

Management Discussion and Analysis

REVIEW OF OPERATIONS

Unity Investments Holdings Limited (the "Company") and its subsidiaries (the "Group") have reported losses of HK\$25,433,132 for the year ended 31st December 2003, comparing the net profit of HK\$520,547 recorded for the year ended 31st December 2002.

Given the high volatility in the Hong Kong stock market, especially in the first half of the financial year, the Group has adopted relatively conservative investment strategies during the year, resulting in a 62.36% year of year shrinkage in revenue from HK\$41,730,817 registered in the previous year to HK\$15,708,255 for the financial year ended 31st December 2003. The outbreak of atypical pneumonia and the Iraqi war in the first half of the financial year had led to dramatic fall in the benchmark stock indices, the Heng Seng Index ("HSI"), has at one stage dropped to the low level of 8,331.87. However, the HSI managed to regain most of its earlier losses and closed at 13,575.94, resulting in a gain of approximately 34.9% for the whole year. Without making significant change in its equity investment portfolio, the Group had focused on re-balancing its holdings. During the year, the Group derived most of its revenue from sale of trading securities, which represents 98.84% of the total revenue, comparing to 92.7% registered in the previous year. In spite of the shrinkage in revenue, the Group actually had made a gross profit of HK\$6,884,119 from share trading. The loss for the year mainly comprised of the unrealized losses on the holding of selected equities. The Group had issued a statement of profit warning on 14th November 2003 giving the details of the losses.

The breakdown of the Group's portfolio of investment assets as at 31st December 2003 is as follows:

Item	Market value <i>HK\$'000</i>	Percentage of consolidated net asset value
Cash and deposits with banks	359	0.37%
Listed equity securities in Hong Kong	112,122	114.47%

In view of the prevailing low interest rates, the Group had utilized bank overdraft of HK\$14,906,111 but has no material contingent liability as at 31st December 2003.

Investment Portfolio

In terms of market value, trading and investment securities represent 27.48% and 72.52% respectively of the Group's investment portfolio. The Group's portfolio of trading securities cover a wide spectrum of industries, including general trading, property and China investment. The Group's investment portfolio is also well-diversified and covers activities of financial services, general trading and manufacturing. The Group's portfolio of trading securities saw a 38.12% decline in fair value. Book value of the portfolio of investment securities dropped by 4.17%.

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The breakdown of the Group's portfolio of investment assets in terms of individual items as at 31st December 2003 is as follows:

Trading Securities

139 Holdings Limited ("139 Holdings") is principally engaged in the manufacture, trading and distribution of garments, shoes and other merchandise. The loss attributable to shareholders of 139 Holdings for the year ended 31st March 2003 was approximately HK\$61,898,000. The Company's investment cost in 139 Holdings is HK\$1,634,624, representing an interest of 4.74% and did not receive any dividend from this investment. On 31st December 2003, market value of this item amounted to HK\$6,538,496, translating into 5.79% of the Group's gross asset value.

The principal activity of Heritage International Holdings Limited ("Heritage") is property investment and development. It also diversified the business into investments in high value-added technology-related businesses. The loss attributable to shareholders of Heritage for the year ended 31st March 2003 was approximately HK\$238,936,000. The Company's investment cost in Heritage is HK\$13,000,000, representing an interest of 3.34% and did not receive any dividend from this investment. On 31st December 2003, market value of this item amounted to HK\$9,825,000, translating into 8.7% of the Group's gross asset value.

The principal activities of Wonson International Holdings Limited ("Wonson") are metal trading and strategic investment. It owns 34.87% equity in Beauforte Investors Corporations Limited. The loss attributable to shareholders of Wonson for the year ended 31st December 2002 was approximately HK\$128,211,000. The Company's investment cost in Wonson is HK\$9,637,000, representing an interest of 4.99% and did not receive any dividend from this investment. On 31st December 2003, market value of this item amounted to HK\$6,147,000, translating into 5.44% of the Group's gross asset value.

The principal activity of Radford Capital Investment Limited ("Radford") is investment holding. Its principal objective is to achieve earnings in the form of short to medium term capital appreciation mainly through investment in a diversified portfolio of listed or unlisted enterprises in Hong Kong or the People's Republic of China (the "PRC"). The Company's investment cost in Radford is HK\$16,974,000, representing an interest of 3.86% and did not receive any dividend from this investment. On 31st December 2003, market value of this item amounted to HK\$2,164,800, translating into 1.92% of the Group's gross asset value. Dr. PANG Shuen Wai, Nichols, an executive director of the Company, is also a director of CU Investment Management Limited, which was appointed as Research Consultant on 30th September 2002 and an investment manager on 3rd November 2003.

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The principal activities of China Sci-Tech Holdings Limited (“China Sci-Tech”) are the manufacture and sale of telecommunication products and the trading of electronic and electrical products. The loss attributable to shareholders of China Sci-Tech for the year ended 31st March 2003 was approximately HK\$46,335,000. The Company’s investment cost in China Sci-Tech is HK\$7,053,500, representing an interest of 4.69% and did not receive any dividend from this investment. On 31st December 2003, market value of this item amounted to HK\$4,905,000, translating into 4.34% of the Group’s gross asset value.

Investment Securities

Asia Standard International Group Limited (“Asia Standard”) is principally engaged in property sales and investment, hotel and management services businesses. The loss attributable to shareholders of Asia Standard for the year ended 31st March 2003 was approximately HK\$283,122,000. The Company’s investment cost in Asia Standard is HK\$16,193,585, representing an interest of 1.39% and did not receive any dividend from this investment. On 31st December 2003, market value of this item amounted to HK\$15,762,450, translating into 13.95% of the Group’s gross asset value.

Poly Investments Holdings Limited (“Poly Investments”) is principally engaged in the manufacturing and trading of chemical fibres, property investment, securities investment and financial services. It also owns a 30% equity interest in a company which operates shopping centers in Shanghai and Suzhou, and an effective 37% equity interest in a company which operates a hospital in Xian. The loss attributable to shareholders of Poly Investments for the year ended 31st December 2002 was approximately HK\$36,380,000. The Company’s investment cost in Poly Investments is HK\$4,971,812, representing an interest of 5.08%, and did not receive any dividend from this investment. On 31st December 2003, market value of this item amounted to HK\$6,699,624, translating into 5.93% of the Group’s gross asset value.

The principal activities of China United International Holdings Limited (“China United”) are property investment, investment holding, investment in trading securities and the provision of brokerage and financial services. The loss attributable to shareholders of China United for the year ended 31st December 2002 was approximately HK\$199,369,000. The Company’s investment cost in China United is HK\$6,779,708, representing an interest of 4.99% and did not receive any dividend from this investment. On 31st December 2003, market value of this item amounted to HK\$17,870,892, translating into 15.82% of the Group’s gross asset value.

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The principal activities of Yugang International Limited (“Yugang”) are trading of audio-visual products and components, industrial equipment, automobile parts, agricultural products and investment and property holding. Its principal listed subsidiaries and associated companies include: the 51.48% owned Qualipak International Holdings Limited, the 34.25% owned Y.T. Realty Group Limited which holds a 26.81% equity stake in Cross-Harbour (Holdings) Limited. The loss attributable to shareholders of Yugang for the year ended 31st December 2002 was approximately HK\$151,420,000. The Company’s investment cost in Yugang is HK\$11,325,636, representing an interest of 3.61% and did not receive any dividend from this investment. On 31 December 2003, market value of this item amounted to HK\$29,324,352, translating into 29.97% of the Group’s gross asset value.

The principal activities of Qualipak International Holdings Limited (“Qualipak”) are the design, development, manufacture and sale of packaging products for designer label items and luxury consumer goods, point-of-sale display units and office stationery. The profit attributable to shareholders of Qualipak for the year ended 31st December 2002 was approximately HK\$24,811,000. The Company’s investment cost in Qualipak is HK\$20,283,950, representing an equity interest of 2.55% and a dividend of HK\$182,130 was received from this investment. On 31st December 2003, market value of this item amounted to HK\$11,656,320 translating into 10.32% of the Group’s gross asset value.

PROSPECTS

The Legislative Council election in Hong Kong in September 2004 and the presidential election in the United States in November 2004 may lead to precariousness in the capital market this year. However, long-term growth prospects of the local stock market is still encouraging with the support from the Beijing government and gradual recovery of the domestic economy. We are of the opinion that any short-term turbulence in the capital markets may actually represents opportunities to acquire quality investments.

EMPLOYEES

The Group has 4 employees, including 3 executive directors, who are remunerated in line with industry practice. For the year ended 31st December 2003, the total staff costs incurred by the Group were approximately HK\$1,104,000 (2002: HK\$1,979,000) and there has been no significant change in the Group’s remuneration policy.

By order of the Board
PANG Shuen Wai, Nichols
Executive Director

Hong Kong, 26th March 2004