

Unity Investments Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



CORPORATE INFORMATION

DIRECTORS

Executive Directors

AU Shuk Yee, Sue
PANG Shuen Wai, Nichols

Non-executive Director

QI Qing

Independent non-executive Directors

LAM Ping Cheung
WONG Ying Seung, Asiong
CHUNG Kong Fei, Stephen

COMPANY SECRETARY

POON Suk Ching

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

CU Investment Management Limited
Office B, 31st Floor
China United Center
28 Marble Road
North Point
Hong Kong

AUDITORS

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

PRINCIPAL BANKS

Standard Chartered Bank
Liu Chong Hing 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 2004 (the “Period”). The condensed consolidated profit and loss account, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity of the Group for the Period, and the condensed consolidated balance sheet as at 30th June 2004, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 2 to 10 of this report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

		Unaudited	
		Six months ended 30th June	
	Note	2004 HK\$'000	2003 HK\$'000
Turnover			
Proceeds from sale of trading securities	2	61,774	14,343
Cost of sales		<u>(72,983)</u>	<u>(7,008)</u>
Realised (loss)/gain on sale of trading securities		(11,209)	7,334
Unrealised holding gain/(loss) on trading securities		1,748	(9,101)
Other revenue	2	1,017	182
Administrative expenses		<u>(1,611)</u>	<u>(3,056)</u>
Operating loss	3	(10,055)	(4,640)
Finance costs	4	<u>(668)</u>	<u>(375)</u>
Loss attributable to shareholders	6	<u><u>(10,723)</u></u>	<u><u>(5,014)</u></u>
Basic loss per share	7	<u><u>(4.08) cents</u></u>	<u><u>(2.51) cents</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2004 AND 31ST DECEMBER 2003

		Unaudited 30th June 2004 HK\$'000	31st December 2003 HK\$'000
	<i>Note</i>		
Fixed assets		226	256
Investment securities	8	62,468	81,314
Current assets			
Trading securities	9	45,138	30,809
Deposits, prepayments and other receivables		37	193
Bank balances and cash		633	359
		45,808	31,361
Current liabilities			
Other payables and accruals		187	247
Bank overdraft – secured	10	12,425	14,906
Short term borrowings – secured	10	1,255	–
		13,867	15,153
Net current assets		31,941	16,208
Total assets less current liabilities		94,635	97,778
Financed by:			
Share capital	11	28,800	20,000
Reserves		64,335	77,778
Shareholders' funds		93,135	97,778
Non current liabilities			
Long term borrowings		1,500	–
		94,635	97,778

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Unaudited	
	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(14,961)	(3,082)
Net cash inflow from investing activities	1,681	1,856
Net cash inflow/(outflow) from financing activities	16,035	(375)
Increase/(decrease) in cash and cash equivalents	2,755	(1,601)
Cash and cash equivalents as at beginning of the period	(14,547)	(11,658)
Cash and cash equivalents as at end of the period	(11,792)	(13,259)
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	633	15
Bank overdraft	(12,425)	(13,274)
	(11,792)	(13,259)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Investment (Accumulated revaluation reserve/ (deficit) <i>HK\$'000</i>	losses)/ retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2004	20,000	74,032	21,759	(18,013)	97,778
Deficit on revaluation of investment securities	-	-	(9,123)	-	(9,123)
Issuance of shares	8,800	6,720	-	-	15,520
Share issue expenses	-	(317)	-	-	(317)
Loss for the period	-	-	-	(10,723)	(10,723)
At 30th June 2004 (unaudited)	28,800	80,435	12,636	(28,736)	93,135
At 1st January 2003	20,000	74,032	23,091	7,420	124,543
Deficit on revaluation of investment securities	-	-	(29,237)	-	(29,237)
Loss for the period	-	-	-	(5,014)	(5,014)
At 30th June 2003 (unaudited)	20,000	74,032	(6,146)	2,406	90,292

NOTES TO THE CONDENSED ACCOUNTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

These condensed accounts should be read in conjunction with the 2003 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 2003.

2 TURNOVER AND REVENUES

The Group is principally engaged in the investment in listed and unlisted securities. Revenues recognised during the Period are as follows:

	Unaudited Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Proceeds from sale of trading securities	61,774	14,343
Other revenue		
Dividend income from investments in securities	1,017	182
Total revenues	62,791	14,525

An analysis of the Group's turnover and contribution to operating loss for the Period by geographical segment is as follows:

	Unaudited Turnover Six months ended 30th June		Unaudited Operating loss Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	61,774	14,343	(10,029)	(4,640)
United States of America	-	-	(26)	-
	61,774	14,343	(10,055)	(4,640)

3 OPERATING LOSS

Operating loss is stated after charging the following:

	Unaudited Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Depreciation	86	80
Staff cost, including directors' remuneration	353	614
Operating leases – land and buildings	360	360

4 FINANCE COSTS

	Unaudited Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Interest on bank overdraft	486	375
Interest on loan from a financial institution	182	–
	668	375

5 TAXATION

Hong Kong profits tax has not been provided in these accounts as the Group has no estimated assessable profit during the Period (2003: Nil).

6 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$10,706,233 (2003: HK\$5,014,472).

7 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the shareholders of HK\$10,722,789 (2003: HK\$5,014,472).

The basic loss per share is based on the weighted average number of 262,725,279 (2003: 200,000,024) ordinary shares in issue during the Period.

Diluted loss per share has not been presented for the Period as there were no dilutive potential ordinary shares. The diluted loss per share for the six months ended 30th June 2003 is the same as the basic loss per share as all potential ordinary shares are anti-dilutive.

8 INVESTMENT SECURITIES

	Unaudited 30th June 2004 HK\$'000	31st December 2003 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	62,468	81,314
Market value of listed equity securities	62,468	81,314

9 TRADING SECURITIES

	Unaudited 30th June 2004 HK\$'000	31st December 2003 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	19,795	30,809
Quoted outside Hong Kong	9,343	–
Unlisted redeemable convertible notes, at fair value	16,000	–
	45,138	30,809
Market value of listed equity securities	45,138	30,809

Subsequent to 30th June 2004, all redeemable convertible notes have been redeemed.

10 PLEDGE OF ASSETS

As at 30th June 2004, the Group's and the Company's bank overdraft facilities amounting to HK\$15,000,000 (31st December 2003: HK\$15,000,000) and margin financing facilities (31st December 2003: Nil) obtained from a financial institution amounting to approximately HK\$1,255,000 were secured by all the Group's investment and trading securities.

11 SHARE CAPITAL

	Ordinary shares of HK\$0.10 each Number of shares	Amount HK\$ '000
Issued and fully paid		
At 1st January 2004 (Audited)	200,000,004	20,000
Issue of shares	88,000,000	8,800
As 30th June 2004	<u>288,000,004</u>	<u>28,800</u>

On 8th January 2004 and 31st March 2004, the Company issued 40,000,000 and 48,000,000 new ordinary shares of HK\$0.10 each at a subscription price of HK\$0.148 and HK\$0.2 respectively, by way of share placement, raising net proceeds of approximately HK\$5,800,000 and HK\$9,400,000.

12 COMMITMENTS UNDER OPERATING LEASES

As at 30th June 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follow:

	Unaudited 30th June 2004 HK\$'000	31st December 2003 HK\$'000
Not later than one year	741	621
Later than one year and not later than five years	963	14
	<u>1,704</u>	<u>635</u>

13 ACQUISITION

On 21st June 2004, the Group acquired 100% of the share capital of Anchor Talent Limited which is engaged in investment holding and was incorporated in the British Virgin Islands. The consideration of HK\$9,000,000 was settled in cash. The fair value of the net identifiable assets at the date of acquisition was HK\$9,368,993. The resulting negative goodwill of HK\$368,993 is recognised in the profit and loss account immediately. The acquired business contributed operating loss of HK\$25,556 to the Group for the period from 21st June 2004 to 30th June 2004.

The assets and liabilities arising from the acquisition are as follows respectively:

	<i>HK\$ '000</i>
Trading securities	9,369
Fair value of net assets	9,369
Negative goodwill	(369)
Total purchases consideration	<u>9,000</u>

14 RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Management fee and bonus paid/payable to a related company (<i>note (a)</i>)	617	957

- (a) Pursuant to an investment management agreement dated 6th October 1999 (the "Original Investment Management Agreement") between the Company and Alpha Asset Investments Limited ("Alpha"), Alpha has agreed to provide the Group with investment management and general administrative services. Under this arrangement, Alpha 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 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, has 60% indirect equity interests in Alpha.

The Original investment Management Agreement was terminated on 27th April, 2003.

Pursuant to an investment management agreement dated 5th November 2003 between the Company and CU Investment Management Limited ("CUIM"), CUIM has agreed to provide the Group with investment management services with effect from 5th November 2003. Under this arrangement, CUIM is entitled to a monthly management fee payable in advance at 1% per annum of the net asset value of the Group at the end of preceding month on the basis of actual number of days in the relevant calendar month over a year of 365 days.

Dr. PANG Shuen Wai Nichols, an executive director of the Company, is a director of CUIM.

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 2 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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 Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with SAS 700 "Engagement to review interim financial reports" issued by the Hong Kong Institute of Certified Public 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 30th June 2004.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 13th September 2004

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 loss of approximately HK\$10,723,000 for the Period, compared to the net interim loss of approximately HK\$5,014,000 recorded for the corresponding period last year. Proceeds from sale of trading securities increased to HK\$61,774,000, comparing to HK\$14,343,000 recorded in the previous period, a result of the Group's rebalancing activities.

During the Period, Hong Kong stock market was extremely volatile with the benchmark Hang Seng Index ("HSI") fluctuating within a wide trading range. Partly attributable to the low interest rate cuts and positive sentiment in the home market, the HSI managed to top the high level of 14,058.21 in early 2004. Nevertheless, concerns over corporate earnings, cooling down of the property market and Mainland's macro-adjustment measures, undermined market sentiment subsequently. The HSI within three months dived to the low level of 10,917.65, registering a loss of approximately 3,000 points. Thanks to several successful IPOs in June 2004, the HSI managed to recover part of the earlier losses but still recorded a loss of approximately 300 points for the Period.

Despite the volatility, the Group managed to raise additional funds from the market and to enhance its investment portfolio. To capitalise on the positive market conditions in the early part of the year, the Group issued 88,000,000 ordinary shares of HK\$0.10 each through two share placements, raising gross proceeds of approximately HK\$15,520,000.

In terms of market value, value of the Group's portfolio grew to approximately HK\$107,605,000, comparing to HK\$103,365,000 as at 30th June 2003. The breakdown of the Group's portfolio of investment assets as at 30th June 2004 is as follows:

Item	Book value	Market value
	<i>HK\$'000</i>	<i>As at 30th June 2004 HK\$'000</i>
Trading securities	43,620.4	45,138.0
Long-term investment	49,831.0	62,467.5
Total investments	93,451.4	107,605.5

As at 30th June 2004, the Group had interests in nine investment items, which cover a large array of industries and sectors, including investment holdings, financial services, trading, industrial and manufacturing.

The Group had bank borrowings of approximately HK\$12,425,000 and loan from a financial institution of approximately of HK\$1,500,000 as at 30th June 2004, representing 12.94% of the Group's gross asset value.

PROSPECTS

We expect the market in the short to medium run to focus on the changes in interest rates and oil prices as well as the US presidential election. Evidences show that an inflationary spiral has already commenced and interest rates will likely trend up. Stock market is highly vulnerable to changes in the political arena, suggesting that the Bush-Kerry battle for the US presidency and the tensions in the Taiwan Strait will likely lead to high level of volatility. In the meanwhile, Mainland's austerity program may also negatively affect the short-term performance of the investment market. Given the anticipated uncertainty, we will continue to exercise caution when making new investment in order to maximize returns and keep the risk under control.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES*(i) Ordinary shares of HK\$0.1 each in the Company ("Shares")*

As at 30th June 2004, 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. QI Qing	Personal	20,000	0.01%

All the interests stated above represent long positions. As at 30th June 2004, 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.

(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 "Scheme"), which was subsequently approved by the shareholders of the Company on 2nd May 2003. Under the 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 Scheme during the Period.

At no time during the Period was the Company or its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the directors and chief executives 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 2004, 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
LO Ki Yan, Karen*	Beneficial owner	78,338,000	27.20
Radford Capital Investment Limited	Investment manager	24,580,000	8.53
Royal London Asset Management Limited	Investment manager	16,000,000	5.56
J.P. Morgan Chase & Co.	Other	15,362,000	5.33

* LO Ki Yan, Karen beneficially owns and controls the relevant shares through her wholly-owned company, Collier Assets Limited.

All the interests stated above represent long positions. As at 30th June 2004, 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.

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.

POST BALANCE SHEET DATE EVENTS

Subsequent to 30th June 2004, all redeemable convertible notes have been redeemed.

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, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules (the "Code of Best Practice") except that independent 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, independent 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 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 2004.

By order of the Board

PANG Shuen Wai, Nichols

Executive Director

Hong Kong, 13th September 2004