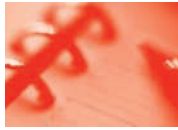
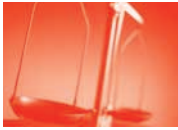




UNITED POWER INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 674



Interim Report 2008 / 09



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 2008. 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 2008, and the consolidated balance sheet as at 30 September 2008 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 7 to 24 of this report.

BUSINESS REVIEW AND PROSPECTS

Consolidated results

The turnover of the Group from continuing operations for the six months ended 30 September 2008 was about HK\$102.9 million, representing an increase of about 69.7% compared to same period last year. The increase was mainly due to contribution from the operations of Dynasty Hotel in Zhaoqing, the People’s Republic of China (“the PRC”) and the entertainment business. Such increase was partially offset by decrease in turnover of the wedding service business and restaurant operations. Loss attributable to shareholders of HK\$21.8 million for the period was recorded as compared to profit HK\$2.7 million in the previous period. The loss was mainly due to an amortisation of deferred expenditure of the business of collection of fees for licensing of karaoke music products in the PRC, and loss in hotel operations and entertainment business. Such loss was partially offset by income from investment properties, restaurant operations and wedding services.

Hotel operations

The business of Dynasty Hotel in Zhaoqing, the PRC recorded a turnover of HK\$39.8 million and a loss of HK\$7.2 million. The loss was mainly due to depreciation of its assets of HK\$11.7 million. It is expected that this operation will be affected by the economic downturn in the PRC.

Restaurant operations

The business of the Chiu Chau restaurant in Star House, Tsimshatsui is stable and profitable. The directors consider that given its established reputation in Hong Kong, the restaurant will continue to contribute profit to the Group.

Investment properties

The investment properties had contributed steady rental income to the Group during the period. The investment property located at the commercial districts of Guangzhou, the PRC was leased for ten years from 9 October 2008. Income from the investment properties of the Group is expected to be stable for 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. Despite keen competition from local and Taiwan wedding services companies, the business achieved a profit during the period. It is expected that this operation will be affected by the economic downturn in Hong Kong.

Entertainment operations

A 60% subsidiary, 北京金英馬國際文化交流有限公司 (Beijing Jingyingma International Cultural Exchange Company Limited), established in Beijing, the PRC and engaged in movie and television series production business, entered into two agreements relating to television series production. The investment is approximately RMB22 million. A wholly-owned subsidiary, Win Sea Group Limited, has entered into an agreement relating to television series productions. The investment is approximately RMB15 million. Production of three television series has completed.

Baron Production and Artiste Management Company Limited, a 51% owned subsidiary engaged in providing services relating to production and artist management in the entertainment industry, incurred a loss of about HK\$0.7 million.

A wholly-owned subsidiary, Golden Capital Entertainment Limited, is development entertainment and related business in Shenzhen, PRC. It incurred a loss of about HK\$0.5 million.

Chance Music Limited, a 60% owned subsidiary engaged in entertainment and related business and owns intellectual property rights to lyrics of various songs, achieved a profit of about HK\$0.2 million. It is expected that this business will continue to contribute profit to the Group.

Watch retail operations

The Group entered into an agreement on 30 September 2008 for the disposal of its interests in watch retail operations for an aggregate consideration of HK\$9,870,982 in cash. The transaction was completed on 10 November 2008.

Collection of fees for licensing of karaoke music products

During the period, the Group entered into various agreements relating to collection of fees for licensing of copyright to karaoke music products to karaoke operators in the PRC. It incurred a loss of approximately HK\$26.3 million mainly due to an amortisation of deferred expenditure of approximately HK\$22.6 million. This operation is gradually yielding income to the Group and is expected to grow.

Wine retail operations

This business was closed down due to continued loss.

FINANCIAL REVIEW

The Group's financial position is strong with net asset value of about HK\$949.7 million. The management will look for suitable business opportunities.

Save as disclosed in this report, the information relating to matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not been changed materially from that disclosed in the annual report of the Company for the year ended 31 March 2008.

EMOLUMENT POLICY

As at 30 September 2008, the Group had a total of 1,079 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 2008, 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	1,445,550,686	(Note 1)	42.54
Yeung Chi Hang	2,144,660,478	(Note 2)	63.11
Liu Yu Mo	1,048,000	Personal	0.03
Au Edmond Wah	1,000,000	Personal (Note 3)	0.03

Notes:

- 1,423,550,686 shares are owned by World Possession Assets Limited (“World Possession”) which is beneficially owned by Madam Ma Shuk Kam, Mr. Yeung Chi Hang and Ms. Yeung Kit Yu, Kitty in equal shares, and 22,000,000 shares are owned by Madam Ma Shuk Kam personally.
- 1,423,550,686 shares are owned by World Possession and 721,109,792 shares are owned by Mr. Yeung Chi Hang personally.
- This relates to the options granted to Mr. Au Edmond Wah to subscribe for 1,000,000 shares at the exercise price of HK\$0.2254 per share from 13 December 2005 to 30 August 2012.

Save as disclosed herein, as at 30 September 2008, 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 2008, 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	41.89

Save as disclosed herein, as at 30 September 2008, 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 2008, the Company had outstanding options granted under the Scheme to subscribe for 1,000,000 Shares. No option had been granted, cancelled or lapsed during the six months ended 30 September 2008.

Model Code

In respect of the Model Code, the Company states that during the six months ended 30 September 2008:

- (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 2008.

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 2008, 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 and the interim results for the six months ended 30 September 2008.

By order of the Board
Yeung Chi Hang
Chief Executive Officer

Hong Kong, 8 December 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended	
		30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$	HK\$
Turnover	2	102,935,921	60,668,727
Cost of sales		(26,664,028)	(17,249,680)
Gross profit		76,271,893	43,419,047
Other revenue		2,295,021	8,467,626
Net operating expenses		(110,286,241)	(71,343,168)
Increase in fair value of investment properties		—	4,100,949
Finance costs		—	(263,471)
Loss before taxation		(31,719,327)	(15,619,017)
Taxation	4	(4,065,492)	(1,805,359)
Loss for the period from continuing operations		(35,784,819)	(17,424,376)
Discontinued operations			
Loss for the period from discontinued operations		(472,383)	(39,182)
Loss for the period		(36,257,202)	(17,463,558)
Attributable to:			
Equity holders of the Company		(21,844,295)	2,738,568
Minority interests		(14,412,907)	(20,202,126)
		(36,257,202)	(17,463,558)
(Loss)/earnings per share	6		
From continuing operations			
— Basic (HK cents)		(0.63)	0.10
— Diluted (HK cents)		(0.63)	0.10
From discontinued operations			
— Basic (HK cents)		(0.01)	—
— Diluted (HK cents)		(0.01)	—
From continuing and discontinued operations			
— Basic (HK cents)		(0.64)	0.10
— Diluted (HK cents)		(0.64)	0.10

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

		As at 30 September 2008 (Unaudited) <i>HK\$</i>	As at 31 March 2008 (Audited) <i>HK\$</i>
	<i>Notes</i>		
Non-current assets			
Goodwill		560,000	560,000
Property, plant and equipment	8	218,741,657	214,484,148
Investment properties		180,642,000	180,642,000
Payments for leasehold land held for own use under operating leases		395,196,120	398,799,949
Deferred expenditure		—	3,720,627
Interest in an associate	9	—	—
Held-to-maturity investment	10	—	—
Deferred tax assets		<u>3,002,770</u>	<u>7,022,274</u>
Total non-current assets		<u>798,142,547</u>	<u>805,228,998</u>
Current assets			
Inventories		8,530,265	36,037,072
Trade and other receivables	11	93,017,917	82,163,533
Amount due from a related company	12	26,200,000	9,000,000
Deferred expenditure		26,354,439	45,267,624
Cash and cash equivalents		<u>240,964,957</u>	<u>252,170,278</u>
Total current assets		<u>395,067,578</u>	<u>424,638,507</u>
Assets classified as held for sale	5	<u>28,882,853</u>	—
Total assets		<u>1,222,092,978</u>	<u>1,229,867,505</u>
Current liabilities			
Trade and other payables	13	54,644,037	51,711,961
Amounts due to minority shareholders		100,459,254	117,378,195
Current tax liabilities		<u>455,887</u>	<u>1,846,886</u>
Total current liabilities		<u>155,559,178</u>	<u>170,937,042</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)*As at 30 September 2008*

	As at 30 September 2008 (Unaudited) <i>Notes</i> HK\$	As at 31 March 2008 (Audited) HK\$
Liabilities directly associated with assets classified as held for sale	<u>23,913,668</u>	—
Net current assets	<u>244,477,585</u>	253,701,465
Total assets less current liabilities	<u>1,042,620,132</u>	1,058,930,463
Non-current liabilities		
Provision for long service payments	2,159,770	2,159,770
Deferred tax liabilities	<u>90,757,968</u>	90,764,658
Total non-current liabilities	<u>92,917,738</u>	92,924,428
Total liabilities	<u>272,390,584</u>	263,861,470
Net assets	<u>949,702,394</u>	966,006,035
Capital and reserves		
Share capital	<i>14</i> 169,911,570	169,911,570
Reserves	<u>764,693,130</u>	780,783,788
Total equity attributable to equity holders of the Company	934,604,700	950,695,358
Minority interests	<u>15,097,694</u>	15,310,677
Total equity	<u>949,702,394</u>	966,006,035

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Total equity at the beginning of the period	<u>966,006,035</u>	<u>646,651,578</u>
Net loss recognised directly in equity:		
(Loss)/profit for the period:		
— attributable to equity holders of the Company	(21,844,295)	2,738,568
— minority interests	(14,412,907)	(20,202,126)
Loss for the period	(36,257,202)	(17,463,558)
Surplus on revaluation on other properties, net of deferred tax	—	808,851
Exchange differences arising from subsidiaries in the People's Republic of China (the "PRC")	6,579,959	(24,544)
Total recognised income and expense for the period	<u>(29,677,243)</u>	<u>(16,679,251)</u>
Issue of shares on exercise of share options	—	3,450,000
Increase in share premium from issue of shares	—	15,980,788
Decrease in employee share-based compensation reserve due to exercise of share options	—	(3,878,188)
Capital injection by minority interests	13,373,602	1,109,804
Total movements in equity arising from capital transactions	<u>13,373,602</u>	<u>16,662,404</u>
Total equity at the end of the period	<u>949,702,394</u>	<u>646,634,731</u>
Attributable to:		
Equity holders of the Company	934,604,700	675,018,999
Minority interests	15,097,694	(28,384,268)
	<u>949,702,394</u>	<u>646,634,731</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash inflow from operating activities		
Continuing operations	(10,490,265)	(2,376,378)
Discontinued operations	(1,401,347)	3,088,480
	(11,891,612)	712,102
Net cash outflow from investing activities		
Continuing operations	(12,486,422)	(94,888,738)
Discontinued operations	4,309	(264,386)
	(12,482,113)	(95,153,124)
Net cash inflow from financing activities		
Continuing operations	13,373,602	55,132,055
Discontinued operations	—	—
	13,373,602	55,132,055
Net decrease in cash and cash equivalents	(11,000,123)	(39,308,967)
Effect of foreign exchange rate changes	1,038,894	154,500
Cash and cash equivalents at beginning of period	252,170,278	438,160,876
Cash and cash equivalents at end of period	242,209,049	399,006,409
Cash and cash equivalents presented under:		
Cash and cash equivalents	240,964,957	399,006,409
Assets classified as held for sale	1,244,092	—
	242,209,049	399,006,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. Basis of preparation and significant accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain investment properties, which are measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2008.

In the current period, the Group has applied, for the first time, new interpretations and amendments to HKFRS issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2008. The adoption of these new interpretations and amendments had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group, except the adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HKAS 1 and HKAS 32 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKFRS 2 Amendment	Share-based Payment — Vesting Conditions and Cancellation ²
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) — Int 13	Customer Loyalty Programmes ³
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

- ¹ Effective from annual periods beginning on or after 1 July 2009.
² Effective from annual periods beginning on or after 1 January 2009.
³ Effective from annual periods beginning on or after 1 July 2008.
⁴ Effective from annual periods beginning on or after 1 October 2008.

2. Turnover, revenue and segment information

For management purposes, the Group is currently organised into six operating divisions — restaurant operations, property investment, wedding services, entertainment business, licence fee collection business and hotel operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Restaurant operations	— sales of food and beverages
Property investment	— leasing of investment properties
Wedding services	— provision of wedding services
Entertainment business	— provision of talent management and entertainment business
License fee collection business	— collection of licence fee from karaoke operators in the PRC
Hotel operations	— ownership, operation and management of hotel

The Group was also involved in retail operations of watches and wines. The retail of wines ceased in August 2008 and the retail of watches was disposed of as detailed in note 5.

2. Turnover, revenue and segment information (Continued)

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

	Six months ended 30 September 2008 (Unaudited)								Discontinued operations	
	Continuing operations							Sub-total HK\$	Retail operations HK\$	Total HK\$
	Restaurant operations HK\$	Property investment HK\$	Wedding services HK\$	Entertainment business HK\$	Licence fee collection business HK\$	Hotel operations HK\$	Inter-segment elimination HK\$			
Turnover										
External sales	18,302,462	2,854,419	36,041,050	4,807,364	1,127,244	39,803,382	—	102,935,921	77,035,716	179,971,637
Inter-segment sales	—	2,720,000	—	—	—	—	(2,720,000)	—	—	—
	<u>18,302,462</u>	<u>5,574,419</u>	<u>36,041,050</u>	<u>4,807,364</u>	<u>1,127,244</u>	<u>39,803,382</u>	<u>(2,720,000)</u>	<u>102,935,921</u>	<u>77,035,716</u>	<u>179,971,637</u>
Segment results	166,866	3,323,721	284,147	(1,015,703)	(26,259,337)	(7,244,686)	—	(30,744,992)	(201,491)	(30,946,483)
Unallocated income								1,889,473	—	1,889,473
Unallocated costs								(2,863,808)	—	(2,863,808)
Finance costs								—	(244,143)	(244,143)
Loss before taxation								(31,719,327)	(445,634)	(32,164,961)
Taxation								(4,065,492)	(26,749)	(4,092,241)
Loss for the period								<u>(35,784,819)</u>	<u>(472,383)</u>	<u>(36,257,202)</u>

The inter-segment sales were charged at prevailing market rates.

	Six months ended 30 September 2007 (Unaudited)								Discontinued operations	
	Continuing operations							Sub-total HK\$	Retail operations HK\$	Total HK\$
	Restaurant operations HK\$	Property investment HK\$	Wedding services HK\$	Entertainment business HK\$	Licence fee collection business HK\$	Inter-segment elimination HK\$				
Turnover										
External sales	19,376,826	2,843,800	37,325,851	54,107	1,068,143	—	60,668,727	54,856,381	115,525,108	
Inter-segment sales	—	2,628,000	—	—	—	(2,628,000)	—	—	—	
	<u>19,376,826</u>	<u>5,471,800</u>	<u>37,325,851</u>	<u>54,107</u>	<u>1,068,143</u>	<u>(2,628,000)</u>	<u>60,668,727</u>	<u>54,856,381</u>	<u>115,525,108</u>	
Segment results	1,771,555	3,704,621	(2,218,713)	(413,590)	(29,127,096)	—	(26,283,223)	(37,167)	(26,320,390)	
Unallocated income							8,307,201	—	8,307,201	
Increase in fair value of investment properties	—	4,100,949	—	—	—	—	4,100,949	—	4,100,949	
Unallocated costs							(1,480,473)	—	(1,480,473)	
Finance costs							(263,471)	—	(263,471)	
Loss before taxation							(15,619,017)	(37,167)	(15,656,184)	
Taxation							(1,805,359)	(2,015)	(1,807,374)	
Loss for the period							<u>(17,424,376)</u>	<u>(39,182)</u>	<u>(17,463,558)</u>	

The inter-segment sales were charged at prevailing market rates.

3. Loss for the period

Loss for the period from continuing and discontinued operations has been arrived at after crediting and charging:

	Six months ended 30 September	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$
Crediting		
Bank interest income	1,171,573	8,131,968
Interest income on loan receivable	717,900	175,233
Increase in fair value of investment properties	—	4,100,949
	<u> </u>	<u> </u>
Charging		
Cost of inventories recognised as an expense	95,744,192	58,943,835
Depreciation of property, plant and equipment	12,134,656	2,804,132
Amortisation of deferred expenditure	22,633,812	22,571,802
Loss on disposal of property, plant and equipment	87,547	35,560
Operating lease rentals in respect of land and buildings	5,783,355	6,124,160
Staff costs — wages and salaries	34,408,368	23,223,060
	<u> </u>	<u> </u>

4. Taxation

Taxation in the condensed consolidated income statement represents:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 September 2008 (Unaudited) HK\$		Six months ended 30 September 2008 (Unaudited) HK\$		Six months ended 30 September 2008 (Unaudited) HK\$	
	2007 (Unaudited) HK\$	2007 (Unaudited) HK\$	2007 (Unaudited) HK\$	2007 (Unaudited) HK\$	2007 (Unaudited) HK\$	2007 (Unaudited) HK\$
Under-provision in prior year:						
Profits tax in Macau	—	—	6,756	1,708	6,756	1,708
Income tax in the PRC	24,742	—	—	—	24,742	—
Deferred tax	4,040,750	1,805,359	19,993	307	4,060,743	1,805,666
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>4,065,492</u>	<u>1,805,359</u>	<u>26,749</u>	<u>2,015</u>	<u>4,092,241</u>	<u>1,807,374</u>

4. **Taxation** (Continued)

No provision for Hong Kong profits tax has been made for subsidiaries within the Group as these subsidiaries have either sufficient tax losses brought forward to offset against the estimated assessable profits or no material estimated assessable profits for the period on an individual basis. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

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

5. **Discontinued operations in the current period**

The retail operation of wine was discontinued subsequent to the closure of retail outlet in Macau. The retail operation of watches ceased upon the disposal of interests in subsidiaries, Witty Ventures Limited and HMS Watches Company Limited (collective referred as “WV Group”). On 30 September 2008, the Group signed an agreement with the minority shareholder of WV Group to dispose of the Group’s 51% interests in the WV Group and the benefit of loans of HK\$5,941,241 advanced to WV Group at a total consideration of HK\$9,870,982. The disposal was completed on 10 November 2008.

The turnover and results of the retail operations of wine and watches were as follows:

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Loss for the period from discontinued operations:		
Turnover	77,035,716	54,856,381
Cost of sales	<u>(71,349,277)</u>	<u>(50,491,777)</u>
Gross profit	5,686,439	4,364,604
Other revenue	11,399	45,073
Net operating expenses	(5,899,329)	(4,446,844)
Finance costs	<u>(244,143)</u>	<u>—</u>
Loss before taxation	(445,634)	(37,167)
Taxation	<u>(26,749)</u>	<u>(2,015)</u>
Loss after taxation	<u>(472,383)</u>	<u>(39,182)</u>

5. Discontinued operations in the current period *(Continued)*

The net assets of the retail operations of wine and watches as at the balance sheet date were as follows:

	As at 30 September 2008 (Unaudited) HK\$
Property, plant and equipment	328,842
Inventories	26,655,994
Trade and other receivables	653,925
Cash and cash equivalents	<u>1,244,092</u>
Assets classified as held for sale	<u>28,882,853</u>
Trade and other payables	6,041,011
Amounts due to minority shareholders	17,343,638
Current tax liabilities	509,026
Deferred tax liabilities	<u>19,993</u>
Liabilities directly associated with assets classified as held for sale	<u>23,913,668</u>

6. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$	HK\$
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share		
(Loss)/profit for the period attributable to equity holders of the Company		
— from continuing operations	(21,371,912)	2,777,750
— from discontinued operations	(472,383)	(39,182)
	<u>(21,844,295)</u>	<u>2,738,568</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	3,398,231,392	2,673,460,398
Effect of dilutive potential ordinary shares:		
— Share options	<u>1,000,000</u>	<u>13,330,651</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>3,399,231,392</u>	<u>2,686,791,049</u>

7. Dividends

No dividend was paid or proposed during the period, nor has any dividend been proposed since the balance sheet date (2007: Nil).

8. Property, plant and equipment

During the period 30 September 2008, the Group acquired property, plant and equipment at cost of HK\$16,008,435 (30 September 2007: HK\$2,836,853).

9. Interest in an associate

The associate is dormant and the financial result of the associate is immaterial to the Group. Accordingly, no disclosure was made.

10. Held-to-maturity investment

The investment was a convertible note of Opal Technologies Inc. (the “Note”) for a principal amount of US\$10 million. The directors of the Company were of the opinion that the recoverability of the Note was doubtful and a full provision on the Note was made in 2001. For details please refer to note 24 to the consolidated financial statements for the year ended 31 March 2008 as contained in the 2008 annual report.

11. Trade and other receivables

The Group generally grants no credit period to its customers, all invoices are due on presentation.

Included in trade and other receivables of the Group are trade receivables of HK\$2,431,598 (31 March 2008: HK\$9,566,334). The aging analysis of trade receivables at the balance sheet date is as follows:

	As at 30 September 2008 (Unaudited) HK\$	As at 31 March 2008 (Audited) HK\$
Current	—	—
Less than 1 month past due	1,663,787	8,678,299
1 to 3 months past due	767,811	888,035
Amount past due at balance sheet date but not impaired (<i>Note</i>)	2,431,598	9,566,334
	2,431,598	9,566,334

Note: The balances that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, management estimated that the carrying amounts could be fully recovered.

12. Amount due from a related company

The amount due from a related company is unsecured, interest-bearing at 5.25% to 8% per annum and repayable within one year. Two directors of Well Allied Investments Limited (“Well Allied”), a subsidiary of the Company, Mr. Lee Tien-Yung and Mr. Lu Yueh-Wei, Philip, have beneficial interests in the related company, PLD International Limited (“PLD”).

13. Trade and other payables

Included in trade and other payables are trade payables of HK\$7,465,293 (31 March 2008: HK\$7,046,819). The ageing analysis of trade payables at the balance sheet date is as follows:

	As at 30 September 2008 (Unaudited) HK\$	As at 31 March 2008 (Audited) HK\$
Within 30 days	5,363,263	4,446,536
31 to 60 days	527,849	1,637,205
61 to 90 days	346,560	41,170
Over 90 days	<u>1,227,621</u>	<u>921,908</u>
	<u>7,465,293</u>	<u>7,046,819</u>

14. Share capital

	As at 30 September 2008 (Unaudited)		As at 31 March 2008 (Audited)	
	Number of shares	HK\$	Number of shares	HK\$
Authorised:				
Ordinary shares of HK\$0.05 each				
At beginning of period/year	10,000,000,000	500,000,000	3,800,000,000	190,000,000
Increase in authorised ordinary shares	<u>—</u>	<u>—</u>	<u>6,200,000,000</u>	<u>310,000,000</u>
At end of period/year	<u>10,000,000,000</u>	<u>500,000,000</u>	<u>10,000,000,000</u>	<u>500,000,000</u>
Issued and fully paid:				
At beginning of period/year	3,398,231,392	169,911,570	2,630,121,600	131,506,080
Exercise of share options	—	—	69,000,000	3,450,000
New shares issued	<u>—</u>	<u>—</u>	<u>699,109,792</u>	<u>34,955,490</u>
At end of period/year	<u>3,398,231,392</u>	<u>169,911,570</u>	<u>3,398,231,392</u>	<u>169,911,570</u>

15. Equity

	Share capital	Share premium	Other reserves	Contributed surplus	Employee share-based compensation reserve	Other properties revaluation reserve	Foreign exchange reserve	Accumulated losses	Equity attributable to equity holders of the Company	Minority interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2007 (Audited)	131,506,080	540,172,078	—	28,784,000	3,934,394	74,518,665	120,912	(123,092,605)	655,943,524	(9,291,946)	646,651,578
Issue of share on exercise of share options	3,450,000	15,980,788	—	—	(3,878,188)	—	—	—	15,552,600	—	15,552,600
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	930,760	930,760
Translation differences	—	—	—	—	—	—	(24,544)	—	(24,544)	179,044	154,500
Revaluation gain	—	—	—	—	—	980,425	—	—	980,425	—	980,425
Deferred tax on revaluation gain	—	—	—	—	—	(171,574)	—	—	(171,574)	—	(171,574)
Profit/(loss) for the period	—	—	—	—	—	—	—	2,738,568	2,738,568	(20,202,126)	(17,463,558)
At 30 September 2007 (Unaudited)	<u>134,956,080</u>	<u>556,152,866</u>	<u>—</u>	<u>28,784,000</u>	<u>56,206</u>	<u>75,327,516</u>	<u>96,368</u>	<u>(120,354,037)</u>	<u>675,018,999</u>	<u>(28,384,268)</u>	<u>646,634,731</u>
At 1 April 2008 (Audited)	169,911,570	723,939,216	(2,370,305)	28,784,000	56,206	90,001,447	31,564,245	(91,191,021)	950,695,358	15,310,677	966,006,035
Capital injection by minority interests	—	—	—	—	—	—	—	—	—	13,373,602	13,373,602
Translation differences	—	—	—	—	—	—	5,753,637	—	5,753,637	826,322	6,579,959
Loss for the period	—	—	—	—	—	—	—	(21,844,295)	(21,844,295)	(14,412,907)	(36,257,202)
At 30 September 2008 (Unaudited)	<u>169,911,570</u>	<u>723,939,216</u>	<u>(2,370,305)</u>	<u>28,784,000</u>	<u>56,206</u>	<u>90,001,447</u>	<u>37,317,882</u>	<u>(113,035,316)</u>	<u>934,604,700</u>	<u>15,097,694</u>	<u>949,702,394</u>

16. Commitments

(a) *Operating lease commitments*

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:

	30 September 2008 (Unaudited) HK\$	31 March 2008 (Audited) HK\$
Not later than one year	10,531,400	13,043,938
Later than one year and not later than five years	4,431,875	2,635,604
	<u>14,963,275</u>	<u>15,679,542</u>

(b) *Operating lease rental receivables*

At the balance sheet date, the Group's future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	30 September 2008 (Unaudited) HK\$	31 March 2008 (Audited) HK\$
Not later than one year	12,080,303	13,281,429
Later than one year and not later than five years	10,012,668	12,854,411
	<u>22,092,971</u>	<u>26,135,840</u>

(c) *Capital commitments*

	30 September 2008 (Unaudited) HK\$	31 March 2008 (Audited) HK\$
Commitments for the acquisition of plant and equipment		
Authorised but not contracted for	3,758,513	—
Contracted but not accounted for	—	1,340,760
	<u>3,758,513</u>	<u>1,340,760</u>

17. **Related party transactions**

Significant related party transactions during the period were:

		Six months ended	
		30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$	HK\$
Rental expenses to related companies	<i>(a)</i>	2,130,495	2,091,428
Acquisition of investment properties from related parties	<i>(b)</i>	—	48,000,000
Interest income receivable from related party	<i>(c)</i>	717,900	175,233
Rental expenses to related companies	<i>(d)</i>	254,250	—
Composer fee to a subsidiary director	<i>(e)</i>	245,302	—
		<u>2,130,495</u>	<u>2,091,428</u>

(a) Rental expenses were charged by related companies which are associates of two directors of the Company, Ms. Ma Shuk Kam and Mr. Yeung Chi Hang based on the tenancy agreements signed between the parties.

(b) There was no acquisition of investment properties during the period.

The acquisition in 2007 related to (1) an agreement signed on 13 April 2007 between (i) Wise Mark Group Limited (“Wise Mark”), a wholly owned subsidiary of the Company; and (ii) Mr. Yeung Chi Hang and Well Harvest Enterprises Limited (collectively referred as the “Share Vendors”) whereby Wise Mark agreed to purchase from the Share Vendors the entire issue share capital of Shenzhen Land Company Limited (“Shenzhen Land”) for a total consideration of HK\$31,565,901; and (2) an agreement signed on 13 April 2007 between (i) Golden Island (Management) Limited and (ii) Well Harvest whereby Golden Island (Management) Limited agreed to acquire from Well Harvest all the benefits of an interest free unsecured loan of HK\$16,434,099 advanced to Shenzhen Land for a consideration of HK\$16,434,099. The acquisition was not accounted for under HKFRS 3 “Business Combinations” as the major asset of Shenzhen Land is interest in a property in the PRC and the property was vacant at the acquisition date. The property was accounted for under HKFRS 40 “Investment Property” and the carrying value of the property was stated at fair value at the balance sheet date.

17. Related party transactions (Continued)

- (c) Pursuant to a loan agreement dated 4 July 2007 between Well Allied and PLD, Well Allied advanced a loan of HK\$9 million to PLD at the interest rate of 8% per annum and repayable within 1 year from the date of the loan agreement. The loan remains outstanding and is repayable on demand. PLD has paid interest due from the loan. Besides, pursuant to a loan agreement dated 9 May 2008, Well Allied advanced an additional loan of HK\$17.2 million to PLD at the interest rate of 5.25% per annum and repayable within 1 year from the date of loan agreement.
- (d) Rental expenses were charged by related company which is beneficially owned by a director of a subsidiary, Mr. Ng Lok Shing, Ronald, based on tenancy agreements signed between the parties.
- (e) This represents the fee charged by a director of a subsidiary, Mr. Ng Lok Shing, Ronald, for music composition.

18. Events after the balance sheet date

- (a) Winkler Profits Limited, a wholly owned subsidiary of the Company, entered into an agreement on 30 September 2008 for the disposal of 51% of the issued share capital of, and the benefit of loans of HK\$5,941,241 advanced to, Witty Ventures Limited and 51% of the registered capital of HMS Watches Company Limited to the minority owner, Mr. Yuen Tak Yau, Daniel for an aggregate consideration of HK\$9,870,982 in cash. The transaction was completed on 10 November 2008.
- (b) On 21 November 2008, the Company subscribed for 42.88 shares of US\$1 each of Welly Champ International Limited (“Welly Champ”) at a total cash consideration of HK\$25.4 million, which was used by Welly Champ to subscribe for 21.873 shares of US\$1 each of Well Allied. Well Allied also issued 3.96 shares of US\$1 each to Tak Full Group Limited at a total cash consideration of HK\$4.6 million. After the subscription, the interest of the Company in Welly Champ increases from 75.92% to 80.86%, whereas the interest of Welly Champ in Well Allied increases from 63.36% to 66.81%.