS OF PREPARATION

These unaudited condensed interim accounts are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") no. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") of the Stock Exchange of Hong Kong Limited.

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has changed one of its accounting policy following its adoption of the SSAP 12 "Income Taxes" which is effective for accounting periods commencing on or after 1st January 2003.

The above revised SSAP do not have material impact to the financial results of the Group.

## 2 TURNOVER AND REVENUES

The Group is principally engaged in the investments in listed and unlisted companies. Revenues of the Group recognised during the Period are as follows:

	<b>Unaudited 30th June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Turnover		
Proceeds from sale of trading securities	<b>14,343</b>	19,761
Other revenue		
Interest income	–	583
Dividend income from investments in securities	<b>182</b>	307
Other income	–	10
	<b>182</b>	900
Total revenue	<b>14,525</b>	20,661



### 3 OPERATING LOSS

Operating loss is stated after charging the following:

	<b>Unaudited 30th June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Depreciation	80	174
Staff costs, including directors' remuneration	614	1,140
Operating leases – land and buildings	360	174
	<b>_____</b>	<b>_____</b>

### 4 FINANCE COSTS

	<b>Unaudited Six months ended 30th June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interest on bank overdraft	375	–
	<b>_____</b>	<b>_____</b>

### 5 TAXATION

Hong Kong profits tax has not been provided in these accounts as the Group has no estimated assessable profit during the Period.

### 6 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$5,014,472. (2002: HK\$1,308,629)

### 7 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the Group's loss attributable to the shareholders of HK\$5,014,472 (2002: HK\$1,308,629).

The basic loss per share is based on the weighted average of 200,000,004 (2002: 200,000,004) ordinary shares in issue during the Period. The number of ordinary shares in issue during the six months ended 30th June 2002 has been adjusted retrospectively after taking into account the one to one bonus issue of shares of the Company effected on 24th May 2002.

The diluted loss per share for the Period is the same as the basic loss per share as all potential ordinary shares are anti-dilutive.

## 8 INVESTMENT SECURITIES

	<b>Unaudited 30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	<u>53,786</u>	<u>84,853</u>
Market value of listed equity securities	<u>53,786</u>	<u>84,853</u>

## 9 TRADING SECURITIES

	<b>Unaudited 30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	<u>49,580</u>	<u>49,788</u>
Market value of listed equity securities	<u>49,580</u>	<u>49,788</u>

## 10 BANKING FACILITIES

As at 30th June 2003, the Group's and the Company's bank overdraft facilities amounting to HK\$15,000,000 (31st December 2002: HK\$15,000,000) were secured by all the Group's investment/trading securities.

## 11 SHARE CAPITAL

	<b>Ordinary shares of HK\$0.10 each</b>	
	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Issued and fully paid		
At 1st January 2003 and 30th June 2003	<u>200,000,004</u>	<u>20,000</u>

## 12 COMMITMENTS

**Commitments under operating lease**

As at 30th June 2003, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follow:

	<b>Unaudited</b>	
	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Not later than one year	720,000	720,000
Later than one year and not later than five years	240,000	600,000
	<b>960,000</b>	<b>1,320,000</b>

## 13 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are summarised as follows:

	<b>Unaudited</b>	
	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Management fee and bonus paid/payable to a related company	957	2,732
Brokerage fee paid/payable to a related company	-	364

Pursuant to the investment management agreement dated 6th October 1999 (the "Investment Management Agreement") between the Company and Alpha Asset Investments Limited (the "Investment Manager"), the Investment Manager provides investment management services and general administrative services to the Group. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance at 2.5% per annum of the net asset value of the Group at the end of the preceding month on the basis of actual number of days in the relevant calendar month over a year of 365 days.

Mr. NGAN Man Kit, a former executive director of the Company, resigned on 15th July 2003, has 60% indirect equity interests in the Investment Manager.

The Investment Manager and the Company have mutually agreed to terminate the Investment Management Agreement on 26th April 2003.

羅兵咸永道會計師事務所

PricewaterhouseCoopers  
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Central, Hong Kong  
Telephone: (852) 2289 8888  
Facsimile: (852) 2810 9888

To the Board of Directors of Unity Investments Holdings Limited

## INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 3 to 10.

## DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

## REVIEW WORK PERFORMED

We conducted our review in accordance with SAS 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

## REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 5th September 2003

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period.

### REVIEW

The Group reported a net interim loss of approximately HK\$5,014,000 for the Period, in comparison to the net interim loss of approximately HK\$1,309,000 for the same period last year.

In view of the outbreak of atypical pneumonia and Iraqi war, we had adopted conservative investment strategies, resulting in a 27.4% shrinkage in turnover as compared with prior period. For the Period, the Group's turnover as compared with prior period of approximately HK\$19,761,000 was approximately HK\$14,343,000. In April, the Hang Seng Index was as low as 8,409. Whilst Hang Seng Index managed to regain part of the losses registered in March and April in the last two months of the Period, the Company recorded unrealised losses on the trading securities portfolio of approximately HK\$9,101,000, comparing the unrealised gain of HK\$1,218,000 recorded in the prior period. Also, there was a deficit of approximately HK\$29,237,000 (For the six months ended 30th June 2003: HK\$1,800,000) arising from the revaluation of investment securities during the Period. The Group received gross dividend income of HK\$182,000 (Corresponding period last year: HK\$307,000) for the six months ended 30th June 2003.

Administrative expenses of approximately HK\$3,056,000 represented a decrease of 24.2% over the corresponding period in the previous year, largely attributable to the decrease in directors' emoluments. In addition, as part of the Group's measure to reduce administrative expenses, the Group appointed Sinox Fund Management Limited ("Sinox") as an investment manager, reducing the management fee from 2.50% to 0.75% of the audited net asset value. During the Period, the net asset value per share of the Group dropped from HK\$0.62 as at 31st December 2002 to HK\$0.45 as at 30th June 2003.

The breakdown of the Group's portfolio of investment assets as at 30th June 2003 is as follows:

<b>Item</b>	<b>Book value</b>	<b>Market value</b>
	<i>As at 30th June 2003</i>	<i>As at 30th June 2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading securities	45,922.5	49,579.5
Investment securities	58,684.3	53,785.6
Total listed equity securities	104,606.8	103,365.1

As at 30th June 2003, the Group had equity interests in ten listed companies, which cover wide and diversified spectrum, including investment holdings, property investment, financial services and packaging.

During the Period, the Group did not have any investment in unlisted equity securities. While the Group has no solid plan in respect of investment in unlisted equity securities, we may consider the invested opportunities in investing in projects which can either lead to future capital appreciation or generate attractive investment return.

The Group had bank borrowings of approximately HK\$13,274,000 as at 30th June 2003, representing 12.79% of the Group's gross asset value.

## PROSPECTS

Outlook of the Hong Kong equities market remains mixed. Investment sentiment has been overshadowed by low consumer confidence, continual deflationary pressure and political uncertainty. However, the introduction of the Mainland and Hong Kong Closer Economic Partnership Arrangement, covering trade in goods, trade in services, and trade and investment facilitation, is anticipated to benefit Hong Kong-based enterprises in the forms of lowering operating costs and increasing business opportunities.

In view of the mixed investment environment, the management of the Group will maintain a conservative investment approach.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

### (I) ORDINARY SHARES OF HK\$0.10 EACH IN THE COMPANY ("SHARES")

As at 30th June 2003, the interests of the directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as notified to the Company were as follows:

Name of director	Nature of interest	Number of Shares	% of the relevant issued share capital
Mr. NGAN Man Kit	Personal	1,000,004	0.50%
Mr. WONG Man Ho, William	Personal	300,000	0.15%

All the interests stated above represent long positions. As at 30th June 2003, no short positions were recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be kept under section 352 of the SFO or so notified to the Company.

## (II) OPTIONS

In light of the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Board proposed a new share option scheme (the "New Scheme"), which was subsequently approved by the shareholders of the Company on 2nd May 2003. Under the New Scheme, the directors of the Company may grant Options to those Participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest.

No share options were granted under the New Scheme during the Period.

Particulars of share options held by the directors of the Company under the share option scheme adopted by the shareholders of the Company in 1999 (the "1999 Scheme") during the Period, after adjusting for the 1 for 1 bonus issue of shares effected on 24th May 2002, were as follows:

Name of director	Date of grant	Number of share options granted under the 1999 Scheme	Exercise price HK\$	Number exercised during the Period	Balance outstanding as at 30th June 2003	Exercise Period
Mr. NGAN Man Kit	15th February 2000	4,000,000	0.33	-	4,000,000	15th February 2000 to 14th February 2010

The share options granted to Mr. NGAN Man Kit, a former executive director, under the 1999 Scheme lapsed on 15th July 2003 following his resignation as a director of the Company.

Apart from the aforesaid, at no time during the Period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Apart from the New Scheme and the 1999 Scheme, none of the directors of the Company (including their spouse and children under 18 years of age) had any interests in, or had been granted, or exercised any rights to subscribe for, shares in the Company and its associated corporations within the meaning of the SFO.



## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2003, the register maintained by the Company pursuant to section 336 of the SFO recorded interests (as defined in the SFO) in the Company of the following corporations:

Name of shareholder	Capacity	Number of Shares	% of the relevant issued share capital
Collier Assets Limited*	Beneficial owner	51,000,000	25.5%
Royal London Asset Management Limited	Investment manager	16,000,000	8.00%
J.P. Morgan Chase & Co.	Other	15,260,000	7.63%

\* *Collier Assets Limited is wholly and beneficially owned by Ms. LO Ki Yan, Karen.*

All the interests stated above represent long positions. As at 30th June 2003, no short positions were recorded in the Register of Interests in Shares and Short Positions of Substantial Shareholders required to be kept under section 336 of the SFO.

## CHANGE OF INVESTMENT MANAGER

Alpha Asset Investments Limited (the "Investment Manager") and the Company have mutually agreed to terminate the investment management agreement dated 6th October 1999 (the "Investment Management Agreement") on 26th April 2003 and on the same day the Company entered into an investment management agreement (the "New Investment Management Agreement") with Sinox Fund Management Limited (the "New Investment Manager") to appoint the New Investment Manager as an investment manager for a term of two years starting from 28th April 2003.

Pursuant to the New Investment Management Agreement, the Company will pay to the New Investment Manager a monthly investment management fee payable in Hong Kong dollars at 0.75% per annum of the Net Asset Value within fourteen (14) calendar days after the Valuation Date on the basis of the actual number of days in the relevant calendar month over a year of 365 days.

In addition to the monthly investment management fee payable to the New Investment Manager, the Company shall also pay to the New Investment Manager an annual performance fee, equivalent to 5% of the surplus in the audited Net Asset Value between the Financial Years provided always that the payment of the annual performance fee when aggregated together with the monthly investment management fee shall fully comply with the relevant provisions of the Listing Rules. The annual performance fee payable for each Financial Year shall be approved by the Board within two calendar months after the public announcement of the Company's audited annual results of each Financial Year.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its ordinary shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during the Period.

## **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice as set out in the Listing Rules (the "Code of Best Practice") except that non-executive directors of the Company are not appointed for a specified term as recommended in Paragraph 7 of the Code of Best Practice. According to the Articles of Association of the Company, non-executive directors of the Company will retire by rotation and their appointment will be reviewed when they are due for re-election. In the opinion of the directors of the Company, this meets the same objective of the Code of Best Practice.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2003.

Hong Kong, 5th September 2003