interim report 2005/06

# UNITED POWER INVESTMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

The directors of United Power Investment Limited (the ''Company'') are pleased to present the Interim Report and unaudited condensed consolidated financial statements of the Company and its subsidiaries (the ''Group'') for the six months ended 30 September 2005. The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the six months ended 30 September 2005, and the consolidated balance sheet as at 30 September 2005 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 5 to 22 of this report.

**Business review and prospects**

*Consolidated results*

The turnover of the Group for the six months ended 30 September 2005 was about HK$82.5 million, representing an increase of about 10.3% compared to same period last year. The increase was mainly due to contribution from the newly acquired retail trading of watches business, but was affected by decrease in turnover of wedding service business. A profit of HK$4 million for the period was recorded as compared to HK$14.37 million in the previous period. The reduction in profit was mainly due to the decrease in turnover of the wedding service business.

Opal Technology Inc. has failed to pay US$1.08 million due to the Group under a deed of settlement in respect of a judgement debt relating to a US$10 million convertible note. The Company made full provision for such note in its financial statements for the year ended 31 March 2001.

*Restaurant operations*

The business of the Chiu Chau restaurant in Star House Tsimshatsui is stable and profitable.

The Group acquired 51% equity interest in Wellprecise Limited in June 2005, which Japanese restaurant in Kowloon Centre, Tsimshatsui commenced business in September 2005.

The directors consider that given the improving economic situation in Hong Kong, the Group's Chiu Chau restaurant will continue to contribute profit to the Group. The Japanese restaurant is still in the initial stage of operation. Its management is gauging market responses in fine tuning the operation.

*Investment properties*

The investment properties have contributed steady rental income to the Group during the period.

The Group has recently renewed the tenancy in respect of 3rd and 4th Floors and Flat Roof, BCC Building, Nos. 25-31 Carnarvon Road, Tsimshatsui, Kowloon with its tenant at an increased rent. Therefore contribution from the investment properties of the Group will increase in the latter half of the year.

*Wedding operations*

The wedding service business is operating under the trade names of ''Cite Du Louvre 羅浮宮婚紗影城'' and ''Wonderful Arts Wedding Services 新天地婚紗攝影'' in Hong Kong. The business is profitable and has contributed significantly to the turnover and profits of the Group. Turnover for this business had decreased during the period as the current lunar year is not an auspicious year for marriage according to the Chinese almanac.

The directors expect the wedding service business to pick up in the next lunar year.

*Entertainment operations*

In April 2005, the Group acquired 60% equity interest in Reli-a-bo Entertainment Limited (''Reli-a-bo''), which carries on the business of talent management in the entertainment industry. Besides acting as manager for artistes, Reli-a-bo also provides models for the wedding services shows organised by the Group to promote its wedding services. The entertainment operations had incurred a loss during the period.

The management is seeking new business opportunities for the Group's entertainment business.

*Retail of watches*

In July 2005, the Group acquired 51% equity interest in Witty Ventures Limited (''Witty''), which is engaged in the retail trading of watches. Witty has leased a shop unit in Golden Mile Holiday Inn, Tsimshatsui, Kowloon. It offers a wide range of watches of various brands, and its customers include both local residents and tourists. The business is profitable and the directors are optimistic about its performance in the second half of the year.

*Hotel operations*

On 28 October 2005, the Group acquired 95% equity interest in, and interests of shareholder's loans to, Waldorf Holding Limited (''Waldorf'') for a total consideration of MOP282,000,000 (HK$273,786,408). The consideration was satisfied as to approximately HK$192 million by the net proceeds of an open offer of 1,315,060,800 shares in October, 2005 and the balance of approximately HK$82 million by the net proceeds of a placing of 219,176,800 shares completed in May 2005.

Waldorf owns and operates a three star hotel known as Waldo Hotel in Macau which commenced business in July 2004. The hotel has a total of 161 guest rooms, consisting of 21 stories (inclusive of three basement levels).

The acquisition of interest in Waldorf will enable the Group to capitalise on the growth potential of the hotel and hospitality industry in Macau. In view of the recent profitable track record of Waldorf, the directors believe that the acquisition will bring recurrent income and enhance the revenue base of the Group.

The Group's financial position is strong with net assets value of about HK$356 million and no bank borrowings as at 30 September 2005. The management will look for suitable business opportunities.

**Financial review**

*Liquidity and financial resources*

The Group finances its operations with internally generated resources. The Group maintains good business relationships with banks and has banking facilities available for its future business development.

The gearing ratio of the Group, based on total borrowings to shareholders' equity, was Nil (2004: Nil) as at 30 September 2005.

*Charges on assets*

At 30 September 2005, the net book value of investment properties and leasehold land and buildings charged as security for the Group's bank facilities amounted to HK$154 million (2004: HK$137 million) for the Group's banking facilities of HK$52 million (2004: HK$52 million).

*Employees*

As at 30 September 2005, the Group had a total of about 340 employees. The Group remunerates its employees based on their performance, experience and prevailing industry practices.

**Disclosure of interests**

As at 30 September 2005, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the ''SFO'') or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the ''Model Code'') set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the ''Listing Rules'') were as follows:

| Name | Number of shares | Nature of interest | Percentage of shareholding |
|---|---|---|---|
| Ma Shuk Kam | 1,423,550,686 | Corporate *(Note)* | 54.12 |
| Yeung Chi Hang | 1,423,550,686 | Corporate *(Note)* | 54.12 |
| Yeung Kit Yu, Kitty | 1,423,550,686 | Corporate *(Note)* | 54.12 |
| Liu Yu Mo | 48,000 | Personal | 0.002 |

*Note:* These shares are owned by World Possession Assets Limited, which is beneficially owned by Ma Shuk Kam, Yeung Chi Hang and Yeung Kit Yu, Kitty in equal shares.

Save as disclosed herein, as at 30 September 2005, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**Substantial shareholder**

As at 30 September 2005, the following person (other than a director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name | Number of shares | Nature of interest | Percentage of shareholding |
|---|---|---|---|
| World Possession Assets Limited | 1,423,550,686 | Beneficial owner | 54.12 |

Save as disclosed herein, as at 30 September 2005, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

## Share option scheme

On 30 August 2002, the Company adopted a share option scheme under which the directors may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares of the Company.

As at 30 September 2005, the Company had not grant any option under the share option scheme or otherwise.

## Model Code

In respect of the Model Code, the Company states that during the six months ended 30 September 2005:

(a) the Company had a code of conduct regarding directors' securities transactions on the terms of the Model Code; and

(b) having made specific enquiry of all directors, the directors had complied with the required standard set out in the Model Code.

## Purchase, sale or redemption of securities

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries during the six months ended 30 September 2005.

## Code of Corporate Governance Practices

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code of Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30 September 2005, save that the independent non-executive directors were not appointed for a specific term but are subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-laws of the Company.

## Review by Audit Committee

The Audit Committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 30 September 2005.

By order of the Board
**Liu Yu Mo**
*Chief Executive Officer*

Hong Kong, 12 December 2005

**UNITED POWER INVESTMENT LIMITED**
**Condensed consolidated income statement**
**For the six months ended 30 September 2005**
*(Expressed in Hong Kong dollars)*

| | | Six months ended 30 September | |
|---|---|---|---|
| | *Notes* | **2005 (Unaudited)** | **2004 (Unaudited) (Restated)** |
| | | *$* | *$* |
| Turnover | 2 | 82,472,259 | 74,758,824 |
| Cost of sales | | (31,468,176) | (17,155,161) |
| Gross profit | | 51,004,083 | 57,603,663 |
| Other revenue | | 1,429,083 | 55,124 |
| Operating expenses | | (46,842,067) | (39,805,895) |
| Operating profit | 3 | 5,591,099 | 17,852,892 |
| Finance costs | | – | (28,479) |
| Profit before taxation | | 5,591,099 | 17,824,413 |
| Taxation | 4 | (1,588,423) | (3,453,164) |
| Profit for the period | | 4,002,676 | 14,371,249 |
| Attributable to: | | | |
| Shareholders | | 5,297,140 | 14,371,249 |
| Minority interests | | (1,294,464) | – |
| | | 4,002,676 | 14,371,249 |
| Basic earnings per share | 5 | 0.42 cent | 1.31 cent |

The accompanying notes form an integral part of these unaudited condensed financial statements.

**UNITED POWER INVESTMENT LIMITED**
**Condensed consolidated balance sheet**
**As at 30 September 2005**
*(Expressed in Hong Kong dollars)*

| | *Notes* | **As at 30 September 2005 (Unaudited)** *$* | **As at 31 March 2005 (Audited) (Restated)** *$* |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | 18,988,140 | 18,988,140 |
| Investment properties | | 93,000,000 | 93,000,000 |
| Property, plant and equipment | | 104,207,630 | 100,736,979 |
| Interest in associate | | – | – |
| Investment in convertible note | | – | – |
| Held-to-maturity investments | | – | – |
| | | 216,195,770 | 212,725,119 |
| **Current assets** | | | |
| Inventories | | 17,591,056 | 1,729,001 |
| Accounts receivable, deposits and prepayments | 7 | 10,735,356 | 6,471,545 |
| Cash and bank balances | | 146,034,555 | 24,470,296 |
| | | 174,360,967 | 32,670,842 |
| **Current liabilities** | | | |
| Accounts payable and accrued charges | 8 | 12,115,543 | 14,431,322 |
| Amounts due to minority shareholders | | 13,799,502 | – |
| Provision for taxation | | 92,642 | – |
| | | 26,007,687 | 14,431,322 |
| **Net current assets** | | 148,353,280 | 18,239,520 |
| **Total assets less current liabilities** | | 364,549,050 | 230,964,639 |
| **Capital and reserves** | | | |
| Share capital | 9 | 65,753,040 | 54,794,200 |
| Reserves | | 290,426,534 | 167,308,568 |
| **Shareholders' funds** | 10 | 356,179,574 | 222,102,768 |
| **Minority interests** | | (1,593,718) | – |
| **Non-current liabilities** | | | |
| Provision for long service payments | | 2,307,157 | 2,815,402 |
| Deferred tax liabilities | | 7,656,037 | 6,046,469 |
| | | 9,963,194 | 8,861,871 |
| | | 364,549,050 | 230,964,639 |

The accompanying notes form an integral part of these unaudited condensed financial statements.

**UNITED POWER INVESTMENT LIMITED**
**Condensed consolidated statement of changes in equity**
**For the six months ended 30 September 2005**
*(Expressed in Hong Kong dollars)*

| | *Notes* | **Six months ended 30 September 2005 (Unaudited)** *$* | **Six months ended 30 September 2004 (Unaudited) (Restated)** *$* |
|---|---|---|---|
| Total equity as at 1 April, as previously reported | | 244,848,990 | 208,440,845 |
| Prior period adjustments arising from changes in accounting policies for deferred tax on investment properties | | (8,317,759) | (6,742,759) |
| Prior period adjustment on deferred tax on leasehold land and buildings | 6 | (14,428,463) | (12,595,499) |
| Total equity, as restated | | 222,102,768 | 189,102,587 |
| Profit for the period | | | |
| Shareholders' equity | | 5,297,140 | 14,371,249 |
| Minority interests | | (1,294,464) | – |
| | | 4,002,676 | 14,371,249 |
| Revaluation surplus on leashold land and buildings, net of taxation | | 536,430 | – |
| | | 4,539,106 | 14,371,249 |
| Issue of shares | | 10,958,840 | – |
| Increase in share premium from issue of shares | | 117,284,396 | – |
| Minority interests – business combinations | | (299,254) | – |
| Total equity as at 30 September | | 354,585,856 | 203,473,836 |
| Attributable to: | | | |
| Shareholders' equity | | 352,992,138 | 203,473,836 |
| Minority interests | | 1,593,718 | – |
| | | 354,585,856 | 203,473,836 |

The accompanying notes form an integral part of these unaudited condensed financial statements.

**UNITED POWER INVESTMENT LIMITED**
**Condensed consolidated cash flow statement**
**For the six months ended 30 September 2005**
*(Expressed in Hong Kong dollars)*

| | Six months ended 30 September | |
|---|---|---|
| | **2005** | **2004** |
| | **(Unaudited)** | **(Unaudited)** |
| | *$* | *$* |
| Net cash (outflow)/inflow from operating activities | (238,258) | 16,651,444 |
| Net cash outflow from investing activities | (6,440,720) | (861,386) |
| Net cash inflow/(outflow) from financing activities | 128,243,237 | (6,000,000) |
| Increase in bank balances and cash | 121,564,259 | 9,790,058 |
| Cash and bank balances at beginning of period | 24,470,296 | 9,917,714 |
| Cash and bank balances at end of period | 146,034,555 | 19,707,772 |

The accompanying notes form an integral part of these unaudited condensed financial statements.

**UNITED POWER INVESTMENT LIMITED**
**Notes to the condensed financial statements**
*(Expressed in Hong Kong dollars)*

## 1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (''HKAS'') 34 ''Interim financial reporting'' (''HKAS 34'') issued by the Hong Kong Institute of Certified Public Accountants and with applicable disclosure requirements of Appendix 16 of the Listing Rules.

The interim financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies and basis of preparation used in preparing these interim financial statements are the same as those used in preparing the audited financial statements for the year ended 31 March 2005, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (''new HKFRS''), which are effective for accounting periods commencing on or after 1 January 2005. The Group has adopted the following new HKFRS, which are relevant to its operations:

| | |
|---|---|
| HKAS 1 | Presentation of financial statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash flow statements |
| HKAS 8 | Accounting policies, changes in accounting estimates and errors |
| HKAS 10 | Events after the balance sheet date |
| HKAS 12 | Income taxes |
| HKAS 16 | Property, plant and equipment |
| HKAS 17 | Leases |
| HKAS 18 | Revenue |
| HKAS 21 | The effects of changes in foreign exchange rates |
| HKAS 24 | Related party disclosures |
| HKAS 27 | Consolidated and separate financial statements |
| HKAS 28 | Investment in associates |
| HKAS 32 | Financial instruments: disclosure and presentation |
| HKAS 33 | Earnings per share |
| HKAS 36 | Impairment of assets |
| HKAS 37 | Provisions, contingent liabilities and contingent assets |
| HKAS 39 | Financial instruments: recognition and measurement |
| HKAS 40 | Investment property |
| HKFRS 3 | Business combinations |
| HKAS-INT 21 | Income taxes – recovery of revalued non-depreciable assets |
| HK-INT 4 | Leases – Determination of the length of lease term in respect of Hong Kong land leases |

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 21, 24, 27, 28, 33, 36, 37 and HK-INT 4 has no material impact on the accounting policies of the Group and the method of computation in the Group's condensed consolidated interim financial statements. In summary,

## 1. Basis of preparation and significant accounting policies (Continued)

- HKAS 1 has affected the presentation of minority interests, the order which assets and liabilities are presented in the balance sheet and other disclosures;
- HKASs 2, 7, 8, 10, 12, 16, 18, 21, 27, 28, 33, 36, 37 and HK-INT 4 have no material effect on the Group's accounting policies as the Group's accounting policies already comply with these standards; and
- HKAS 24 has extended the identification of related parties and some other related party disclosures.

The impact of other HKFRSs is summarised as follows:

### a. HKAS 17 "Leases"

In prior years, the Group's leasehold land and buildings for own use were included in property, plant and equipment and stated at their revalued amounts less any subsequent accumulated depreciation.

Under HKAS 17, a lease of land and buildings should be split into a lease of land and a lease of buildings according to their fair values at inception. A lease of land is an operating lease and a lease of a building is a finance lease unless the two elements cannot be allocated reliably, in which case the entire lease is classified as a finance lease. To the extent that the allocation of the lease payments between the land and building elements can be made reliably, the leasehold interests in land should be reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. If the allocation between the land and building elements cannot be made reliably, the leasehold interest in land continues to be accounted for as property, plant and equipment and stated at its revalued amount.

As the allocation between the land and building elements cannot be made reliably by the Group, the entire lease is classified as a finance lease and continues to be accounted for as property, plant and equipment and stated at its revalued amount.

### b. HKAS 40 "Investment property"

In prior years, investment properties other than those with unexpired lease term of 20 years or less were stated at open market value. Changes in the value of investment properties were dealt with as movements in the investment property revaluation reserves. A deficit arising on revaluation on a portfolio basis was set off against previous revaluation surpluses and thereafter charged to the income statement. Investment properties with unexpired lease terms of 20 years or less are stated at carrying value less accumulated depreciation and impairment provision, if any.

In the current period, the Group has, for the first time, applied HKAS 40. The Group has elected to use the fair value model to account for its investment properties, which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the consolidated income statement in the year in which they arise.

## 1. Basis of preparation and significant accounting policies (Continued)

### b. HKAS 40 ‘‘Investment property’’ (Continued)

This new accounting policy has been applied retrospectively. Accumulated losses as at 1 April 2005 and 1 April 2004 decreased by HK$47,530,053 and HK$38,530,053 respectively, representing the transfer of accumulated attributable revaluation surpluses previously recorded in the investment property revaluation reserve.

The adoption has no impact to the Group’s results for the period ended 30 September 2005 and 30 September 2004 as no revaluation of the Group’s investment properties was carried out at the respective period ends.

### c. HKAS-INT 21 ‘‘Income taxes - recovery of revalued non-depreciable assets’’

In previous years, deferred taxation was recognised on the revaluation changes on the Group’s investment properties on the basis that the recovery of the carrying amount of the investment properties would be through sale of the investment properties. Accordingly, no deferred taxation was provided on the revaluation changes of the properties located in Hong Kong as there is no capital gains tax in Hong Kong.

In the current period, the Group has applied HKAS-INT 21, which requires deferred taxation to be recognised on any revaluation changes on investment properties on the basis that the recovery of the carrying amount of the investment properties would be through use and calculated at the applicable profits tax rate and charged to the income statement. This new accounting policy has been applied retrospectively. Shareholders’ equity as at 1 April 2005 and 1 April 2004 have been restated and decreased by HK$8,317,759 and HK$6,742,759 respectively.

The adoption has no impact to the Group’s results for the periods ended 30 September 2005 and 30 September 2004 respectively as no revaluations of the Group’s investment properties were carried out at the period ends and accordingly, there is no effect on deferred taxation.

### d. HKFRS 3 ‘‘Business combinations’’

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life.

In the current period, the Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Accumulated amortization as at 1 April 2005 has been eliminated with a corresponding decrease in the costs of goodwill. Goodwill arising on acquisitions after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

## 1. Basis of preparation and significant accounting policies (Continued)

### e. HKASs 32 and 39 ''Financial instruments''

In the current period, the Group has applied HKAS 32 and HKAS 39. HKAS 32 requires retrospective application, while HKAS 39 generally does not permit recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKASs 32 and 39 has resulted in a change in accounting policy relating to the classification of financial assets and liabilities and their measurements. The principal effects of the change on the Group are summarised below:

(i) From 1 April 2005, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as ''financial assets at fair value through profit or loss'', ''loans and receivables'', ''held-to-maturity financial assets'', or ''available-for-sale financial assets''. The classification depends on the purpose for which the assets are acquired. ''Financial assets at fair value through profit or loss'' and ''available-for-sale financial assets'' are carried at fair value, with changes in fair values recognised in the profit and loss and equity respectively. ''Loans and receivables'' and ''held-to-maturity financial assets'' are measured at amortised cost using the effective interest method.

(ii) Financial liabilities are generally classified as ''financial liabilities at fair value through profit or loss'' and ''other financial liabilities'' and are carried at amortised cost using the effective interest method.

(iii) The adoption has changed the classification of ''investment in convertible note'' to ''held-to-maturity investments''.

(iv) The adoption has no significant impact on the Group's results and equity.

## 2. Turnover, revenue and segment information

The Group was principally engaged in restaurant operations, property investment and wedding services. During the period, the Group expanded its operations to include watch retail and entertainment businesses via the acquisition of interests in several subsidiaries.

An analysis of the Group's turnover and results by business segment for the interim period ended 30 September 2005, together with the comparative figures for the corresponding period in 2004, is as follows:

*(Expressed in Hong Kong dollars)*

## 2. Turnover, revenue and segment information (Continued)

| | Six months ended 30 September 2005 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Restaurant operations | Property investment | Wedding services | Entertainment operations | Retail operations | Inter-segment elimination | Total |
| | $ | $ | $ | $ | $ | $ | $ |
| Turnover | 16,242,920 | 5,013,000 | 46,815,305 | 430,000 | 16,491,034 | (2,520,000) | 82,472,259 |
| Segment results | 157,553 | 3,858,942 | 5,645,160 | (3,560,876) | 600,730 | | 6,701,509 |
| Interest income | | | | | | | 1,395,064 |
| Unallocated costs | | | | | | | (2,505,474) |
| Operating profit | | | | | | | 5,591,099 |
| Finance costs | | | | | | | – |
| Profit before taxation | | | | | | | 5,591,099 |
| Taxation | | | | | | | (1,588,423) |
| Profit for the period | | | | | | | 4,002,676 |

| | Six months ended 30 September 2004 (Restated) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Restaurant operations | Property investment | Wedding services | Entertainment operations | Retail operations | Inter-segment elimination | Total |
| | $ | $ | $ | $ | $ | $ | $ |
| Turnover | 14,818,943 | 4,011,000 | 57,608,881 | – | – | (1,680,000) | 74,758,824 |
| Segment results | 859,293 | 2,924,200 | 15,474,455 | – | – | | 19,257,948 |
| Interest income | | | | | | | 1,872 |
| Other revenue | | | | | | | 53,252 |
| Unallocated costs | | | | | | | (1,460,180) |
| Operating profit | | | | | | | 17,852,892 |
| Finance costs | | | | | | | (28,479) |
| Profit before taxation | | | | | | | 17,824,413 |
| Taxation | | | | | | | (3,453,164) |
| Profit for the period | | | | | | | 14,371,249 |

No geographical segment is presented as all customers are based in Hong Kong.

*(Expressed in Hong Kong dollars)*

## 3. Operating profit

Operating profit is stated after crediting and charging the following:

| | Six months ended 30 September | |
|---|---|---|
| | **2005** | **2004** |
| | **(Unaudited)** | **(Unaudited)** |
| | *$* | *$* |
| **Crediting** | | |
| Bank interest income | 1,389,705 | 1,872 |
| **Charging** | | |
| Depreciation of property, plant and equipment | 2,076,743 | 2,284,627 |
| Amortisation of goodwill | – | 501,890 |
| Impairment loss of goodwill | 449,628 | – |
| Operating lease rentals in respect of land and buildings | 5,981,070 | 4,689,161 |
| Staff costs | | |
| – Wages and salaries | 23,289,217 | 21,491,489 |
| – Provision for long-service payments | – | 35,796 |

## 4. Taxation

Taxation in the condensed consolidated income statement represents:

| | Six months ended 30 September | |
|---|---|---|
| | **2005** | **2004** |
| | **(Unaudited)** | **(Unaudited)** |
| | | **(Restated)** |
| | *$* | *$* |
| Profits tax | 92,642 | – |
| Deferred taxation | 1,495,781 | 3,453,164 |
| | 1,588,423 | 3,453,164 |

Hong Kong profits tax has been provided for certain subsidiaries within the Group and is calculated at 17.5% on the estimated profit for the period.

No provision for Hong Kong profits tax has been made for other subsidiaries within the Group as the those subsidiaries have sufficient tax losses brought forward to offset against the estimated assessable profits for the period on an individual basis.

*(Expressed in Hong Kong dollars)*

## 5. Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of HK$5,297,140 (2004: HK$14,371,249 as restated) divided by the weighted average of 1,315,060,800 ordinary shares (2004: 1,095,884,000 ordinary shares) in issue during the period.

Diluted figures are not shown as there is no dilutive effect for the interim periods ended 30 September 2005 and 30 September 2004 respectively.

## 6. Prior period adjustment

Deferred tax on revaluation of leasehold land and buildings has not been provided in prior years on the basis that the appreciation of leasehold land and buildings will only be realised on the disposals of the land and buildings, which carry no capital gains tax in Hong Kong. However, the HKFRS on income taxes requires deferred taxation to be recognised on any revaluation changes in land and buildings on the basis that the recovery of the carrying amount would be through use and calculated at the applicable profits tax rate and recognised in the revaluation reserve.

Accordingly, prior period adjustments were made as follows: the balances on the Group's property revaluation reserve at 1 April 2005 and 1 April 2004 have been reduced by HK$15,034,138 and HK$12,951,638 respectively, representing the deferred tax liability in respect of the revaluation reserve on the Group's leasehold land and buildings at such dates. Opening accumulated losses at 1 April 2005 and 1 April 2004 have been reduced by HK$605,675 and HK$356,139 respectively, representing the cumulative effect of income taxes credited to the income statements. The net effect of deferred taxation recognised in the revaluation reserve and accumulated losses increased the deferred tax liability at 1 April 2005 and 1 April 2004 by HK$14,428,463 and HK$12,595,499 respectively.

## 7. Accounts receivable, deposits and prepayments

Included in accounts receivable, deposits and prepayments are trade debtors and their ageing analysis is as follows:

| | **As at 30 September 2005 (Unaudited)** *$* | **As at 31 March 2005 (Audited)** *$* |
|---|---:|---:|
| Within 30 days | 566,117 | 813,313 |
| 31 to 60 days | 98,018 | 19,951 |
| Over 60 days | 26,000 | – |
| | 690,135 | 833,264 |

The general credit terms allowed range from 0 to 60 days.

*(Expressed in Hong Kong dollars)*

## 8. Accounts payable and accrued charges

Included in accounts payable and accrued charges are trade creditors and their ageing analysis is as follows:

| | As at 30 September 2005 (Unaudited) $ | As at 31 March 2005 (Audited) $ |
|---|---|---|
| Within 30 days | 3,186,906 | 3,890,952 |
| 31 to 60 days | 565,650 | 677,907 |
| Over 60 days | 427,585 | 202,859 |
| | 4,180,141 | 4,771,718 |

## 9. Share capital

| | As at 30 September 2005 (Unaudited) $ | As at 31 March 2005 (Audited) $ |
|---|---|---|
| Authorised: | | |
| 2,000,000,000 ordinary shares of HK$0.05 each | 100,000,000 | 100,000,000 |
| Issued and fully paid: | | |
| Balance brought forward – 1,095,884,000 (31/3/2005: 1,095,884,000) ordinary shares of HK$0.05 each | 54,794,200 | 54,794,200 |
| New shares issued – 219,176,800 ordinary shares | 10,958,840 | – |
| Balance carried forward – 1,315,060,800 (31/3/2005: 1,095,884,000) ordinary shares of HK$0.05 each | 65,753,040 | 54,794,200 |

On 25 May 2005, the Company issued 219,176,800 shares to its major shareholder at a price of HK$0.6 per share pursuant to a top-up placing.

Subsequent to the period end, on 3 October 2005, the authorised share capital of the Company was increased from HK$100,000,000 to HK$190,000,000 divided into 3,800,000,000 shares of HK$0.05 each by the creation of an additional 1,800,000,000 shares.

*(Expressed in Hong Kong dollars)*

## 9. Share capital (Continued)

On 24 October 2005, the Company issued 1,315,060,800 shares at a price of HK$0.15 per share under an open offer. The shares were issued to obtain funding for the acquisition of interest in Waldorf Holding Limited and its subsidiaries, a group of companies principally engaged in the ownership and operation of a hotel in Macau SAR.

During the period, no share options were granted, exercised or lapsed under the existing share option scheme of the Company.

## 10. Capital and reserves

| | Share capital | Share premium | Contribution surplus | Unaudited Investment properties revaluation reserve | Other properties revaluation reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|---|
| | *$* | *$* | *$* | *$* | *$* | *$* | *$* |
| At 1 April 2005 | | | | | | | |
| As previously reported | 54,794,200 | 293,365,856 | 28,784,000 | 47,530,053 | 85,909,356 | (265,534,475) | 244,848,990 |
| Prior period adjustment for investment properties and deferred taxation | – | – | – | (47,530,053) | – | 39,212,294 | (8,317,759) |
| Prior period adjustment on deferred tax effects on revaluation reserve for leasehold land and buildings | – | – | – | – | (15,034,138) | 605,675 | (14,428,463) |
| As restated | 54,794,200 | 293,365,856 | 28,784,000 | – | 70,875,218 | (225,716,506) | 222,102,768 |
| Profit for the period | – | – | – | – | – | 5,297,140 | 5,297,140 |
| Issue of shares | 10,958,840 | 117,284,396 | – | – | – | – | 128,243,236 |
| Revaluation surplus on other properties net of taxation | – | – | – | – | 536,430 | – | 536,430 |
| At 30 September 2005 | 65,753,040 | 410,650,252 | 28,784,000 | – | 71,411,648 | (220,419,366) | 356,179,574 |

*(Expressed in Hong Kong dollars)*

## 11. Commitments under operating leases

At 30 September 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, shops and warehouse premises as follows:

| | As at 30 September 2005 (Unaudited) $ | As at 31 March 2005 (Audited) $ |
|---|---|---|
| Not later than one year | 11,026,476 | 8,549,008 |
| Later than one year but not later than five years | 5,451,436 | 2,350,926 |
| | 16,477,912 | 10,899,934 |

## 12. Operating lease rental receivables

At 30 September 2005, the Group's future aggregate minimum rental receivables under non-cancellable operating leases in respect of its investment properties are as follows:

| | As at 30 September 2005 (Unaudited) $ | As at 31 March 2005 (Audited) $ |
|---|---|---|
| Not later than one year | 3,926,000 | 4,526,000 |
| Later than one year but not later than five years | 3,105,000 | 4,968,000 |
| | 7,031,000 | 9,494,000 |

## 13. Business combinations

During the period ended 30 September 2005, the Group undertook a series of acquisitions, the details of which are as follows:

(a) On 13 April 2005, the Company's wholly owned subsidiary, Well Prime International Limited (''Well Prime''), subscribed for 600 ordinary shares in Reli-a-bo Entertainment Limited (''Reli-a-bo''), representing 60% of its equity interest, for a consideration of

*(Expressed in Hong Kong dollars)*

## 13. Business combinations (Continued)

HK$600. In addition, Well Prime advanced an interest-free loan of HK$5,999,400 to Reli-a-bo, and the minority shareholders made similar advances in proportion to their shareholdings in Reli-a-bo. At the date of the acquisition, Reli-a-bo had not commenced operations since incorporation but had incurred pre-operating costs. Reli-a-bo carries on the business of talent management in the entertainment industry.

(b) On 3 and 6 June 2005, the Company's wholly owned subsidiary, Worldaim Enterprises Limited (''Worldaim''), subscribed for 51% equity interest in a newly incorporated company, Wellprecise Limited (''Wellprecise''), for a consideration of HK$51. In addition, Worldaim advanced an interest-free loan of HK$2,039,949 to Wellprecise, and the minority shareholders made similar advances in proportion to their shareholdings in Wellprecise pursuant to a shareholders' agreement dated 18 June 2005. Wellprecise is engaged in the operation of a Japanese restaurant.

(c) On 12 July 2005, the Company's wholly owned subsidiary, Winkler Profits Limited (''Winkler'') subscribed for 51% equity interest of Witty Ventures Limited (''Witty'') for a consideration of HK$51. In addition, Winkler advanced an interest-free loan of HK$8,160,000 to Witty, and the minority shareholder made a similar advance in proportion to his shareholding in Witty. Witty is engaged in the retail trading of watches.

The above businesses contributed revenues of HK$16,941,363 and a net loss of HK$3,259,537 for the period ended 30 September 2005.

A summary of the total net assets acquired and goodwill from these acquisitions are as follows:

| | *$* |
|---|---|
| Purchase consideration: | |
| Cash paid for the consideration | 702 |
| Fair value of net assets acquired (see below) | (448,926) |
| Goodwill (note a) | 449,628 |

*(Expressed in Hong Kong dollars)*

## 13. Business combinations (Continued)

The total assets and liabilities arising from the acquisitions are as follows:

| | **Fair value** | **Acquirees' carrying amounts** |
|---|---|---|
| | *$* | *$* |
| Cash and cash equivalents | 1,102,323 | 1,102,323 |
| Plant and equipment | 355,497 | 355,497 |
| Inventories | 14,541,420 | 14,541,420 |
| Receivables | 101,864 | 101,864 |
| Payables | (49,120) | (49,120) |
| Payable to shareholders | (16,800,164) | (16,800,164) |
| Net liabilities assumed | (748,180) | (748,180) |
| Minority interests | 299,254 | |
| Net liabilities | (448,926) | |
| Purchase consideration settled in cash | | (702) |
| Cash and cash equivalents in subsidiary acquired | | 1,102,323 |
| Cash inflow on acquisition | | 1,101,621 |

There were no acquisitions during the year ended 31 March 2005.

*Note (a):* This represents goodwill arose from the acquisition of Reli-a-bo Entertainment Limited. As this subsidiary incurred significant operating loss since the date of acquisition, an impairment loss on the goodwill is provided.

*(Expressed in Hong Kong dollars)*

## 14. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business and at agreed upon terms that approximate market terms, are as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2005** | **2004** |
| | *$* | *$* |
| Rental expenses charged by related companies (Note (a)) | 1,590,600 | 1,116,000 |

*Notes:*

(a) Rental expenses were charged based on the tenancy agreements signed between both parties.

(b) A director of the Company holds directorship and has beneficial interest in the related companies.

## 15. Events after the balance sheet date

### (a) Business combinations

The Group acquired 95% of the registered capital of Waldorf Holding Limited, the holding company of a group of companies principally engaged in the ownership and operation of a hotel in Macau SAR, for a total cash consideration of MOP191,442,400 (approximately HK$185,866,408) on 28 October 2005 from a related company.

Details of net assets acquired and goodwill are as follows:

| | *$* |
|---|---|
| Purchase consideration: | |
| – Cash paid | 185,866,408 |
| – Direct costs relating to the acquisition | 3,314,926 |
| Total purchase consideration | 189,181,334 |
| Fair value of net assets acquired – shown as below | 214,198,800 |
| Negative goodwill | (25,017,466) |

*(Expressed in Hong Kong dollars)*

## 15. Events after the balance sheet date

### (a) Business combinations (Continued)

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

| | **Fair value** *$* | **Acquiree's carrying amount** *$* |
|---|---|---|
| Cash and cash equivalents | 33,475,519 | 33,475,519 |
| Goodwill | 15,000 | 15,000 |
| Property, plant and equipment | 229,451,430 | 173,109,109 |
| Prepaid operating lease payments | 261,165,049 | 75,368,573 |
| Investment properties | 3,000,000 | 3,000,000 |
| Inventories | 2,309,674 | 2,309,674 |
| Receivables, deposits and prepayments | 10,050,890 | 10,050,890 |
| Amount due from related company | 1,725,998 | 1,725,998 |
| Payables | (27,212,280) | (27,212,280) |
| Payable to holding company | (87,920,000) | (87,920,000) |
| Payable to a shareholder | (20,000,000) | (20,000,000) |
| Borrowings | (151,532,203) | (151,532,203) |
| Net deferred tax liabilities | (29,056,656) | – |
| Net assets | 225,472,421 | 12,390,280 |
| Minority interests | (11,273,621) | |
| Net assets acquired | 214,198,800 | |
| Purchase consideration settled in cash | | (185,866,408) |
| Cash and cash equivalents in subsidiary acquired | | 33,475,519 |
| Cash outflow on acquisition | | (152,390,889) |

There were no acquisitions in the year ended 31 March 2005.

### (b) Open offer

On 25 October 2005, the Company issued 1,315,060,800 shares at a price of HK$0.15 per share under an open offer announced on 16 August 2005.

The consideration received from the open offer was utilised to finance part of the consideration for the acquisition of interest in Waldolf Holding Limited.