



UNITED POWER INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)



interim report 2006/07

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 2006. 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 2006, and the consolidated balance sheet as at 30 September 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 6 to 20 of this report.

Business review and prospects

Consolidated results

The turnover of the Group for the six months ended 30 September 2006 was about HK\$100 million, representing an increase of about 20.96% compared to same period last year. The increase was mainly due to contribution from the retail trading of watches business in Hong Kong and Macau and the new wine retail business in Macau. A profit attributable to shareholders of HK\$0.4 million for the period was recorded as compared to HK\$5.3 million in the previous period. The reduction in profit was mainly due to the continued loss of the entertainment operations and the Japanese restaurant, decrease in profit of the wedding services business in Hong Kong, and losses of the newly open wine retail and wedding services businesses in Macau.

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 directors consider that given the improving economic situation in Hong Kong, such restaurant will continue to contribute profit to the Group.

The Japanese restaurant in Kowloon Centre, Tsimshatsui continued to incur loss and was closed down in September 2006.

Investment properties

The investment properties had contributed steady rental income to the Group during the period, and are expected to continue to do so for the latter part of the current financial year.

Wedding services operations

The Group’s wedding services business is operated 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 has contributed significantly to the turnover of the Group and is profitable. However, due to keen competition and increase in rental expenses, the turnover and profit of this business had decreased during the period. To explore the Macau market, the Group set up a new wedding services outlet in the shopping arcade of Grand Waldo Hotel, Cotai, Macau in June 2006. This new outlet is still in its initial stage of operation and had incurred loss during the period.

Entertainment operations

Reli-a-bo Entertainment Limited (“Reli-a-bo”) 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 loss during the period.

Retail of watches

The Group's Hong Kong watch retail outlet at Golden Mile Holiday Inn, Tsimshatsui, Kowloon offers a wide range of watches of various brands, and its customers include both local residents and tourists. In June 2006, the Group opened a new shop in the shopping arcade of Grand Waldo Hotel, Cotai, Macau for retail of watches. Both the Hong Kong and Macau outlets are profitable.

Retail of wine

In June 2006, the Group opened a shop in the shopping arcade of Grand Waldo Hotel, Cotai, Macau for retail of wine. The business is still in its initial stage of operation and had incurred loss during the period.

Hotel operations

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 hotel operations contributed a profit of HK\$1.9 million during the period.

Due to the keen competition in the hotel industry in Macau, the management of the Company decided in September 2006 to dispose of the hotel operations. On 1 November 2006, Widelead entered into an agreement to sell 95% of the registered capital of, and the rights and benefits of loans advanced to, Waldorf for a total consideration of HK\$475 million. The disposal was completed on 29 November 2006.

Licensing of karaoke music product

In mid 2006, the Group entered into various agreements relating to licensing of karaoke music products in the PRC, details of which are contained in the circular of the Company dated 11 August 2006. As at the date of this announcement, the conditions precedent of an agreement dated 14 July 2006 between Well Allied Investments Limited, an indirect non-wholly owned subsidiary of the Company, and PLD International Co., Ltd. have not all been fulfilled as mentioned in the announcement of the Company dated 9 November 2006 and so this proposed new operation has yet to commence.

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 21.01% (2005: Nil) as at 30 September 2006.

Charges on assets

At 30 September 2006, the net book value of investment properties, leasehold land and buildings, interests in leasehold land for own use under operating leases and land premium charged as security for the Group's bank facilities amounted to HK\$593.2 million (2005: HK\$154 million) for the Group's banking facilities of HK\$200.2 million (2005: HK\$52 million).

EMOLUMENT POLICY

As at 30 September 2006, the Group had a total of 852 employees. The Group remunerates its employees based on their performance, experience and prevailing industry practices.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses are rewarded to staffs and directors based on the Group's profit and their performance.

The Company had a share option scheme for the employees and directors of the Group as incentive for them to contribute to the business and operation of the Group. The Group also provides in-house and external training courses for its staff to improve their skill and services.

Disclosure of interests

As at 30 September 2006, 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 Listing Rules were as follows:

Name	Number of shares	Nature of interest	Percentage of shareholding
Ma Shuk Kam	1,423,550,686	Corporate (<i>Note</i>)	54.12
Yeung Chi Hang	1,423,550,686	Corporate (<i>Note</i>)	54.12
Yeung Kit Yu, Kitty	1,423,550,686	Corporate (<i>Note</i>)	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.

On 13 December 2005, options to subscribe for a total of 70,000,000 shares of HK\$0.05 each of the Company were granted under the share option scheme of the Company adopted on 30 August 2002 (the "Scheme") to executive directors of the Company at the exercise price of HK\$0.2254 per share. The options may be exercised from the date of grant to 30 August 2012. No option was exercised during the six months ended 30 September 2006. Details of the options granted under the Scheme and which remained outstanding as at 30 September 2006 are as follows:

Name of director	No. of shares under outstanding options at 30 September 2006
Yeung Chi Hang	22,000,000
Ma Shuk Kam	22,000,000
Liu Yu Mo	1,000,000
Chung Siu Wah	1,000,000
Yeung Kit Yu, Kitty	22,000,000
Au Edmond Wah	1,000,000
Chik To Pan	1,000,000

Save as disclosed herein, as at 30 September 2006, 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 2006, 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 2006, 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

Under the Scheme, 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 2006, the Company had outstanding options granted under the Scheme to subscribe for 70,000,000 shares of HK\$0.05 each of the Company. No option had been granted, exercised, cancelled or lapsed during the six months ended 30 September 2006.

Model Code

In respect of the Model Code, the Company states that during the six months ended 30 September 2006:

- (a) the Company had a code of conduct regarding directors' securities transactions on the terms of the Model Code; and
- (b) it has made specific enquiry of all directors, results of which indicate that the directors had complied with the required standard set out in the Model Code during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2006.

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 to the Listing Rules at any time during the six months ended 30 September 2006, 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. In view of the requirement on directors' retirement by rotation under the Bye-laws of the Company, the directors do not consider appointment of independent non-executive directors for specific terms necessary.

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, the interim results for the six months ended 30 September 2006 and this interim report.

By order of the Board
Liu Yu Mo
Chief Executive Officer

Hong Kong, 18 December 2006

UNITED POWER INVESTMENT LIMITED
Condensed consolidated income statement
For the six months ended 30 September 2006
(Expressed in Hong Kong dollars)

	<i>Notes</i>	Six months ended 30 September 2006 (Unaudited) HK\$	2005 (Unaudited) HK\$
Turnover	2	99,754,519	82,472,259
Cost of sales		<u>(44,803,299)</u>	<u>(31,468,176)</u>
Gross profit		54,951,220	51,004,083
Other revenue		1,440,750	1,429,083
Operating expenses		<u>(59,865,353)</u>	<u>(46,842,067)</u>
Operating (loss)/profit	3	(3,473,383)	5,591,099
Finance costs		<u>(18,299)</u>	<u>–</u>
(Loss)/profit before taxation		(3,491,682)	5,591,099
Taxation	4	<u>(500,000)</u>	<u>(1,588,423)</u>
(Loss)/profit for the period from continuing operations		(3,991,682)	4,002,676
Profit for the period from discontinued operations	6	<u>1,876,592</u>	<u>–</u>
(Loss)/profit for the period		<u><u>(2,115,090)</u></u>	<u><u>4,002,676</u></u>
Attributable to:			
Shareholders		437,402	5,297,140
Minority interests		<u>(2,552,492)</u>	<u>(1,294,464)</u>
		<u><u>(2,115,090)</u></u>	<u><u>4,002,676</u></u>
Earnings/(loss) per share	5		
From continuing and discontinued operations			
– Basic		<u>0.02 cent</u>	<u>0.42 cent</u>
– Diluted		<u>0.02 cent</u>	<u>N/A</u>
From continuing operations			
– Basic		<u>(0.05 cent)</u>	<u>0.42 cent</u>
– Diluted		<u>(0.05 cent)</u>	<u>N/A</u>

UNITED POWER INVESTMENT LIMITED
Condensed consolidated balance sheet
As at 30 September 2006
(Expressed in Hong Kong dollars)

	<i>Notes</i>	As at 30 September 2006 (Unaudited) HK\$	As at 31 March 2006 (Audited) HK\$
ASSETS			
Non-current assets			
Goodwill		19,003,140	19,003,140
Property, plant and equipment		106,403,763	314,948,192
Investment properties		100,500,000	100,500,000
Interests in leasehold land for own use			
under operating leases		–	72,884,182
Land premium		–	183,994,620
Deferred tax asset		3,189,521	3,189,521
		<hr/>	<hr/>
Total non-current assets		229,096,424	694,519,655
		<hr/>	<hr/>
Current assets			
Inventories		23,852,724	22,944,562
Trade and other receivables	7	11,594,620	19,205,832
Interests in leasehold land for own use			
under operating leases		–	1,765,225
Cash and cash equivalents		71,754,774	114,781,497
		<hr/>	<hr/>
Assets classified as held for sale	6	107,202,118 513,540,915	158,697,116 –
		<hr/>	<hr/>
Total current assets		620,743,033	158,697,116
		<hr/>	<hr/>
Total assets		849,839,457	853,216,771
		<hr/>	<hr/>
LIABILITIES			
Current liabilities			
Trade and other payables	8	16,948,220	27,071,859
Amounts due to minority shareholders		26,210,492	35,480,374
Secured bank borrowings		–	28,122,176
Provision for taxation		324,708	324,708
		<hr/>	<hr/>
Liabilities directly associated with assets		43,483,420	90,999,117
classified as held for sale	6	186,836,629	–
		<hr/>	<hr/>
Total current liabilities		230,320,049	90,999,117
		<hr/>	<hr/>

UNITED POWER INVESTMENT LIMITED
Condensed consolidated balance sheet (Continued)
As at 30 September 2006
(Expressed in Hong Kong dollars)

	<i>Notes</i>	As at 30 September 2006 (Unaudited) HK\$	As at 31 March 2006 (Audited) HK\$
Non-current liabilities			
Secured bank borrowings		–	112,106,558
Provision for long service payments		2,262,354	2,307,157
Deferred tax liabilities		13,351,753	41,783,548
		<hr/>	<hr/>
Total non-current liabilities		15,614,107	156,197,263
		<hr/>	<hr/>
Total liabilities		<u>245,934,156</u>	<u>247,196,380</u>
		<hr/>	<hr/>
Net assets		<u>603,905,301</u>	<u>606,020,391</u>
		<hr/>	<hr/>
Capital and reserves attributable to equity holders of the Company			
Share capital	9	131,506,080	131,506,080
Reserves		465,793,909	465,356,507
		<hr/>	<hr/>
Equity attributable to equity holders of the Company	10	597,299,989	596,862,587
Minority interests		6,605,312	9,157,804
		<hr/>	<hr/>
Total equity		<u>603,905,301</u>	<u>606,020,391</u>
		<hr/>	<hr/>

UNITED POWER INVESTMENT LIMITED
Condensed consolidated statement of changes in equity
For the six months ended 30 September 2006
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	\$	\$
Total equity as at 1 April, as previously reported	606,020,391	244,848,990
Prior period adjustments arising from changes in accounting policies for deferred tax on investment properties	–	(8,317,759)
Prior period adjustment on deferred tax on leasehold land and buildings	–	(14,428,463)
Total equity, as restated	<u>606,020,391</u>	<u>222,102,768</u>
(Loss)/profit for the period		
Shareholders' equity	437,402	5,297,140
Minority interests	(2,552,492)	(1,294,464)
	<u>(2,115,090)</u>	<u>4,002,676</u>
Revaluation surplus on leasehold land and buildings, net of taxation	–	536,430
Net (loss)/profit for the period	<u>(2,115,090)</u>	<u>4,539,106</u>
Issue of shares	–	10,958,840
Increase in share premium from issue of shares	–	117,284,396
Minority interests	–	(299,254)
Total equity as at 30 September	<u><u>603,905,301</u></u>	<u><u>354,585,856</u></u>
Attributable to:		
Shareholders' equity	597,299,989	356,179,574
Minority interests	6,605,312	(1,593,718)
	<u><u>603,905,301</u></u>	<u><u>354,585,856</u></u>

UNITED POWER INVESTMENT LIMITED
Condensed consolidated cash flow statement
For the six months ended 30 September 2006
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	\$	\$
Net cash inflow/(outflow) from operating activities		
Continuing operations	(6,791,555)	(238,258)
Discontinued operations	29,686,814	–
	<u>22,895,259</u>	<u>(238,258)</u>
Net cash outflow from investing activities		
Continuing operations	(3,165,526)	(6,440,720)
Discontinued operations	(178,083)	–
	<u>(3,343,609)</u>	<u>(6,440,720)</u>
Net cash (outflow)/inflow from financing activities		
Continuing operations	9,626,928	128,243,237
Discontinued operations	(13,643,161)	–
	<u>(4,016,233)</u>	<u>128,243,237</u>
Increase in cash and bank balances	15,535,417	121,564,259
Cash and bank balances at beginning of period	<u>114,781,497</u>	<u>24,470,296</u>
Cash and bank balances at end of period	130,316,914	146,034,555
Cash and bank balances classified as held for sales	<u>(58,562,140)</u>	–
	<u><u>71,754,774</u></u>	<u><u>146,034,555</u></u>

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” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2006.

The accounting policies and basis of preparation used in preparing these unaudited condensed consolidated financial statements are the same as those used in preparing the audited financial statements for the year ended 31 March 2006, 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”) that are effective for accounting periods commencing on or after 1 January 2006. The Group has adopted the following new/revised standards of HKFRS, which are relevant to its operations:

HKAS 19 Amendment	Actuarial gains and losses, group plans and disclosures
HKAS 21 Amendment	Net investment in a foreign operation
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 & HKFRS 4 Amendments	Financial guarantee contracts
HKFRS – Interpretation 4	Determining whether an arrangement contains a lease

The adoption of the above new HKFRSs did not have a material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not yet applied the following new HKFRSs which have been issued but are not yet effective. The adoption of such new HKFRSs will not have a material impact on the financial statements of the Group and will not result in substantial changes to the Group’s accounting policies:

HKAS 1 Amendment	Capital disclosures ¹
HKFRS 7	Financial instrument: disclosures ¹
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2 ²
HK(IFRIC) – Interpretation 9	Reassessment of embedded derivatives ³
HK(IFRIC) – Interpretation 10	Interim financial reporting and impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 May 2006

³ Effective for annual periods beginning on or after 1 June 2006

⁴ Effective for annual periods beginning on or after 1 November 2006

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

2. Turnover, revenue and segment information

The Group was principally engaged in restaurant operations, property investment and provision of wedding services. During the financial year ended 31 March 2006, the Group expanded its operations to include the retail sale of watches, entertainment businesses and hotel operations via the acquisition of interests in several subsidiaries. In June 2006, the Group also commenced retail sale of wine. As detailed in note 6, the Group has disposed of the hotel operations.

An analysis of the Group's turnover and results by business segment for the interim period ended 30 September 2006, together with the comparative figures for the corresponding period in 2005, is as follows:

	(Unaudited)							Total HK\$
	Six months ended 30 September 2006							
	Restaurant operations HK\$	Property investment HK\$	Wedding services HK\$	Entertainment operations HK\$	Retail of watches HK\$	Retail of wine HK\$	Inter-segment elimination HK\$	
Turnover	18,161,630	5,318,900	45,681,769	2,416,168	29,647,034	1,109,018	(2,580,000)	99,754,519
Segment results	(1,621,214)	3,819,299	(86,973)	(3,273,829)	304,078	(802,564)		(1,661,203)
Interest income								1,243,332
Unallocated costs								(3,055,512)
Operating loss								(3,473,383)
Finance costs								(18,299)
Loss before taxation								(3,491,682)
Taxation								(500,000)
Loss for the period from continuing operations								(3,991,682)

	(Unaudited)							Total HK\$
	Six months ended 30 September 2005							
	Restaurant operations HK\$	Property investment HK\$	Wedding services HK\$	Entertainment operations HK\$	Retail of watches HK\$	Inter-segment elimination HK\$		
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 from continuing operations								4,002,676

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

2. Turnover, revenue and segment information (Continued)

An analysis of the Group's geographical segments is set out as follows:

	2006			
	Hong Kong	Macau	China	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	93,136,354	6,618,165	–	99,754,519
Segment assets	303,809,250	23,086,565	9,402,727	336,298,542
Capital expenditure	<u>453,539</u>	<u>2,552,400</u>	<u>–</u>	<u>3,005,939</u>

No geographical segment for 2005 is presented as all activities of the Group for 2005 were based in Hong Kong.

3. Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Crediting		
Bank interest income	<u>1,241,826</u>	<u>1,389,705</u>
Charging		
Depreciation of property, plant and equipment	2,779,649	2,076,743
Cost of inventories recognised as an expense	35,787,808	22,612,231
Direct operating expenses from investment properties	148,641	129,825
Impairment loss of goodwill	–	449,628
Operating lease rentals in respect of land and buildings	7,758,763	5,981,070
Staff costs – wages and salaries	<u>25,650,680</u>	<u>23,289,217</u>

4. Taxation

Taxation in the condensed consolidated income statement represents:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Profits tax	–	92,642
Deferred taxation	<u>500,000</u>	<u>1,495,781</u>
	<u>500,000</u>	<u>1,588,423</u>

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

4. Taxation (Continued)

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

No provision for Macau tax has been made as the subsidiaries operating in Macau incurred tax losses for the period.

5. Earnings/(loss) per share

From continuing and discontinued operations

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of HK\$437,402 (2005: HK\$5,297,140) divided by 2,630,121,600 ordinary shares (2005: 1,315,060,800 ordinary shares) in issue during the period.

The calculation of 2006 diluted earnings per share is based on the consolidated profit attributable to shareholders of HK\$437,402 and 2,630,121,600 ordinary shares outstanding during the period, plus 24,266,667 ordinary shares deemed to be issued at no consideration as if the share options were exercised at the date of grant.

From continuing operations

The calculation of basic loss per share for continuing operations is based on the consolidated loss from continuing operations attributable to shareholders of HK\$1,345,360 (2005: profit of HK\$5,297,140) divided by 2,630,121,600 ordinary shares (2005: 1,315,060,800 ordinary shares) in issue during the period.

The calculation of 2006 diluted earnings per share for continuing operations is based on the consolidated loss from continuing operations of HK\$1,345,360 and 2,630,121,600 ordinary shares outstanding during the period, plus 24,266,667 ordinary shares deemed to be issued at no consideration as if the share options were exercised at the date of grant.

No diluted earnings per share is disclosed for the interim period ended 30 September 2005 as no share option was granted in that period.

6. Assets classified as held for sale

On 28 October 2005, the Company's wholly-owned subsidiary, Widelead Group Limited ("Widelead"), acquired 95% of the registered capital of, and the rights and benefits of loans advanced to, Waldorf Holding Limited ("Waldorf"), the holding company of a group of companies principally engaged in the ownership and operation of a hotel in Macau.

Due to the keen competition in the hotel industry in Macau, the management of the Company decided in September 2006 to dispose of the hotel operations (the "discontinued operations"). The assets and liabilities of the discontinued operations have thus been classified as "discontinued operations held for sale". On 1 November 2006, Widelead entered into an agreement to sell 95% of the registered capital of, and the rights and benefits of loans advanced to, Waldorf for a total consideration of HK\$475 million.

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

6. Assets classified as held for sale (Continued)

The results of the hotel operations for the six months ended 30 September 2006 were as follows:

	Six months ended 30 September 2006 (Unaudited) HK\$
Turnover	56,073,326
Cost of sales	(46,099,735)
Gross profit	9,973,591
Other revenue	2,137,939
Operating expenses	(6,534,044)
Operating profit	5,577,486
Finance costs	(4,029,710)
Profit before taxation	1,547,776
Taxation	328,816
Profit for the period	<u>1,876,592</u>

The major classes of assets and liabilities of the discontinued operations classified as held for sale were as follows:

	As at 30 September 2006 (Unaudited) HK\$	As at 31 March 2006 (Audited) HK\$
Assets		
Property, plant and equipment	185,345,661	–
Interests in leasehold land for own use under operating leases	73,784,581	–
Land premium	181,891,662	–
Inventories	1,800,646	–
Trade and other receivables	12,156,225	–
Cash and cash equivalents	58,562,140	–
	<u>513,540,915</u>	<u>–</u>

UNITED POWER INVESTMENT LIMITED
Notes to the condensed financial statements (Continued)
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6. Assets classified as held for sale (Continued)

	As at 30 September 2006 (Unaudited) HK\$	As at 31 March 2006 (Audited) HK\$
Liabilities		
Trade and other payables	12,752,547	–
Amount due to minority shareholder	20,000,000	–
Secured bank borrowings	125,482,383	–
Deferred tax liabilities	28,601,699	–
	<u>186,836,629</u>	<u>–</u>

7. Trade and other receivables

Trade and other receivables are trade debtors and their ageing analysis is as follows:

	As at 30 September 2006 (Unaudited) HK\$	As at 31 March 2006 (Audited) HK\$
Within 30 days	1,856,452	10,317,015
31 to 60 days	467,651	337,729
Over 60 days	294,823	524,577
	<u>2,618,926</u>	<u>11,179,321</u>

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

8. Trade and other payables

Included in trade and other payables are trade creditors and their ageing analysis is as follows:

	As at 30 September 2006 (Unaudited) HK\$	As at 31 March 2006 (Audited) HK\$
Within 30 days	3,395,695	5,939,181
31 to 60 days	679,363	738,134
61 to 90 days	151,432	14,420
Over 90 days	712,587	429,570
	<u>4,939,077</u>	<u>7,121,305</u>

UNITED POWER INVESTMENT LIMITED
Notes to the condensed financial statements (Continued)
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9. Share capital

	30 September 2006		31 March 2006	
	Number of shares	HK\$	Number of shares	HK\$
Authorised:				
Ordinary shares of HK\$0.05 each				
Balance brought forward	3,800,000,000	190,000,000	2,000,000,000	100,000,000
Increase in authorised ordinary shares	–	–	1,800,000,000	90,000,000
	<u>3,800,000,000</u>	<u>190,000,000</u>	<u>3,800,000,000</u>	<u>190,000,000</u>
Balance carried forward	<u>3,800,000,000</u>	<u>190,000,000</u>	<u>3,800,000,000</u>	<u>190,000,000</u>
Issued and fully paid:				
Balance brought forward	2,630,121,600	131,506,080	1,095,884,000	54,794,200
New shares issued – placing	–	–	219,176,800	10,958,840
New shares issued	–	–	1,315,060,800	65,753,040
	<u>2,630,121,600</u>	<u>131,506,080</u>	<u>2,630,121,600</u>	<u>131,506,080</u>
Balance carried forward	<u>2,630,121,600</u>	<u>131,506,080</u>	<u>2,630,121,600</u>	<u>131,506,080</u>

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

10. Capital and reserves

	Unaudited						Equity attributable to equity holders of the Company
	Share capital	Share premium	Contribution surplus	Employee share-based compensation reserve	Other properties revaluation reserve	Accumulated losses	
	\$	\$	\$	\$	\$	\$	\$
At 1 April 2006	131,506,080	540,172,078	28,784,000	3,934,394	72,690,754	(180,224,719)	596,862,587
Profit for the period	–	–	–	–	–	437,402	437,402
At 30 September 2006	<u>131,506,080</u>	<u>540,172,078</u>	<u>28,784,000</u>	<u>3,934,394</u>	<u>72,690,754</u>	<u>(179,787,317)</u>	<u>597,299,989</u>

UNITED POWER INVESTMENT LIMITED
Notes to the condensed financial statements (Continued)
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10. Capital and reserves (Continued)

	Share capital \$	Share premium \$	Contribution surplus \$	Unaudited Investment properties revaluation reserve \$	Other properties revaluation reserve \$	Accumulated losses \$	Equity attributable to equity holders of the Company \$
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	<u>54,794,200</u>	<u>293,365,856</u>	<u>28,784,000</u>	<u>-</u>	<u>70,875,218</u>	<u>(225,716,506)</u>	<u>222,102,768</u>
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	<u><u>65,753,040</u></u>	<u><u>410,650,252</u></u>	<u><u>28,784,000</u></u>	<u><u>-</u></u>	<u><u>71,411,648</u></u>	<u><u>(220,419,366)</u></u>	<u><u>356,179,574</u></u>

11. Commitments

(a) Commitments under operating leases

At the balance sheet date, 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 2006 (Unaudited) \$	As at 31 March 2006 (Audited) \$
Within one year	15,437,327	7,669,248
Within two to five years	11,111,420	4,249,565
	<u><u>26,548,747</u></u>	<u><u>11,918,813</u></u>

UNITED POWER INVESTMENT LIMITED
Notes to the condensed financial statements (Continued)
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11. Commitments (Continued)

- (b) On 14 July 2006, Well Allied Investments Limited (“Well Allied”), an indirect non-wholly owned subsidiary of the Company, entered into a co-operation agreement (“Agreement”) with PLD International Co. Ltd. (“PLD”). Under the Agreement, Well Allied shall exclusively manage and develop the business of licensing to karaoke operators in the PRC the rights to, inter alia, replicate and play the copyrighted audio-visual materials (which PLD has acquired the exclusive rights to grant licences to karaoke operators in the PRC to do so) while PLD shall appoint China Music Video Broadcast (Shenzhen) Company Limited (“China Music”), a wholly owned subsidiary of Well Allied, as its exclusive agent in the PRC responsible for sourcing licencees and collection of fees.

The completion of the Agreement is conditional upon the fulfillment of several conditions to be fulfilled on or before 10 November 2006. A supplemental agreement was entered into between Well Allied and PLD on 8 November 2006 to postpone the agreed fulfillment date from 10 November 2006 to 10 January 2007.

The operation fees (being portion of the licence fees to be paid by karaoke operators in the PRC) to be received by China Music pursuant to the terms of the various co-operation agreements entered into among China Music Video Collective Management Association, Song Labs, Ltd. and China Music during May to June in 2006 during the period from the date of completion of the Agreement (“Completion Date”) to 30 April 2009 will be shared by PLD and Well Allied as to (i) first HK\$95 million to PLD and (ii) the balance to Well Allied and China Music.

Under the Agreement, as guarantee for the payment of PLD’s share of the operation fees, Well Allied agrees to pay to PLD HK\$50 million on the Completion Date and the balance of HK\$45 million 30 days after the Completion Date.

12. Operating lease rental receivables

At the balance sheet date, 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 2006 (Unaudited) \$	As at 31 March 2006 (Audited) \$
Within one year	7,325,148	38,295,482
Within two to five years	1,680,000	69,107,161
Over five years	–	1,080,000
	<u>9,005,148</u>	<u>108,482,643</u>

UNITED POWER INVESTMENT LIMITED
Notes to the condensed financial statements (Continued)
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13. Related party transactions

Significant related party transactions during the period were:

	<i>Notes</i>	Six months ended 30 September	
		2006 (Unaudited)	2005 (Unaudited)
		\$	\$
Rental expenses to related companies	(a)	2,171,004	1,590,600
Hotel revenue, food and beverage revenue	(b)	3,151,304	–
Reimbursement of administrative expenses	(b)	167,042	–
Reimbursement of salaries and other allowances	(b)	8,235,059	–
Service income from related company	(c)	1,336,243	–
Sponsorship income from related company	(d)	150,000	–
		<u> </u>	<u> </u>

(a) Rental expenses were charged by related companies, based on the tenancy agreements signed between the parties. The directors Ma Shuk Kam, Yeung Chi Hang and a director of certain subsidiaries, Cheng Kwee, had direct/indirect interests in the issued share capital of these related companies during the period. The transactions were carried out at terms by reference to market prices of similar transactions.

(b) One of the subsidiaries of the Group, Waldo Hotel Limited (“Waldo Hotel”), entered into a memorandum dated 25 August 2005 (as amended on 29 August 2005) (the “Memorandum”) with Waldo Entertainment Limited (“Waldo Entertainment”) of which the director Yeung Chi Hang was also a director and had direct/indirect interest in its issued share capital during the period. Waldo Entertainment is a service provider for the casino which is located in the hotel property of the Group. Pursuant to the Memorandum, Waldo Hotel agreed to provide certain services and facilities to the casino and its customers commencing from 25 August 2005 up to 31 March 2008. Related services included serving of food and beverages, provision of cleaning services and hotel accommodation services to Waldo Entertainment. Hotel revenue, food and beverage revenue were charged to Waldo Entertainment and the transactions were carried out at terms by reference to market prices of similar transactions.

Salaries, other allowances and certain administrative expenses were reimbursed by Waldo Entertainment at cost in accordance with the terms of the Memorandum.

Upon completion of sale of Waldorf Holding Limited on 29 November 2006, the Group ceased to have any interest in Waldo Hotel and the Memorandum, and Mr. Cheng Kwee ceased to be a director of the subsidiaries of the Company.

(c) Service income was charged to Great China Limited, which Yeung Chi Hang and Cheng Kwee had direct/indirect interest in its issued share capital during the period.

(d) Sponsorship income was provided by related company, Grand Waldo Hotel Limited, which Yeung Chi Hang and Cheng Kwee had direct/indirect interest in its issued share capital during the period.

14. Events after the balance sheet date

As mentioned in note 6, on 1 November 2006, Widelead entered into the sale and purchase agreement with the purchaser to dispose of its 95% registered capital of Waldorf and the rights and benefits of its shareholder loan for a total consideration of HK\$475,000,000. The transaction was completed on 29 November 2006.