

MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00136)

I N T E R I M R E P O R T

2008

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Peter Temple Whitelam (*Chairman*)
Lo Yuen Wa Peter (*Acting Chief Executive Officer*)
Au Yeung Kai Chor
Lam Suk Ping

Independent Non-Executive Directors

Chan Sze Hung
Kristi L Swartz
Hui Wai Man, Shirley

COMPANY SECRETARY

Lo Yuen Wa Peter

QUALIFIED ACCOUNTANT

Lo Yuen Wa Peter

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor, Po Chai Industrial Building
28 Wong Chuk Hang Road
Aberdeen
Hong Kong

WEBSITE ADDRESS

www.mascotte.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia Limited,
Guang Zhou Branch

AUDITOR

Mazars CPA Limited

SHARE REGISTRARS

Bermuda

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

INTERIM RESULTS

The Board of Directors (the “Board”) of Mascotte Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008 – unaudited

		Six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited
		HK\$'000	and Restated)
			HK\$'000
	<i>Note</i>		
Turnover	3	221,038	265,030
Cost of sales		(217,630)	(257,927)
Gross profit		3,408	7,103
Other income		42,906	2,465
Selling and distribution costs		(4,222)	(5,036)
Administrative expenses		(22,463)	(22,853)
Gain on disposal of property, plant and equipment		2,852	10,131
Unrealised loss of financial assets at fair value through profit or loss		(89,330)	(20,004)
Finance costs		(11)	(2,292)
Loss before taxation	4	(66,860)	(30,486)
Income tax expense	5	(1,108)	(1,649)
Loss for the period		(67,968)	(32,135)
Attributable to:			
Equity holders of the Company		(67,676)	(32,422)
Minority interests		(292)	287
		(67,968)	(32,135)
Interim dividend	6	–	–
Loss per share			(Restated)
Basic	7	HK2.93 cents	HK5.12 cents

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2008 – unaudited*

	Note	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Non-current assets			
Investment properties	8	133,373	133,373
Property, plant and equipment		5,502	7,877
Prepaid lease payments		5,593	5,926
		144,468	147,176
Current assets			
Financial assets at fair value through profit or loss	10	158,665	173,928
Available for sale financial assets	11	20,000	–
Other receivables and prepayments		19,698	25,599
Inventories		8,459	8,100
Prepaid lease payments		653	653
Trade and bills receivables	12	45,418	28,541
Loan receivables	13	305,000	225,000
Income tax recoverable		22	22
Bank balances and cash		26,804	41,426
		584,719	503,269
Current liabilities			
Trade payables	14	19,783	13,467
Other payables and accrued charges		19,398	17,549
Income tax payable		10,491	9,908
		49,672	40,924
Net current assets		535,047	462,345
NET ASSETS		679,515	609,521
Capital and reserves			
Share capital	15	285,924	190,616
Reserves		390,483	415,505
Equity attributable to equity holders of the Company		676,407	606,121
Minority interests		3,108	3,400
Total equity		679,515	609,521

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008 – unaudited

	Attributable to Equity Holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Reserve fund HK\$'000	Enterprise expansion reserve HK\$'000	Retained (losses) profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2008	190,616	517,582	47,231	10,575	1,083	1,083	(162,049)	606,121	3,400	609,521
Issue of shares on rights issue, net of expenses	95,308	42,654	-	-	-	-	-	137,962	-	137,962
Net loss for the period	-	-	-	-	-	-	(67,676)	(67,676)	(292)	(67,968)
At 30 September 2008	285,924	560,236	47,231	10,575	1,083	1,083	(229,725)	676,407	3,108	679,515
At 1 April 2007	44,400	73,272	48,231	(2,313)	1,083	1,083	70,758	236,514	3,038	239,552
Exchange movement during the period	-	-	-	6,373	-	-	-	6,373	115	6,488
Placements of shares	16,976	59,416	-	-	-	-	-	76,392	-	76,392
Issue of shares under share options scheme	1,600	5,760	-	-	-	-	-	7,360	-	7,360
Issue of shares pursuant to conversions of Convertible Notes	31,250	93,750	-	-	-	-	-	125,000	-	125,000
Share issue expenses	-	(5,034)	-	-	-	-	-	(5,034)	-	(5,034)
Net loss for the period	-	-	-	-	-	-	(32,422)	(32,422)	287	(32,135)
At 30 September 2007	94,226	227,164	48,231	4,060	1,083	1,083	38,336	414,183	3,440	417,623

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT*For the six months ended 30 September 2008 – unaudited*

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited
	HK\$'000	and Restated)
		<i>HK\$'000</i>
Net cash used in operating activities	(57,243)	(221,226)
Net cash (used in) from investing activities	(95,341)	63,473
Net cash from financing activities	137,962	189,640
Net (decrease) increase in cash and cash equivalents	(14,622)	31,887
Cash and cash equivalents at beginning of the period	41,426	14,672
Cash and cash equivalents at end of the period, represented by bank balances and cash	26,804	46,559

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008 – unaudited

1. BASIS OF PREPARATION

The unaudited interim financial statements for the six months ended 30 September 2008 have been prepared in accordance with applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2008.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in preparing these interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31 March 2008. The new/revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, that are effective from the current period did not have any significant effect on the financial position or performance of the Group.

The Group has adopted the following new accounting policy during the current period:

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the income statement. Available for sale financial assets that do not have quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

The Group has not early adopted the new/revised HKFRS issued by the HKICPA that are not yet effective for the current period. The Group has already commenced an assessment of what the impact of these new/revised HKFRS is expected to be in the period of initial application but is not yet in a position to state whether they would have any significant impact on its results of operations and financial position.

3. SEGMENTS INFORMATION

For management purposes, the Group is currently organised into three operating divisions – trading of investments, manufacture and sales of goods and property investment (i.e. rental of properties). These divisions are the basis on which the Group reports its primary segment information.

Analysis of the Group's turnover and contribution to operating profit by business segments is as follows:

Business segments

	Six months ended 30 September 2008			
	Trading of investments (Unaudited) HK\$'000	Manufacture and sales of goods (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover				
To external customers	110,864	106,939	3,235	221,038
Segment results	(120,452)	10,035	1,984	(108,433)
Unallocated other income and gains				44,757
Unallocated expenses and losses				(3,173)
Finance costs				(11)
Loss before taxation				(66,860)
Income tax expense				(1,108)
Loss for the period				(67,968)

3. SEGMENTS INFORMATION (Continued)

	Six months ended 30 September 2007			
	Trading of investments (Unaudited and Restated) <i>HK\$'000</i>	Manufacture and sales of goods (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited and Restated) <i>HK\$'000</i>
Turnover				
To external customers	161,278	99,625	4,127	265,030
Segment results	(47,029)	8,014	1,985	(37,030)
Unallocated other income and gains				11,241
Unallocated expenses and losses				(2,405)
Finance costs				(2,292)
Loss before taxation				(30,486)
Income tax expense				(1,649)
Loss for the period				(32,135)

Geographical segments

The Group's sales of goods are principally carried out in Europe, United States of America, Hong Kong and other regions of the PRC. Property investment is carried out in Hong Kong and other regions of the PRC. Trading of investments is carried out in Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Six months ended 30 September	
	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited and Restated) <i>HK\$'000</i>
Europe	56,198	55,440
United States of America	20,702	16,662
Hong Kong	116,187	166,432
Other regions in the PRC	4,347	9,064
Others	23,604	17,432
	221,038	265,030

4. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	580	1,452
Impairment loss on receivables	-	3,000
Interest on borrowings from banks and a financial institution	-	2,292
Gain on disposal of property, plant and equipment	(2,852)	(10,131)
Release of prepaid lease payments	333	363
	333	363

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Hong Kong Profits Tax	900	1,000
Other regions in the PRC	208	649
	1,108	1,649

Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

6. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2008 (2007: Nil).

7. LOSS PER SHARE – BASIC

The calculation of basic loss per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Loss for the purpose of basic loss per share	(67,676)	(32,422)
	2008	2007
	No. of shares	(Restated) No. of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	2,310,566,027	633,325,744

No diluted earning/loss per share has been presented as there were no potential dilutive ordinary shares in issue during the six months period ended 30 September 2008 and 2007.

The weighted average number of ordinary shares adopted in the calculation of the basic loss per share for the period ended 30 September 2007 has been adjusted to reflect the impact of the rights issue effected in August 2008.

8. INVESTMENT PROPERTIES

In the opinion of the directors, the fair value of the Group's investment properties as at 30 September 2008 was not materially different from that as at 31 March 2008.

9. PLEDGE OF ASSETS

At 31 March 2008, the Group had the following pledges over its assets to secure banking facilities granted to the Group:

- (a) Investment properties with an aggregate carrying value of HK\$131,992,944.
- (b) Leasehold land and buildings with an aggregate carrying value of HK\$3,299,203.
- (c) Prepaid lease payments with an aggregate carrying value of HK\$6,578,997.

During the period, the above pledges have been released and the Group did not have any pledge over its assets as at 30 September 2008.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Investments held for trading – Equity securities, listed in Hong Kong	117,812	173,928
Investments designated upon initial recognition – Unlisted investments	40,853	–
	158,665	173,928

11. AVAILABLE FOR SALE FINANCIAL ASSETS

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Unlisted investments, at cost	20,000	–

No impairment loss has been provided in respect of the above financial assets.

12. TRADE AND BILLS RECEIVABLES

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Trade and bills receivables	53,405	36,626
Less: Allowances for doubtful debts	(7,987)	(8,085)
	45,418	28,541
Aged analysis of trade and bills receivables:		
Within 60 days	38,973	17,906
61-150 days	6,445	10,635
	45,418	28,541

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 60-150 days.

13. LOAN RECEIVABLES

	Notes	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Loan to Leadup Resources Investments Limited	(a)	160,000	200,000
Loan to independent third parties	(b)	145,000	25,000
		305,000	225,000

Notes:

- (a) In November 2007, a facility letter together with a supplementary facility letter were entered into between the Company and Leadup Resources Investments Limited (the "Borrower") pursuant to which the Company granted a term loan facility in an amount of HK\$200,000,000 to the Borrower. The loan is secured by the personal guarantee of the ultimate equity owner of the Borrower (the "Guarantor"). The original repayment date was on 19 May 2008 and interest was originally charged at the rate of 2.2% per annum. The repayment date has subsequently been extended for several times and interest rate adjusted upwards. Since the loan was granted, the Borrower has repaid a principal amount of HK\$40,000,000, interest of HK\$21,006,027 and extension fee of HK\$5,000,000.

On 5 December 2008, the Company entered into a deed of novation (the "Deed of Novation") with the Borrower, Mr. Zeng Jian (the "Guarantor") and Key Rise International Limited ("Key Rise") and pursuant to which a novated loan agreement (the "Novated Loan Agreement") is created. Under the Novated Loan Agreement, the loan is novated from the Borrower to Key Rise and the Guarantor executed a new guarantee in favour of the Company in support of the obligation and liabilities of Key Rise to the Company under the Novated Loan Agreement. Total amount of principal and interest outstanding at the date of novation was HK\$192,000,000.

On the same date, the Company entered into an amendment agreement to amend the Novated Loan Agreement with Key Rise (the "Amendment Agreement") and pursuant to which the repayment date of the Loan is extended from 4 December 2008 to 4 February 2009.

- (b) The loans are unsecured and repayable within one year. The interest rates of the loans range from HSBC prime rate minus 1% per annum to HSBC prime rate plus 6% per annum.
- (c) The directors assessed the collectability of the above loan receivables at the balance sheet date individually with reference to borrowers' past collection history, quality of the undertaking obtained and current creditworthiness. In the directors' opinion, no allowance for impairment loss was considered necessary.

14. TRADE PAYABLES

Aged analysis of trade payables:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Within 60 days	19,783	13,392
61-150 days	-	5
More than 150 days	-	70
	19,783	13,467

15. SHARE CAPITAL

Movement during the period in the share capital of the Company were as follows:

	At 30 September 2008 (Unaudited)		At 31 March 2008 (Audited)	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
At beginning of period/year	10,000,000,000	1,000,000	1,000,000,000	100,000
Increased during the period/year	–	–	9,000,000,000	900,000
At balance sheet date	10,000,000,000	1,000,000	10,000,000,000	1,000,000
Issued and fully paid:				
At beginning of period/year	1,906,160,100	190,616	444,000,100	44,400
Issue of shares on rights issue (Note)	953,080,050	95,308	–	–
Issue of shares under share option scheme	–	–	16,000,000	1,600
Placements of shares	–	–	196,160,000	19,616
Issue of shares pursuant to conversions of convertible notes	–	–	1,250,000,000	125,000
At balance sheet date	2,859,240,150	285,924	1,906,160,100	190,616

Note: On 1 August 2008, the Company issued 953,080,050 rights shares of HK\$0.1 each at HK\$0.15 per rights share on the basis of one rights share for every two existing shares held on record date (i.e. 9 July 2008) by qualifying shareholders.

16. CONNECTED/RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with connected/related parties:

(i) Transactions with ex-director's related companies:

Name of parties	Directors' interest	Nature of transactions	Six months ended 30 September	
			2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Techford Development Ltd	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	78	78
Wing Nin Trading Co., Ltd	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	–	96
Mascotte Investments Limited	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	858	–

Note: Ms. Chan Oi Ling, Maria Olimpia, an ex-director, resigned as a director of the Company on 7 April 2008.

16. CONNECTED/RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Transaction with a minority shareholder:

Name of party	Nature of transaction	Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
東莞市橋光實業集團公司 ("Dongguan City Qiao Guang Industrial Group Company")	Rental expense	514	470

Rental expenses represent amounts agreed with reference to the market rate between the respective management of the companies concerned.

17. POST BALANCE SHEET EVENTS

Other than as disclosed elsewhere in these financial statements, the following post balance sheet events are conducted:

(i) Disposal of a wholly-owned subsidiary

On 8 September 2008, Mascotte Group Limited ("MGL"), a wholly-owned subsidiary of the Company, Perfect Time Investments Limited ("Perfect Time"), Willie International Holdings Limited ("Willie") and the Company entered into a sales and purchases agreement ("the Agreement") in relation to disposal of Jet Star Industries Limited ("Jet Star") which is a wholly-owned subsidiary of MGL as at balance sheet date.

Pursuant to the Agreement, Perfect Time agreed to purchase and MGL agreed to sell 998 ordinary shares of HK\$1 each and 2 non-voting deferred share of HK\$1 each in the capital of Jet Star, representing the entire issued share capital of Jet Star and the assignment of the unsecured interest free loan of approximately HK\$35,000,000, which is payable on demand, owing by Jet Star to MGL for an aggregate consideration of HK\$112 million.

The consideration is satisfied by the allotment and issue of the 800,000,000 shares of HK\$0.1 each in the capital of Willie at an issue price of HK\$0.14. The disposal was completed in October 2008.

(ii) Subscription of Zero Coupon Convertible Notes ("Convertible Notes")

On 8 October 2008, Union Glory Finance Inc. ("Union Glory"), a wholly-owned subsidiary of MGL entered into a settlement arrangement with Unity Investments Holdings Limited ("Unity"), pursuant to which Unity agreed to issue and Union Glory agreed to accept the issue of the Convertible Notes in full and final settlement of the revolving loan facility in the principal amount of HK\$18 million advanced by Union Glory to Unity.

The holders of the Convertible Notes shall have the right to convert the outstanding principal amount of the Convertible Notes into ordinary shares to be issued by Unity at any time from date of issue of the Convertible Notes until the date 7 days before (and excluding) 24 November 2011 at HK\$0.132.

18. COMPARATIVE FIGURES

Certain comparative figures regarding turnover and cost of sales in the condensed consolidated income statement, condensed consolidated cashflow statements and turnover and segment information in note 3 have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months period ended 30 September 2008, the Group achieved a turnover of approximately HK\$221.0 million, representing a decrease of 16.6% when compared with the restated turnover for the previous corresponding period. The drop in turnover is primarily caused by the decrease in revenue attributable to the trading of investments during the period.

The increased loss for the current period is mainly caused by the increase in realized and unrealized losses of securities investment, which amounted to HK\$116.8 million as compared to HK\$47.0 million for the previous corresponding period. On the other hand, other income for the period has increased to HK\$42.9 million (2007: HK\$2.5 million), primarily brought about by interest income on loan receivables derived during the period of HK\$41.4 million; partially reducing the total loss for the period. The significant increase in interest income is, in turn, due to the high interest charged on the loan described in note 13(a) to the Condensed Consolidated Financial Statements.

Loss per share for the six months period ended 30 September 2008 was HK2.93 cents (2007: HK5.12 cents (restated)).

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2008 (2007: Nil).

BUSINESS REVIEW AND PROSPECTS

Manufacture and Sale of Photographic, Electrical and Multimedia Accessories

During this financial period, this segment's turnover increased from HK\$99.6 million to HK\$106.9 million, representing an increase of 7.3% as compared with last corresponding period.

Europe continued to be this segment's largest market, accounting for approximately 52.6% of this segment's turnover of this period (2007: 55.6%). Total export sales to Europe increased to HK\$56.2 million (2007: HK\$55.4 million), representing an increase of 1.4% as compared to that of the previous corresponding period. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market.

In terms of product category, the sale of accessories of photographic products recorded encouraging growth this period. The demand of the Group's photographic products remained strong and healthy and sales has increased to HK\$61.9 million, representing an increase of 44.9% over the previous corresponding period. Total sales of accessories electrical and multimedia products has, however, decreased to HK\$45.0 million, representing a decrease of 20.9% over the previous corresponding period.

Securities Investment

The global stock market downturn originally fuelled by the subprime mortgage crisis in the United States continued into the period under review with no signs of receding. In fact pessimism has exacerbated in recent months. Successive incidents of financial institutions in United States and Europe running into serious problems or even collapsing contributed to further and steeper deterioration in market sentiments in the last quarter of 2008. Locally, the equity market has dropped significantly by over 25% in the period under review as measured by the Hang Seng Index. As a direct consequence the Group suffered losses of HK\$116.8 million in respect of investment activities during the period, of which HK\$89.3 million are unrealized losses.

Property Investment

During the period property rental income amounted to HK\$3.3 million, a decrease of 22% from the corresponding period last year. Such decrease is caused by the disposal of certain properties during the second half of the last financial year. Subsequent to the period end the Group disposed of the investment property in Guangzhou via the disposal of Jet Star Industries Limited and as a result rental income will further decrease in the second half of the year.

Prospects

The global economy is currently experiencing its worst crisis in recent decades. Accordingly it remains uncertain whether the securities market has reached the point where a rebound can be expected to be forthcoming. Against this background the Group will exercise extreme caution and adopt a prudent approach in conducting its securities investment activities.

Regarding the Group's manufacturing activities, the management continues to focus on new revenue channels within the Group's core business of accessories for photographic, multimedia and electrical products. As predicted the photographic area business has picked up for the Group again and the Group has expanded the business with existing clients in this segment. This has helped us not only expand our overall business in the first six months of the year, but also make-up for shortfalls in the Electronic and Multimedia bag areas, where the business environment has taken a bit of a downturn – no new exciting products requiring bags – and the competition has been cut throat with less business for the industry overall. In September, Mascotte attended Photokina in Cologne, Germany, and got positive feedback from the industry. However, this was also the time when the US recession started to pan out to other markets. Respectively, the Group has taken a very conservative approach and outlook with cost cutting measures and process improvements to ride through the financial tsunami.

The flexible solar panel bag project had some setbacks due to the delay in merchantable panels from G24 Innovations. However, the Group remains confident that these products will have a good and unique potential even in poorer economic times and aims to ship the first mass produced products in this category in the first quarter of 2009. On the other hand, the Group signed a license agreement with Samsonite Corporation to manufacture and distribute Samsonite branded bags for the photographic, audio, mobile and game industry in various countries in Asia Pacific for three years starting July 2008. The Group received a good market reaction from trade buyers for the products developed under this brand and with shipments starting in fourth quarter of 2008 will gain a stronger foothold in the Asian market.

Despite the losses incurred during the period the Group's financial position remains solid with strong liquidity and no outstanding bank borrowings. Recognising the challenging economic environment surrounding us, the Group is adopting a cautious approach in conducting its business and is exercising strict control over operating costs. At the same time the Group remains committed to its diversification strategy aiming to invest in suitable projects to broaden the Group's long term sustainable income base; and is currently working on a potential investment opportunity in coal mines which fits well into this strategy.

LIQUIDITY AND CAPITAL RESOURCES

During the period under review the Company completed a rights issue of 953,080,050 shares raising net proceeds of approximately HK\$138 million.

As at 30 September 2008, the Group recorded a total bank balances and cash of HK\$26.8 million (as at 31 March 2008 of HK\$41.4 million). Moreover, the Group had current assets of HK\$584.7 million (as at 31 March 2008 of HK\$503.3 million). The Equity attributable to equity holders of the Company was of HK\$676.4 million (as at 31 March 2008 of HK\$606.1 million). The Group had no outstanding bank borrowing as at 30 September 2008 and 31 March 2008.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at the balance sheet date.

CURRENCY RISK MANAGEMENT

The majority of the Group's assets are held in Hong Kong Dollars with no foreign exchange exposure. The Group's manufacturing business has its largest sale market Europe, which alone accounts for around 52.6% of the Group's sales turnover. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting US Dollar quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2008, the Group had more than 800 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employee based on their work performance and with reference to prevailing condition of labor markets.

DIRECTORS' INTERESTS IN SECURITIES

At the 30 September 2008, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in issued shares and underlying shares

Name	Capacity	Number of Shares	Percentage of shareholding (approximate)
Mr. Lam Suk Ping	Beneficial owner	3,000,000	0.1%

Note: Mr. Lam Suk Ping is an executive director of the Company

Save as disclosed above, as at 30 September 2008, none of the directors nor their associates had any interests or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed companies.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the following persons (other than directors or chief executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital:

Long position in issued shares and underlying shares

Name of Shareholder	Capacity	Number of Shares	Percentage of shareholding (approximate)
Unity Investments Holdings Limited (Note 1)	Interest of Controlled Corporation	174,273,000	6.10%
Willie International Holdings Limited (Note 2)	Interest of Controlled Corporation	146,336,000	5.12%
Freeman Corporation Limited (Note 3)	Interest of Controlled Corporation	143,076,000	5.00%

Notes:

- (1) Unity Investments Holdings Limited (stock code: 913), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Gufalore Investments Limited, and its indirect wholly-owned subsidiary, Great Panorama International Limited, a direct wholly-owned subsidiary of Gufalore Investments Limited.
- (2) Willie International Holdings Limited (stock code: 273), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its direct wholly-owned subsidiary, Pearl Decade Limited.
- (3) Freeman Corporation Limited (stock code: 279), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Asia Hunter Global Limited, and its indirect wholly-owned subsidiary, Smart Jump Corporation, a direct wholly-owned subsidiary of Asia Hunter Global Limited.

Save as disclosed above, as at 30 September 2008, no persons (other than directors or chief executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months period ended 30 September 2008.

CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the six months period ended 30 September 2008 except that Code Provision A.4.1 provides that non-executive directors should be appointed for specific terms, subject to re-election. The independent non-executive directors ("INEDs") of the Company are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to Bye-law 87(1) of the current Bye-laws of the Company, each director shall be subject to retirement by rotation at least once every three years at the annual general meeting. This means that the terms of appointment of the directors, including INEDs, cannot exceed three years.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). On specific enquiries made, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive directors, namely Ms. Hui Wai Man, Shirley, Mr. Chan Sze Hung and Ms. Kristi L Swartz.

The unaudited interim financial statements for the six months period ended 30 September 2008 of the Group have been reviewed by the audit committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises three independent non-executive directors, namely Ms. Hui Wai Man, Shirley, Mr. Chan Sze Hung and Ms. Kristi L Swartz. The Remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the directors and senior management and providing advice and recommendation to the directors of the Company.

BOARD OF DIRECTORS

As at the date of this report, the Executive Directors of the Company are Mr. Peter Temple Whitelam (Chairman), Mr. Lo Yuen Wa Peter (Acting Chief Executive Officer), Mr. Au Yeung Kai Chor and Mr. Lam Suk Ping; and the Independent Non-executive Directors of the Company are Mr. Chan Sze Hung, Ms. Kristi L Swartz and Ms. Hui Wai Man, Shirley.

On Behalf of the Board
Peter Temple Whitelam
Chairman

Hong Kong, 23 December 2008