



Unity Investments Holdings Limited
合一投資控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Annual Report 2004

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REVIEW OF OPERATIONS

The Company and its subsidiaries (the "Group") managed to reduce its losses for the financial year ended 31 December 2004 (the "Period"), the Group registered a consolidated loss of HK\$16,810,024, comparing with a loss of HK\$25,433,132 for the same period in 2003. The loss was principally attributable to the provision made against the Group's investment. The reduction in loss was a result of the improvement in the local stock market. During the Period the Group continued to focus on publicly listed companies.

The Hang Seng Index (the "Index" or "HSI") managed to stage a strong rebound after registering its year low of 10,917.65 in May 2004 in spite of the short-lived jitters triggered by the Legislative Council election in September 2004. Share price performances of selected companies, particularly those having plans and investments in the Macau Special Administrative Region, were strong in the last quarter of 2004. Having hit the year high of 14,339.06 on 2 December 2004, the HSI managed to finish the year with a 13.15% year-on-year gain. A total of approximately HK\$265,668.41 million were raised through initial public offers, rights issues and share placements among companies listed on the Main Board of the year ended 31 December 2004, representing a year-on-year increase of 27.09%. In the Growth Enterprises Market (the "GEM"), a total of HK\$5,279.69 million were also raised by various companies, 13.68% more than the corresponding period in the previous year.

To capitalize on the positive market sentiment, the Board proposed rights issue of HK\$0.10 each at HK\$0.14 per rights issue on the basis of one rights share for every three shares held

in November 2004. Net proceeds of HK\$12.2 million were raised. Together with the two share placements completed in the first quarter, the Company raised approximately HK\$27 million for repayment of debts, general working capital and investments during the year.

LIQUIDITY AND CAPITAL RESOURCES

During the year, the Company completed two share placements and one rights issue on the basis of one rights share for every three existing shares held by the shareholders. Additional equity of approximately HK\$28,960,000 has been raised for additional working capital to 31 December 2004.

On 10 January 2005, the Company entered into an agreement to place an additional 15,998,000 ordinary shares of HK\$0.10 each at HK\$0.14 per share, raising net approximately HK\$2,180,000.

As at 31 December 2004, the Company's total shareholders' funds amounted to HK\$127,488,932 (2003: HK\$97,922,065), representing an increase of approximately 30% year-on-year.

In view of the prevailing low interest rates, the Group had applied and been granted credit facilities from one of the Group's principal banks and HK\$50 million was drawn for investments but already been repaid during the year and there was no material contingent liability as at 31 December 2004.

As most of the Group's transactions and bank deposits were denominated in Hong Kong dollars, the Group's exposure to foreign exchange risk was minimal.

INVESTMENT PORTFOLIO

The breakdown of the Group's portfolio of investment assets as at 31 December 2004 is as follows:

Item	Market value <i>HK\$'000</i>	Percentage of consolidated net asset value
Cash and deposits with banks	1,055,097	0.99%
Trading securities	53,600,270	50.14%
Long-term investment securities	56,753,110	53.08%

The Group's investments are classified as trading securities and investment securities pursuant to the Group's investment objectives and policies. In terms of market value, trading securities and investment securities represent 50.14% and 53.08% respectively of the Group's investment portfolio as at 31 December 2004. The Group's portfolio of trading securities covers a wide spectrum of industries, including general trading, property and China investment. The Group's portfolio of long-term investment securities is also well-diversified and covers financial services, general trading and manufacturing. The Group's portfolio of trading securities saw a 73.98% rise in fair value. Book value of the portfolio of investment securities, however, dropped by 30.20%, principally attributable to the provision made against an investment item, which is listed as "Impairment loss of investment securities" in the summarized Profit and Loss account.

The breakdown of the Group's portfolio of investment assets in terms of individual items as at 31 December 2004 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 profit attributable to shareholders of 139 Holdings for the year ended 31 March 2004 was approximately HK\$1,204,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$11,914,000, translating into 11.14% of the Group's consolidated net asset value.

The principal activities of China United International Holdings Limited ("CUIHL") are property investment, investment holding, investment in trading securities and the provision of brokerage and financial services. The loss attributable to shareholders of CUIHL for the year ended 31 December 2003 was approximately HK\$33,739,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$2,490,396, translating into 2.33% of the Group's consolidated net asset value.



Management Discussion and Analysis

The principal activity of Heritage International Holdings Limited (“Heritage”) is property investment and development. It also diversified the business into the investments of high value-added technology-related businesses. The loss attributable to shareholders of Heritage for the year ended 31 March 2004 was approximately HK\$20,255,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$1,998,500, translating into 1.87% of the Group’s consolidated net 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 31 December 2003 was approximately HK\$199,424,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$12,943,000, translating into 12.11% of the Group’s consolidated net asset value.

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 31 March 2004 was approximately HK\$60,534,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$16,975,724, translating into 15.88% of the Group’s consolidated net asset value.

Semiconductor Manufacturing International Corporation (“SMIC”) is a semiconductor foundry providing integrated circuit (“IC”) manufacturing at 0.35-micron to 0.13-micron and finer line technologies to customers worldwide. Established in 2000, SMIC has four 8-inch wafer fabrication facilities in volume production in Shanghai and Tianjin. Shares of SMIC commenced trading on the Stock Exchange on 18 March 2004. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$2,704,000, translating into 2.53% of the Group’s consolidated net asset value.

Investment Securities

Poly Investments Holdings Limited (“Poly Investments”) is principally engaged in the manufacturing and trading of chemical fibers, property investment, securities investment and financial services. The Group also owns a 30% equity interest in a company, which operates shopping centers in Shanghai and Suzhou, the PRC, and an effective 37% equity interest in a company, which operates a hospital in Xian, the PRC. The profit attributable to shareholders of Poly Investments for the year ended 31 December 2003 was approximately HK\$13,644,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$4,338,360, translating into 4.06% of the Group’s consolidated net asset value.

Management Discussion and Analysis

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 profit attributable to shareholders of Yugang for the year ended 31 December 2003 was approximately HK\$107,267,000. During the year, the Company has not received any dividend from this investment. On 31 December 2004, market value of this item amounted to HK\$44,307,750, translating into 41.44% of the Group's consolidated net 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 31 December 2003 was approximately HK\$28,902,000. During the year, the Company has not received any dividend from this investment. On 31 December 2003, market value of this item amounted to HK\$8,107,000, translating into 7.58% of the Group's consolidated net asset value.

The principal activity of Hennabun Management International Limited (formerly named as Hennabun Management Inc) ("HMI") is the provision of comprehensive financial services covering stock brokerage, investment advisory

and money lending. The loss attributable to shareholders of HMI for the year ended 31 December 2004 was approximately HK\$205,611,620. During the year, the Company has not received any dividend from this investment. As at 31 December 2004, a full provision has been made to this investment.

PROSPECTS

Hong Kong economy is witnessing a gradual recovery, which may provide better opportunities in the market enabling the Company to achieve its investment targets. In anticipation of such improvement and to further enhance the financial flexibility and to erase part of the Company's accumulated losses, the Board put forward proposals to raise its authorized capital and reduce its share capital recently. Details are presented in a separate Circular dispatched to shareholders of the Company in January 2005. The Board believes that these corporate exercises would help the Group build a stronger platform for capturing opportunities.

PLEDGE OF ASSETS

During the year, HK\$50 million was drawn for investments and the whole amount has been repaid by year end. As at 31 December 2004, margin facilities from a financial institution were granted to the Company which were secured by the Company's investment and trading securities. As at 31 December 2004, a total amount of HK\$3,876,000 has been utilised against these facilities, there was no material contingent liability as at 31 December 2004.

EMPLOYEES

The Group had 9 employees, including 4 executive directors and 4 independent non-executive directors remunerated based on their performance, working experience and prevailing market standards. For the year ended 31 December 2004, the total staff costs paid/payable to these 4 directors by the Group were approximately HK\$586,076 (2003: HK\$1,104,200) 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, 18 March 2005

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. AU Shuk Yee, Sue, aged 40, has more than 9 years of experience in business administration and accounting. Ms. Au was the managing director of a telecommunication equipment manufacturing and trading company where she has successfully developed an internal accounting control system. Ms. Au gained her experience in the financial services industry from working with several licensed foreign exchange dealing companies. Ms. Au obtained a bachelor's degree of science in accounting from Liberty University, Virginia. She joined the Company as an executive director on 25 September 2002.

Mr. KITCHELL, Osman Bin, aged 40, studied Economics in the University of Toronto and holds an honorary diploma from Pickering College in Canada. Mr. Kitchell is a veteran investor in the Hong Kong equity markets with approximately ten years experience. He has been managing a private family fund. Mr. Kitchell was appointed as an executive director of the Company with effect from 10 January 2005.

Dr. PANG Shuen Wai, Nichols, aged 45, has more than 15 years of experience in investment. Dr. Pang is a director of CU Investment Management Limited, the investment manager of the Company and of another publicly listed investment holding company. He obtained a master's degree in applied finance from Macquarie University, Sydney, and a Ph.D. degree from the University of South Australia, Adelaide. He is an Associate Member of the Securities Institute of Australia and a Senior Associate of The Australasian Institute of Banking + Finance. Dr. Pang is an investment adviser registered under the Securities Ordinance. He has been appointed as an executive director of the Company with effect from 1 September 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Ping Cheung, aged 51, is a solicitor and the sole proprietor of Messrs. Andrew Lam & Co. He is also an independent non-executive director of Golden Resources Development International Limited, Kith Holdings Limited, Ngai Lik Industrial Holdings Limited, Qualipak International Holdings Limited, Hansom Eastern (Holdings) Limited and China United International Holdings Limited. Mr. Lam graduated from The Chinese University of Hong Kong with a bachelor's degree in social science. Mr. Lam has been appointed as an independent non-executive director of the Company with effect from 1 September 2002.



Biographical Details of Directors

Mr. WONG Ying Seung, Asiong, aged 54, has over 25 years of experience in banking and investment. He is also an executive director of China United International Holdings Limited, a publicly listed company. Mr. Wong holds a bachelor degree in chemical engineering from the University College, London. He has been appointed as an independent non-executive director of the Company since 11 November 2003.

Mr. CHUNG Kong Fei, Stephen, aged 48, is one of the founders and executive directors of SDM Dental Inc., an investment holding company operating 5 dental clinics in the PRC. Mr. Chung is also one of the founders and a director of Woodland (Asia) Limited, a business advisory company which specialises in direct investments in, and capital restructurings of, private companies in Hong Kong and the rest of the PRC. Mr. Chung is an independent non-executive director of Computech Holdings Limited, a publicly listed company. He has extensive experience in investments in the PRC. Mr. Chung holds a bachelor of science degree from the Wharton School of Business, University of Pennsylvania, U.S.A. He has been appointed as an independent non-executive director of the Company since 16 March 2004.

Mr. TSANG Wing Ki, aged 43, graduated from The Hong Kong Polytechnic University with a master degree in professional accounting, is currently the financial controller and company secretary of a publicly listed company in Hong Kong. Mr. Tsang is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Tsang was appointed as an independent non-executive director as well as a member of the Audit Committee of the Company on 23 September 2004.

The directors submit their report together with the audited accounts for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the "Group") are investment holding. During the year, the Group has been engaged principally in the investments in listed and unlisted companies.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 18.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the movements in share capital of the Group are set out in note 15 of the accounts.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 16 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 10 to the accounts.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Dr. PANG Shuen Wai, Nichols

Ms. AU Shuk Yee, Sue

Mr. KITCHELL, Osman Bin
(appointed on 10 January 2005)

Mr. QI Qing
(appointed as executive director on 27 January 2004; resigned as executive director and reappointed as non-executive director on 24 May 2004; resigned as non-executive director on 9 January 2005)

Mr. WONG Man Ho, William
(resigned on 4 February 2004)

Mr. LAM Ping Cheung[#]

Mr. CHUNG Kong Fei, Stephen[#]
(appointed on 16 March 2004)

Mr. TSANG Wing Ki[#]
(appointed on 23 September 2004)

Mr. WONG Ying Seung, Asiong[#]

[#] *Independent non-executive directors*

In accordance with Article 157 of the Company's Articles of Association, Ms. AU Shuk Yee, Sue, and Dr. PANG Shuen Wai, Nichols will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 123 of the Company's Articles of Association, Mr. KITCHELL, Osman Bin, Mr. CHUNG Kong Fei, Stephen and Mr. TSANG Wing Ki will retire at the forthcoming annual general meeting and, being eligible, offer them for re-election.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 47.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

1. Investment Management Agreement

Pursuant to an investment management agreement dated 5 November 2003 between the Company and CU Investment Management Limited ("CUIM"), CUIM has been providing the Group with investment management services from 5 November 2003 to 4 November 2004. Under this arrangement, CUIM was entitled to a monthly management fee payable in advance at 1.0% 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. The aggregate of management fee and the bonus paid/payable to CUIM for the year amounted to HK\$995,386 (2003: HK\$148,546).

On 5 November 2004, the Company and CUIM entered into a new investment management agreement (the "New Investment Management Agreement") in which the investment management fee was revised to HK\$50,000 per month. The New Investment Management Agreement will expire on 31 December 2005.

Dr. PANG Shuen Wai, Nichols, an executive director of the Company, is also a director of CUIM. Accordingly, the said arrangements with CUIM constitute a connected transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and also related parry transactions under the accounting standards issued by Hong Kong Institute of Certified Public Accounts as disclosed in Note 20 to the accounts.

CUIM was formerly a wholly-owned subsidiary of HMI but ceased to be a wholly-owned subsidiary on 8 June 2004.

CUIM is wholly-owned subsidiary of Heritage International Holdings Limited ("Heritage"), which is a substantial shareholder of the Company as at 31 December 2004.

Mr. Wong Man Ho, William ("Mr. Wong"), a former executive director of the Company, holds 361,800 shares in China United International Holdings Limited ("CUIHL"), being approximately 0.26% of the issued share capital of CUIHL (whose shares are listed on the Stock Exchange of Hong Kong Limited) which indirectly holds approximately 42.30% of HMIL during the year when Mr. Wong was an executive director of the Company.

2. Brokerage Services and Margin Financing Facilities Arrangement

Chung Nam Securities Limited (“CNSL”) and Radland International Limited (“Radland”) are engaged in the business of securities dealing and trading. The Company utilizes the services of each of CNSL and Radland through the opening of margin trading accounts with CNSL and Radland to deal in securities of listed companies in accordance with the investment objective and policies of the Company. During the Period, the net margin financing interest and brokerage fee paid to CNSL amounted to HK\$137,421 and HK\$450,721 respectively (2003: Nil and HK\$76,841) and the net margin financing interest and brokerage fee paid to Radland amounted to HK\$0.34 and HK\$39,117 (2003: Nil) respectively.

Pursuant to the placing agreements dated 18 December 2003 and 27 February 2004 respectively (“Placing Agreements”) between the Company, CU Corporate Finance Limited (“CUCF”) and CNSL, CUCF and CNSL were appointed as the Financial Advisor and Placing Agent to the Company in connection with the share placement of 40,000,000 ordinary shares of HK\$0.10 each and the share placement of 48,000,000 ordinary shares of HK\$0.10 each, on a best effort basis (the “Share Placements”). Upon completion of the Share Placements, CUCF and CNSL received fees equivalent to 0.5% and 1.5% of the gross proceeds respectively.

CNSL and CUCF are deemed connected person of the Company under the Listing Rules. However, as the total fee payable to CUCF was under HK\$1 million, the transactions were exempted from any disclosure and shareholders approval requirements under Chapter 14 of the Listing Rules. The placing of new shares was completed on 8 January 2004 and 30 March 2004 respectively. Placing fees paid to CNSL amounted to HK\$88,800 and HK\$144,000 and the financial advisory fee paid to CUCF amounted to HK\$29,600 and HK\$48,000 respectively.

CNSL, CUCF and Radland are the wholly-owned subsidiaries of HMI and the issued share capital of HMI is beneficially owned as to 42.03% by CUIHL on 31 December 2004

CNSL, CUCF, CUIM and Radland are a deemed connected person of the Company under the Listing Rules. However, the brokerage services and margin financing facilities arrangement, and the investment management agreements as the total fee payable to CNSL, CUCF, Radland and CUIM were under HK\$1 million, the transactions were exempted from any disclosure and shareholders approval requirements under Chapter 14 of the Listing Rules.

Apart from the above, no other contracts of significance in relation to the Company’s business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

(I) Ordinary shares of HK\$0.10 each in the Company ("Shares")

As at 31 December 2004, the interest 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 follow:

Name of director	Nature of interest	Number of Shares	% of the relevant issued share capital
Mr. WONG Man Ho, William	Personal	300,000	0.078%
Mr. QI Qing	Personal	20,000	0.005%

All the interests stated above represent long position. As at 31 December 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 or so notified to the Company.

Mr. WONG and Mr. QI resigned as directors of the Company on 4 February 2004 and 9 January 2005 respectively.

(II) Share options

Under the share option scheme which was approved by the shareholders of the Company on 2 May 2003 (the "Share Option 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 year.

At no time during the year 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.

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 31 December 2004, the following shareholders with interests of 5% or more of the issued share capital of the Company were recorded in the register maintained by the Company pursuant to section 336 of the SFO (as defined in the SFO):

Long positions:

Name of shareholder	Notes	Capacity and nature of interest	Number of shares held	% of share holding
Lo Ki Yan, Karen	(a)	Investor	94,450,666	24.59
Heritage International Holdings Limited	(b)	Investor	38,203,333	9.95
Radford Capital Investment Limited	(c)	Investor	33,878,666	8.82
J.P. Morgan Chase & Co.		Investment Manager	15,260,000	3.97

Notes:

- (a) These shares were held by Collier Assets Limited ("Collier Assets"). Collier Assets is wholly and beneficially owned by Ms. Lo Ki Yan Karen.
- (b) These shares were held by Dollar Group Limited ("Dollar Group"). Dollar Group is a wholly-owned subsidiary of Coupeville Limited, a company wholly-owned by Heritage International Holdings Limited.
- (c) These shares were held by Winning Horsee Limited ("Winning Horsee"). Winning Horsee is wholly and beneficially owned by Radford Capital Investment Limited.

Save as disclosed above, as at 31 December 2004, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interest and short position in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RENEWAL OF INVESTMENT MANAGEMENT AGREEMENT

On 5 November 2003 the Company entered into an investment management agreement with CUIM for a term of one year starting from 5 November 2003 (the "2003 Investment Management Agreement").

Pursuant to the 2003 Investment Management Agreement, the Company paid to CUIM a monthly investment management fee payable in advance at 1.0% per annum of the net asset value within 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, the Company had not paid to CUIM any annual performance fee.

The 2003 Investment Management Agreement expired on 4 November 2004.

On 5 November 2004, the Company and CUIM entered into a new investment management agreement (the "Investment Management Agreement") with revision in the investment management fee to HK\$50,000 per month instead of referring to the Net Asset Value. The new Investment Management Agreement will expire on 31 December 2005.

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

CHANGE OF CUSTODIAN

On 31 December 2004, the Company and Standard Chartered Bank terminated the custodian agreement signed on 13 December 2002 with effect from 1 October 2004. Kingston Securities Limited is the custodian of the Company in relation to the investments which the Company may from time to time deposit with it.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLIC FLOATATION

The Company confirmed that a minimum of 25 per cent of total issued share capital of the Company is in public hands based on the information currently available to the Board and is in compliance with Rule 8.08 of the Listing Rules.

POST BALANCE SHEET EVENTS

(I) Issue of New Shares

On 10 January 2005, the Company entered into an agreement with an independent third party (the "Subscriber") to issue 15,998,000 ordinary shares of HK\$0.10 each (the "Subscription Shares") at HK\$0.14 per share, raising net proceeds of approximately HK\$2.18 million which will be utilized for working capital. The Subscription Shares of 15,998,000 ordinary shares of HK\$0.10 each were subsequently allotted and issued to the Subscriber on 28 January 2005.

(II) Proposed increase in authorised share capital, proposed capital reorganisation and refreshment of share option mandate limit

On 11 January 2005, the Company announced that it intended to put forward the following proposals:

- (a) to increase the authorised share capital to HK\$500,000,000 by creation of ordinary shares of HK\$0.01 each in the capital of the Company ("New Shares") as shall be necessary;
- (b) to reduce the issued share capital of the Company by cancelling the issued and paid-up capital to the extent of HK\$0.09 on each issued share thereby reducing the nominal value of each issued share from HK\$0.10 to HK\$0.01;
- (c) to subdivide every unissued share into 10 unissued New Shares; and
- (d) to refresh the share option scheme mandate limit.



Shareholders of the Company in an extraordinary general meeting held on 28 February 2005 subsequently approved the Proposals. The proposed capital reorganisation, however, is subject to the following conditions being fulfilled:

- (a) Compliance with any conditions which the Grand Court of the Cayman Islands (the "Court") may impose;
- (b) The confirmation of the capital reduction by the Court and the registration by the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minute containing the particulars required under the Companies Laws; and
- (c) The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares.

(III) Additional investment of HK\$3,000,000 made to HMI

On 14 January 2005, the Group further invested HK\$3,000,000 to purchase 4,000,000 additional shares of HMI, at a price of HK\$0.75 per share.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

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 year, 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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee of the Company comprises the three independent non-executive directors, namely Messrs. LAM Ping Cheung, WONG Ying Seung, Asiong and TSANG Wing Ki. Two meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers.

On behalf of the Board
PANG Shuen Wai, Nichols
Executive Director

Hong Kong, 18 March 2005

TO THE SHAREHOLDERS OF UNITY INVESTMENTS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 18 to 43 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts,

and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2005

Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Note	2004 HK\$	2003 HK\$
Turnover			
Proceeds from sale of trading securities	2	125,003,049	15,525,940
Cost of sales		(133,065,935)	(8,641,821)
Realised (loss)/gain on sale of trading securities		(8,062,886)	6,884,119
Unrealised gain/(loss) on trading securities		14,787,456	(27,038,224)
Impairment loss of investment securities	12	(20,000,000)	–
Other revenues	2	1,017,217	182,315
Administrative expenses		(3,372,820)	(4,654,807)
Operating loss	3	(15,631,033)	(24,626,597)
Finance costs	4	(1,178,991)	(806,535)
Loss before taxation		(16,810,024)	(25,433,132)
Taxation	5	–	–
Loss attributable to shareholders	6	(16,810,024)	(25,433,132)
Basic loss per share	7	(7.19) cents	(15.22) cents
Diluted loss per share	7	N/A	N/A

Consolidated Balance Sheet

As at 31 December 2004

	<i>Note</i>	2004 HK\$	2003 HK\$
Fixed assets	10	141,954	256,087
Investment securities	12, 14	56,753,110	81,313,638
Current assets			
Trading securities	13	53,600,270	30,808,536
Deposits, prepayments and other receivables		108,926	193,479
Bank balances and cash		1,055,097	358,511
		54,764,293	31,360,526
Current liabilities			
Sundry payables and accruals		4,744,883	246,543
Bank overdraft – secured		–	14,906,111
		4,744,883	15,152,654
Net current assets		50,019,410	16,207,872
Total assets less current liabilities		106,914,474	97,777,597
Financed by:			
Share capital	15	38,400,000	20,000,000
Reserves	16(a)	68,514,474	77,777,597
Shareholders' funds		106,914,474	97,777,597

PANG Shuen Wai, Nichols
Director

AU Shuk Yee, Sue
Director

Balance Sheet

As at 31 December 2004

	Note	2004 HK\$	2003 HK\$
Fixed assets	10	141,954	256,087
Investments in subsidiaries	11	20,574,473	144,468
Investment securities	12, 14	56,753,110	81,313,638
Current assets			
Trading securities	13	53,600,270	30,808,536
Deposits, prepayments and other receivables		108,926	193,479
Bank balances and cash		1,055,082	358,511
		54,764,278	31,360,526
Current liabilities			
Sundry payables and accruals		4,744,883	246,543
Bank overdraft – secured		–	14,906,111
		4,744,883	15,152,654
Net current assets		50,019,395	16,207,872
Total assets less current liabilities		127,488,932	97,922,065
Financed by:			
Share capital	15	38,400,000	20,000,000
Reserves	16(b)	89,088,932	77,922,065
Shareholders' funds		127,488,932	97,922,065

PANG Shuen Wai, Nichols
Director

AU Shuk Yee, Sue
Director

Consolidated Cash Flow Statement

For the Year ended 31 December 2004

	<i>Note</i>	2004 HK\$	2003 <i>HK\$</i>
Net cash outflow generated from operations	18(a)	(5,682,975)	(4,316,341)
Interest paid		(1,178,991)	(806,535)
Net cash outflow from operating activities		(6,861,966)	(5,122,876)
Investing activities			
Purchase of fixed assets		(62,999)	(157,226)
Net sale of listed investment securities		22,803,908	2,208,175
Investments in unlisted securities		(20,000,000)	–
Sale of fixed assets		3,000	–
Purchase of subsidiaries, net of cash acquired	18(c)	(8,999,984)	–
Dividends received		1,016,819	182,130
Interest received		398	185
Net cash (outflow)/inflow from investing activities		(5,238,858)	2,233,264
Net cash outflow before financing		(12,100,824)	(2,889,612)
Financing activities	18(b)		
Proceeds from rights issue		13,440,000	–
Proceeds from placements of shares		15,520,000	–
Share issue expenses		(1,256,479)	–
Net cash inflow from financing activities		27,703,521	–
Increase/(decrease) in cash and cash equivalents		15,602,697	(2,889,612)
Cash and cash equivalents at 1 January		(14,547,600)	(11,657,988)
Cash and cash equivalents at 31 December		1,055,097	(14,547,600)
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		1,055,097	358,511
Bank overdrafts		–	(14,906,111)
		1,055,097	(14,547,600)

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2004

	<i>Note</i>	2004 HK\$	2003 <i>HK\$</i>
Total equity as at 1 January		97,777,597	124,542,304
Deficit on revaluation of investment securities	<i>16(a)</i>	(1,756,620)	(1,331,575)
(Loss) for the year	<i>16(a)</i>	(16,810,024)	(25,433,132)
Placements of shares		15,520,000	–
Rights issue		13,440,000	–
Share issue expenses	<i>16(a)</i>	(1,256,479)	–
Total equity as at 31 December		106,914,474	97,777,597

Notes to the Accounts

For the Year ended 31 December 2004

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost conversion except that, as disclosed in the accounting policies below, investment securities are stated at fair value.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Accounts

For the Year ended 31 December 2004

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Negative goodwill

Negative goodwill represents the excess of fair value of the Group's share of net assets acquired over the cost of acquisition, and is recognised in the profit and loss account immediately.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rate used for this purpose is 33¹/₃%.

Major costs incurred in restoring fixed assets to its normal working condition to allow continued use are expensed as incurred.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Notes to the Accounts

For the Year ended 31 December 2004

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investment securities

(i) *Investment securities*

Investment securities which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Where there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(ii) *Trading securities*

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdraft.

Notes to the Accounts

For the Year ended 31 December 2004

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

(i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

(j) Revenue recognition

Proceeds from sale of trading securities is recognised when the sale transaction is executed and completed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Notes to the Accounts

For the Year ended 31 December 2004

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contribution payable by the Company to the fund.

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Notes to the Accounts

For the Year ended 31 December 2004

2 TURNOVER AND REVENUE

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

	2004 HK\$	2003 HK\$
Turnover		
Proceeds from sale of trading securities	125,003,049	15,525,940
Other revenues		
Interest income	398	185
Dividend income from investment securities	1,016,819	182,130
	1,017,217	182,315
Total revenues	126,020,266	15,708,255

All of the Group's turnover, contribution to operating profit/(loss), assets and liabilities are attributable to the investments in listed and unlisted companies and accordingly no analysis of the Group's turnover, contribution to operating profit/(loss), assets and liabilities by principal activities is provided.

No geographical analysis is presented as all Group operations are carried out in Hong Kong.

3 OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2004 HK\$	2003 HK\$
Crediting		
Negative goodwill recognised	369,016	–
Charging		
Auditors' remuneration	240,000	195,000
Depreciation	170,294	153,408
Loss on disposal of fixed assets	3,838	–
Staff costs, including directors' remuneration	586,076	1,104,200
Operating leases – land and buildings	740,796	894,286

Notes to the Accounts

For the Year ended 31 December 2004

4 FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on bank overdraft	698,334	806,535
Interest on other loans	480,657	–
	1,178,991	806,535

5 TAXATION

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

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004 HK\$	2003 HK\$
Loss before taxation	(16,810,024)	(25,433,132)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	(2,941,754)	(4,450,798)
Income not subject to taxation	(178,013)	(31,905)
Expenses not deductible for taxation purposes	5,250	8,391
Utilisation of previously unrecognised tax losses	(401,233)	–
Unrecognised tax losses (<i>Note 17</i>)	3,515,750	4,474,312
Taxation	–	–

6 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$3,619,966 (2003: Loss of HK\$25,310,179).

Notes to the Accounts

For the Year ended 31 December 2004

7 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's profit attributable to the shareholders of HK\$16,810,024 (2003: HK\$25,433,132).

The basic loss per share is based on the weighted average of 233,651,275 (2003: 167,101,831 being adjusted to reflect the effect of rights issue in November 2004) ordinary shares in issue during the year.

Diluted loss per share has not been presented for the year as there was no dilutive effect.

8 STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2004 HK\$	2003 HK\$
Wages and salaries	43,310	87,000
Pension costs – defined contribution plan	2,166	32,700
	45,476	119,700

The pension costs charged to the profit and loss account represent contributions paid or payable by the Group to the Mandatory Provident Fund Scheme (the "MPF Scheme").

During the year, the Group's contributions charged to the profit and loss account amounted to HK\$15,166 (2003: HK\$32,700). As at 31 December 2004, there was no contribution payable to the MPF Scheme (2003: Nil).

Notes to the Accounts

For the Year ended 31 December 2004

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2004 HK\$	2003 HK\$
Fees	135,000	131,000
Other emoluments	405,600	886,200
	540,600	1,017,200

Directors' fees disclosed above include HK\$135,000 (2003: HK\$131,000) paid to independent non-executive directors.

All emoluments of directors fell within the emolument band of HK\$Nil to HK\$1,000,000 for the year ended 31 December 2004 and 2003.

None of the directors waived emoluments in respect of the year ended 31 December 2004 and 2003.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2003: four) directors whose emoluments are reflected in the analysis presented in note 9(a) above. The emoluments payable to the remaining individuals were as follows:

	2004 HK\$	2003 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	43,310	114,000
Contributions to pension scheme	2,166	5,700
	45,476	119,700

Notes to the Accounts

For the Year ended 31 December 2004

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

(c) Share options granted to the directors of the Company

Under the share option scheme (the "Scheme") approved by the shareholders of the Company in 2003, 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 year.

10 FIXED ASSETS

	Leasehold improvements <i>HK\$</i>	Group and Company		Total <i>HK\$</i>
		Office equipment <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	
Cost				
At 1 January 2004	167,170	129,834	163,681	460,685
Additions	–	62,999	–	62,999
Disposals	–	(16,388)	–	(16,388)
At 31 December 2004	167,170	176,445	163,681	507,296
Accumulated depreciation				
At 1 January 2004	69,243	53,597	81,758	204,598
Charge for the year	55,668	60,119	54,507	170,294
Disposals	–	(9,550)	–	(9,550)
At 31 December 2004	124,911	104,166	136,265	365,342
Net book value				
At 31 December 2004	42,259	72,279	27,416	141,954
At 31 December 2003	97,927	76,237	81,923	256,087

Notes to the Accounts

For the Year ended 31 December 2004

11 INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$	HK\$
Investments at cost – Unlisted shares	79	78
Loans to subsidiaries	20,574,394	144,390
	20,574,473	144,468

The loans to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following is a list of details of subsidiaries held by the Company at 31 December 2004:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				2004	2003
Moving Target Co., Ltd.	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	10 ordinary shares of US\$1 each	100% ¹	100% ¹
Vision Gate Enterprises Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100% ¹	–
Anchor Talent Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	–

¹ Shares held directly by the Company

Notes to the Accounts

For the Year ended 31 December 2004

12 INVESTMENT SECURITIES

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Equity securities:				
Listed in Hong Kong, at market value	56,753,110	81,313,638	56,753,110	81,313,638
Unlisted in Hong Kong, at cost	20,000,000	–	–	–
Less: Provision for impairment loss	(20,000,000)	–	–	–
Total investment securities	56,753,110	81,313,638	56,753,110	81,313,638

As at 31 December 2004, the carrying amount of interests in the following companies exceeded 10% of total assets of the Group and the Company.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Yugang International Limited	Bermuda	Packaging business and property investment business	Ordinary shares of HK\$0.01 each	4.2%
Hennabun Management International Limited (formerly named as Hennabun Management Inc) ("HMI") (Notes)	The British Virgin Islands	Provision of brokerage and financial services	Ordinary shares of US\$0.1 each	3.0%

Notes:

During the year, the Group invested HK\$20 million to purchase 3.37% interest in HMI, a company incorporated in the British Virgin Islands with limited liability, which principally engaged in investment holding and its subsidiaries engaged in securities trading, investment holding and provision of brokerage and financial services.

Notes to the Accounts

For the Year ended 31 December 2004

12 INVESTMENT SECURITIES *(Continued)*

Several other transactions/relationships with HMI, in relation to the Company's operation and investments, have been noted and are disclosed as follows:

- (a) HMI was the holding company of CU Investment Management Limited ("CUIM"), which is the investment manager of the Company, as at 31 December 2003; and is the holding company CU Corporate Finance Limited, Chung Nam Securities Limited and Radland, which are the financial advisor and securities brokers of the Company respectively, as at 31 December 2004.
- (b) Wong Ying Seung, Asiong, an independent non-executive director of the Company, is also a director of CUIHL which held 42.03% interest in HMI as at 31 December 2004.

During the year, the Group disposed all its shares in CUIHL (2003: 20,880,080 shares).

- (c) Radford Capital Investment ("Radford"), being a substantial shareholder of the Company as disclosed in the Report of the Directors, was a former subsidiary of HMI with 29% interests as at 31 December 2003. During the year, HMI disposed its interests in Radford and is not a subsidiary as at 31 December 2004. In addition, the Company was holding an investment in Radford which is included in the note of trading securities (note 13).

Notes to the Accounts

For the Year ended 31 December 2004

13 TRADING SECURITIES

	Group and Company	
	2004 HK\$	2003 HK\$
Equity securities, at market value Listed in Hong Kong (Notes)	53,600,270	30,808,536

Notes:

- (a) At 31 December 2004, the carrying amount of interests in the following listed equity securities exceeded 10% of total assets of the Group and the Company.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
China Sci-Tech Holdings Limited ("China Sci-Tech")	Bermuda	Property investment, holding investment in trading securities and provision of brokerage and financial services	Ordinary shares of HK\$0.01 each	14.3%

- (b) The balance included investments in Heritage and Radford of HK\$1,998,500 and HK\$159,600 respectively.
- (c) Lo Ki Yan, Karen, a substantial shareholder of the Company, is also a substantial shareholder of China Sci-Tech and Heritage during the year. On 1 March 2005, Lo Ki Yan, Karen also became a director of Heritage.

14 PLEDGE OF ASSETS

As at 31 December 2004, margin facilities from a financial institution were granted to the Company which were secured by the Company's investment and trading securities. As at 31 December 2004, a total amount of HK\$3,876,000 has been utilised against these facilities.

Notes to the Accounts

For the Year ended 31 December 2004

15 SHARE CAPITAL

	2004 HK\$	2003 HK\$
Authorised: 400,000,000 (2003: 400,000,000) ordinary shares of HK\$0.1 each	40,000,000	40,000,000
Issued and fully paid: 384,000,005 (2003: 200,000,004) ordinary shares of HK\$0.1 each	38,400,000	20,000,000

A summary of movement of the Company's issued share capital is as follows:

	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$</i>
At 1 January 2003	200,000,004	20,000,000
Issue of shares	–	–
At 31 December 2003 and 1 January 2004	200,000,004	20,000,000
Placements of new shares (<i>Note (a)</i>)	88,000,000	8,800,000
Rights issue (<i>Note (b)</i>)	96,000,001	9,600,000
At 31 December 2004	384,000,005	38,400,000

Notes:

- (a) Pursuant to the two placement agreements dated 18 December 2003 and 27 February 2004, 40,000,000 and 48,000,000 new ordinary shares of HK\$0.1 each were allotted and issued for cash to independent third parties at a price of HK\$0.148 and HK\$0.20 per share on 8 January 2004 and 30 March 2004, respectively, for total cash considerations of HK\$15,520,000 before share issue expenses.
- (b) 96,000,001 ordinary shares (the "Rights Shares") were issued at a price of HK\$0.14 per rights share on the basis of one rights share for every three ordinary shares held on 24 November 2004 for total cash considerations of approximately HK\$13,440,000 before share issue expenses.

Notes to the Accounts

For the Year ended 31 December 2004

16 RESERVES

(a) Group

	Share premium HK\$	Investment revaluation reserve HK\$	Retained earnings/ (Accumulated losses) HK\$	Total HK\$
At 1 January 2003	74,031,922	23,090,522	7,419,860	104,542,304
Deficit on revaluation of investment securities	–	(1,331,575)	–	(1,331,575)
Loss for the year	–	–	(25,433,132)	(25,433,132)
At 31 December 2003	74,031,922	21,758,947	(18,013,272)	77,777,597
At 1 January 2004	74,031,922	21,758,947	(18,013,272)	77,777,597
Deficit on revaluation of investment securities	–	(1,756,620)	–	(1,756,620)
Loss for the year	–	–	(16,810,024)	(16,810,024)
Issues of shares	10,560,000	–	–	10,560,000
Share issue expenses	(1,256,479)	–	–	(1,256,479)
At 31 December 2004	83,335,443	20,002,327	(34,823,296)	68,514,474

Notes to the Accounts

For the Year ended 31 December 2004

16 RESERVES (Continued)

(b) Company

	Share premium HK\$	Investment revaluation reserve HK\$	Retained earnings/ (Accumulated losses) HK\$	Total HK\$
At 1 January 2003	74,031,922	23,090,522	7,441,375	104,563,819
Deficit on revaluation of investment securities	–	(1,331,575)	–	(1,331,575)
Loss for the year	–	–	(25,310,179)	(25,310,179)
At 31 December 2003	74,031,922	21,758,947	(17,868,804)	77,922,065
At 1 January 2004	74,031,922	21,758,947	(17,868,804)	77,922,065
Deficit on revaluation of investment securities	–	(1,756,620)	–	(1,756,620)
Profit for the year	–	–	3,619,966	3,619,966
Issues of shares	10,560,000	–	–	10,560,000
Share issue expenses	(1,256,479)	–	–	(1,256,479)
At 31 December 2004	83,335,443	20,002,327	(14,248,838)	89,088,932

The Company had a distributable reserve of HK\$69,086,605 as at 31 December 2004 (2003: HK\$56,163,118), represented by the sum of share premium and retained earnings/(accumulated losses) of the Company. Under the Companies Law of the Cayman Islands, share premium of the Company is distributable to the shareholders, which is subject to a solvency test.

17 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has estimated unrecognised tax losses of HK\$31,611,322 (2003: HK\$28,095,572) to carry forward against future taxable income. These estimated tax losses have not been accounted for in the accounts due to uncertainty on their future realisation.

Notes to the Accounts

For the Year ended 31 December 2004

18 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit/(loss) to net cash outflow generated from operations

	2004 HK\$	2003 HK\$
Operating loss	(15,631,033)	(24,626,597)
Depreciation	170,294	153,408
Loss on disposals of fixed assets	3,838	–
Unrealised (gain)/loss on trading securities	(14,787,456)	27,038,224
Impairment loss of investment securities	20,000,000	–
Interest income	(398)	(185)
Dividend income	(1,016,819)	(182,130)
Negative goodwill	(369,016)	–
Operating (loss)/profit before working capital changes	(11,630,590)	2,382,720
Decrease/(Increase) in trading securities	1,364,722	(8,059,260)
Decrease in deposits, prepayments and other receivables	84,553	1,625,977
Increase/(decrease) in sundry payables and accruals	4,498,340	(265,778)
Net cash outflow generated from operations	(5,682,975)	(4,316,341)

(b) Analysis of changes in financing during the year

	Share capital including premium	
	2004 HK\$	2003 HK\$
At 1 January	94,031,922	94,031,922
Net cash inflow from rights issue and placements of shares	27,703,521	–
At 31 December	121,735,443	94,031,922

Notes to the Accounts

For the Year ended 31 December 2004

18 CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Purchases of subsidiaries

	2004 HK\$
Net assets acquired	
Trading securities	9,369,016
Negative goodwill	(369,016)
	9,000,000
Satisfied by cash	9,000,000

The subsidiaries acquired during the year contributed HK\$8,999,984 to the Group's net operating cash flow.

Analysis of the net outflow in respect of the purchases of subsidiaries:

	2004 HK\$
Cash consideration	9,000,000
Bank balances and cash in hand acquired	(16)
Net cash outflow in respect of purchases of subsidiaries	8,999,984

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2004 HK\$	2003 HK\$
Not later than one year	740,796	620,796
Later than one year and not later than five years	679,718	13,864
	1,420,514	634,660

Notes to the Accounts

For the Year ended 31 December 2004

20 RELATED PARTY TRANSACTIONS

Except as disclosed in note 12 and elsewhere in these accounts, significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Note	2004 HK\$	2003 HK\$
Investment management fee paid to a related company	(a)	995,386	1,105,139
Interest expense paid to a related company	(b)	64,390	—

Notes:

- (a) Pursuant to an investment management agreement (the "Agreement") dated 5 November 2003 between the Company and CU Investment Management Limited ("CUIM"), CUIM has been providing the Group with investment management services from 5 November 2003 to 4 November 2004. Under this arrangement, CUIM was 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. The Agreement was expired on 4th November 2004 and a new agreement was entered on 5 November 2004. Under this new agreement, a flat rate of HK\$50,000 is charged on a monthly basis.

Dr. Pang Shuen Wai, Nichols, an executive director of the Company, is a director of CUIM, which was a former subsidiary of HMI (see note 12).

- (b) A loan of HK\$5 million has been drawn from Double Smart Finance Limited ("Double Smart"), a subsidiary of Heritage, during the year at an interest of prime plus 2% per annum. The whole amount was fully settled before the year end with a total interest expense of HK\$64,390.

21 SUBSEQUENT EVENTS

(i) Issue of new shares

On 10 January 2005, the Company entered into an agreement with an independent third party (the "Subscriber") to issue 15,998,000 ordinary shares of HK\$0.10 each at HK\$0.14 per share, raising net proceeds of approximately HK\$2.18 million which will be utilised for working capital purpose. The subscription shares were subsequently allotted and issued to the Subscriber on 28 January 2005.

Notes to the Accounts

For the Year ended 31 December 2004

21 SUBSEQUENT EVENTS *(Continued)*

(ii) Proposed increase in authorised share capital, proposed capital reorganisation and refreshment of share option mandate limit

On 11 January 2005, the Company announced that it intended to put forward the following proposals:

- (a) to increase the authorised share capital to HK\$500,000,000 by creation of ordinary shares of HK\$0.01 each in the capital of the Company as shall be necessary;
- (b) to reduce the issued share capital of the Company by cancelling the issued and paid-up capital to the extent of HK\$0.09 on each issued share thereby reducing the nominal value of each issued share from HK\$0.10 to HK\$0.01;
- (c) to subdivide every unissued share into 10 new shares; and
- (d) to refresh the share option scheme mandate limit.

The proposals were subsequently approved by the shareholders of the Company in an extraordinary general meeting held on 28th February 2005. The proposed capital reorganisation, however, is subject to the fulfilment of the following conditions:

- (a) Compliance with any conditions which the Grand Court of the Cayman Islands may impose;
- (b) The confirmation of the capital reduction by the Grand Court and the registration by the Registrar of Companies in the Cayman Islands of a copy of the court order and the minute containing the particulars required under the Companies Laws; and
- (c) The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new shares.

(iii) Additional investment of HK\$3,000,000 made to HMI

On 14 January 2005, the Group further invested HK\$3,000,000 to purchase 4,000,000 additional shares of HMI, at a price of HK\$0.75 per share.

22 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18 March 2005.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Unity Investments Holdings Limited 合一投資控股有限公司 (the "Company") will be held at 30/F., China United Center, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on 25 April 2005 for the following purposes:

1. To receive and consider the Audited Accounts of the Company and the Reports of the Directors and Auditors for the year ended 31 December 2004.
2. To re-elect directors and to authorize the directors to fix their remuneration.
3. To consider and, if though fit, pass with or without amendments, the following resolutions as Ordinary Resolutions of the Company;

ORDINARY RESOLUTIONS

A. "THAT the appointment auditors and their remuneration as fixed by the Board, be and are hereby ratified, confirmed and approved."

B. "THAT

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and

options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (A), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of any options granted under the share option scheme adopted by the Company; (iii) an issue of shares upon the exercise of subscription rights attached to the warrants issued by the Company; or (iv) an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company), shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly;

Notice of Annual General Meeting

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, or any other applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their then holdings of shares (subject in all cases to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised

regulatory body or any stock exchange outside Hong Kong).”

C. “THAT

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its shares on The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited, and all other applicable laws in this regard, be and is hereby generally and unconditionally approved.
- (b) The aggregate nominal amount of the shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period (as hereinafter defined) shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) For the purpose of this Resolution, “Relevant Period” means the period from the date of the passing of this

Notice of Annual General Meeting

Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of period within which the next annual general meeting of the Company is required by the applicable laws or the Articles of Association of the Company to be held: and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution."

D. "THAT conditional upon the passing of Resolutions no. B and C, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue or otherwise deal with additional securities of the Company pursuant to Resolution no. B as set out in the notice convening the Annual General Meeting of which this Resolution forms part be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution no. C as set out in the notice convening the Annual General Meeting of which this Resolution forms part, provided that such amount shall not exceed 10% of the aggregate nominal amount of such securities of the Company in issue at the date of the passing of this Resolution."

By Order of the Board

POON Suk Ching

Company Secretary

Hong Kong, 21 March 2005

As at the date of this report, the executive directors are Ms. AU Shuk Yee, Sue, Mr. KITCHELL, Osman Bin and Dr. PANG Shuen Wai, Nichols. The independent non-executive directors are Mr. LAM Ping Cheung, Mr. WONG Ying Seung, Asiong, Mr. CHUNG Kong Fei, Stephen and Mr. TSANG Wing Ki.

Notes:

- (a) A form of proxy for use at the meeting is enclosed.
- (b) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (c) To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the share registrars and transfer office of the Company in Hong Kong, Tengis Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (d) Completion and return of the proxy form shall not preclude a member of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (e) Where there are joint holders of any share, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, then the one of such holders whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

Financial Summary

	2004 HK\$	2003 HK\$	2002 HK\$	2001 HK\$	2000 HK\$
Results					
Turnover	125,003,049	15,525,940	38,667,190	46,446,974	34,058,900
Profit/(loss) after finance cost	(16,810,024)	(25,433,132)	520,547	1,105,058	6,317,716
Taxation	–	–	–	9,007	(134,869)
Profit attributable to shareholders	(16,810,024)	(25,433,132)	520,547	1,114,065	6,182,847
Assets and liabilities					
Total assets	111,659,357	112,930,251	137,105,247	112,964,317	110,334,139
Total liabilities	(4,744,883)	(15,152,654)	(12,562,943)	(233,082)	(416,969)
Shareholders' funds	106,914,474	97,777,597	124,542,304	112,731,235	109,917,170



Corporate Information

DIRECTORS

Executive Directors

AU Shuk Yee, Sue
KITCHELL, Osman Bin
PANG Shuen Wai, Nichols

Independent Non-executive Directors

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

COMPANY SECRETARY

POON Shuk 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, 31/F, China United Center
No. 28, Marble Road
North Point
Hong Kong

AUDITORS

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

PRINCIPAL BANK

Liu Chong Hing Bank
Standard Chartered Bank

SHARE REGISTRARS AND TRANSFER OFFICE

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