

The directors of United Power Investment Limited (the "Company") are pleased to present the interim report and condensed accounts for the six-months ended 30th September 2000 of the Company and its subsidiaries (the "Group"). The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses for the Group for the six months ended 30th September 2000, and the consolidated balance sheet as at 30th September 2000 of the Group all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 6 to 14 of this report.

Management discussion and analysis

Consolidated results

The turnover of the Group for the six months ended 30th September 2000 was HK\$38.3 million representing a decrease of 23% compared to the same period last year. The decrease was mainly due to the termination of some unprofitable restaurants which in the same period last year contributed HK\$15 million to the Group's turnover. A loss of HK\$1.1 million was recorded against a loss of HK\$12.5 million in the previous period. The loss was significantly reduced mainly due to the decrease of finance costs of HK\$4 million and a reduction in operating expenses of HK\$8.5 million.

Restaurant operations

The management has closed down some of the loss making restaurants of the Group in order to preserve shareholders' value in view of weak market sentiment. The Group's Causeway Bay Branch was closed on 31st March 2000. The Group's Carnavon Road Branch also ceased operation in mid-July 2000, and this property was subsequently leased to a third party in November 2000.

The Star House Branch recorded a 6% growth in turnover during this period. The Universal Building Branch in Sheung Wan was temporarily closed for renovation.

Prospect

Since the change in management at the beginning of the year, the Group has already embarked on a downsizing exercise whereby most of the loss making branches are closed. While it has impacted negatively on the Group's turnover, yet on the other hand, the loss attributable to shareholders are also reduced substantially.

In the days ahead, the management will continue its effort in keeping costs under control while at the same time looking for new opportunities. The investment in Opal Technologies, Inc. ("Opal") represents the Group's first move towards the diversification of our business. The Group is now already monitoring the operation of Opal closely and it is believed that Opal is going to commence commercial production of its organic granule fertilizer by spring next year. The management is positive in respect of the operation of Opal.

Liquidity and financial resources

The Group mainly finances its operations with internally generated resources and banking facilities. As at 30th September 2000, the Group had total bank borrowings of about HK\$19 million which were repayable within one year.

Details of the charges on Group's assets

At 30th September 2000, the net book value of leasehold land and buildings pledged as security for the Group's bank loan amounted to HK\$49,450,000 (1999: HK\$50,000,000).

Purchase, sale and redemption of shares

The Company had not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period.

Dividend

The directors have resolved not to pay an interim dividend for the six months ended 30th September 2000.

Directors' interests in equity or debt securities

At 30th September 2000, the beneficial interests of the directors and chief executives of the Company in the share capital of the Company or any of its associated corporations which were notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to section 28 or section 31 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or were required, pursuant to section 29 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies, to be entered in the register referred to therein were as follows:

| Name | Types of interest | Number of shares in the Company |
|----------------------------|----------------------------------------|--------------------------------------------|
| Mr. Sy Ching Tang, Timothy | Corporate (<i>Note 1</i>) | 450,000,000 |
| Mr. Kwan Ming Kau, Cary | Corporate (<i>Note 1</i>) | 450,000,000 |
| Ms. Ma Shuk Kam | Corporate and family (<i>Note 2</i>) | 456,864,000 |

Notes:

- (1) These shares were held by World Possession Assets Limited, which is beneficially owned by Mr. Sy Ching Tang, Timothy, Mr. Kwan Ming Kau, Cary and Ms. Ma Shuk Kam in equal shares.
- (2) 450,000,000 shares were held by World Possession Assets Limited as mentioned in Note (1) above and the balance of 6,864,000 shares were held by the spouse of Ms. Ma Shuk Kam.

Save as disclosed above, and other than certain nominee shares in subsidiaries held by a director in trust for the Group as at 30th September 2000, none of the directors and chief executives of the Company had any interests in the equity or debt securities of the Company and its associated corporation which had been entered in the register kept by the Company pursuant to section 29 of the SDI Ordinance.

Directors' right to acquire shares or debentures

Under a share option scheme (the "Scheme") approved on 2nd January 1991 by the shareholders of the Company, the directors may, at their discretion, grant options to directors and employees of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

As at 30th September 2000, details of options granted to the directors and chief executives of the Company or their associates under the Scheme were as follows:

| Name | Number of shares issuable under the option |
|--------------------------------|-------------------------------------------------------|
| Mr. Sy Ching Tang, Timothy | 10,000,000 |
| Mr. Kwan Ming Kau, Cary | 10,000,000 |
| Ms. Ma Shuk Kam and her spouse | 20,000,000 |
| Mr. Cheng Kai Sum | 10,000,000 |

Each option shall be exercised at a price of HK\$0.58 per share as follows:

- (i) not exceeding 40% in aggregate from 1st August 2000 to 31st July 2001;
- (ii) thereafter, not exceeding 70% in aggregate on or before 31st July 2002; and
- (iii) up to 100% in aggregate thereafter until 31st July 2005.

Save as mentioned above, at no time during the period was the Company, its subsidiaries or its holding companies a party to any arrangements to enable the directors of the Company or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholder

As at 30th September 2000, save the interests of the directors of the Company disclosed above, according to the register of interests required to be kept by the Company under section 16(1) of the SDI Ordinance, the shareholder who was interested in 10 percent or more of the issued share capital of the Company was as follow:

| Name | Number of shares |
|---------------------------------|-------------------------|
| World Possession Assets Limited | 450,000,000 |

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the directors, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules throughout the six months ended 30th September 2000 except that the non-executive directors are not appointed for a specific term. However, they are subjected to retirement by rotation in annual general meetings of the Company in accordance with the Company's Bye-laws.

Audit Committee

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September 2000.

By order of the Board
Cheng Kai Sum
Director

Hong Kong, 21st December 2000

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

| | | Unaudited | |
|------------------------------------------------------------------------------------------------|-------------|-----------------------------|---------------------|
| | | For the six months | |
| | | ended 30th September | |
| | <i>Note</i> | 2000 | 1999 |
| | | <i>HK\$</i> | <i>HK\$</i> |
| Turnover | 2 | 38,323,099 | 49,978,798 |
| Cost of sales | | (16,871,265) | (23,950,563) |
| Gross profit | | 21,451,834 | 26,028,235 |
| Other revenues | | 2,610,739 | 207,048 |
| Operating expenses | | (24,300,852) | (32,763,373) |
| Written back of provision for diminution in value on investment in an associated company | | – | 8,250,478 |
| Operating (loss)/profit | 3 | (238,279) | 1,722,388 |
| Finance costs | | (895,313) | (4,844,709) |
| Share of losses of associated companies | | – | (9,303,223) |
| Loss before taxation | | (1,133,592) | (12,425,544) |
| Taxation | 4 | – | (127,179) |
| Loss attributable to shareholders | | <u>(1,133,592)</u> | <u>(12,552,723)</u> |
| Loss per share | 5 | <u>(0.10) cent</u> | <u>(1.65) cents</u> |

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2000 AND 31ST MARCH 2000

| | | Unaudited | Audited |
|--------------------------------------------------|-------------|-----------------------|--------------------|
| | | As at | As at |
| | <i>Note</i> | 30th September | 31st March |
| | | 2000 | 2000 |
| | | <i>HK\$</i> | <i>HK\$</i> |
| Fixed assets | | 184,415,431 | 186,789,229 |
| Investments in unlisted convertible note | 6 | 78,000,000 | – |
| Current assets | | | |
| Inventories | | 3,086,716 | 3,605,743 |
| Accounts receivable, deposits and prepayments | 7 | 6,047,236 | 6,464,125 |
| Tax recoverable | | 1,308,843 | 1,308,843 |
| Bank balances and cash | | 3,714,129 | 120,335,011 |
| | | <u>14,156,924</u> | <u>131,713,722</u> |
| Current liabilities | | | |
| Accounts payable and accrued charges | 8 | 13,172,989 | 33,852,406 |
| Taxation payable | | 31,720 | 31,720 |
| Bank loans, secured | | 19,282,500 | 29,418,600 |
| Bank overdrafts, secured | | – | 9,981,487 |
| | | <u>32,487,209</u> | <u>73,284,213</u> |
| Net current (liabilities)/ assets | | <u>(18,330,285)</u> | <u>58,429,509</u> |
| | | <u>244,085,146</u> | <u>245,218,738</u> |
| Financed by: | | | |
| Share capital | 9 | 54,700,000 | 54,700,000 |
| Reserves | 10 | 189,385,146 | 190,518,738 |
| Shareholders' funds | | <u>244,085,146</u> | <u>245,218,738</u> |

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

| | Unaudited | |
|------------------------------------------------------------------------------------|-----------------------------|---------------------|
| | For the six months | |
| | ended 30th September | |
| | 2000 | 1999 |
| | <i>HK\$</i> | <i>HK\$</i> |
| Net cash outflow from operating activities | _(19,001,453) | _(4,448,392) |
| Net cash inflow/ (outflow) from returns on investments and servicing of finance | 1,141,326 | _(4,814,461) |
| Total tax paid | - | _(127,179) |
| Net cash (outflow)/inflow from investing activities | _(78,643,168) | 2,459,652 |
| Net cash outflow before financing | _(96,503,295) | _(6,930,380) |
| Net cash (outflow)/inflow from financing | _(10,136,100) | 1,165,511 |
| Decrease in cash and cash equivalents | (106,639,395) | (5,764,869) |
| Cash and cash equivalents at 1st April | 110,353,524 | (37,235,613) |
| Cash and cash equivalents at 30th September | <u>3,714,129</u> | <u>(43,000,482)</u> |
| Analysis of the balances of cash and cash equivalents: | | |
| Bank balances and cash | 3,714,129 | 1,787,870 |
| Bank overdrafts | - | (19,355,190) |
| Trust receipt loans | - | (25,433,162) |
| | <u>3,714,129</u> | <u>(43,000,482)</u> |

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000**

| | Unaudited | |
|---------------------------------------------------------|-----------------------------|--------------------|
| | For the six months | |
| | ended 30th September | |
| | 2000 | 1999 |
| | <i>HK\$</i> | <i>HK\$</i> |
| Revaluation surplus on investment properties | – | 600,000 |
| Net revaluation surplus on leasehold properties | – | 10,300,000 |
| Net gains not recognised in the profit and loss account | – | 10,900,000 |
| Loss for the period | (1,133,592) | (12,552,723) |
| | <u>(1,133,592)</u> | <u>(1,652,723)</u> |

NOTES:

1 Accounting policies

These unaudited consolidated condensed interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2000.

2 Turnover

The Group is principally engaged in restaurant operations.

An analysis of the Group's turnover and contribution to operating loss for the period by principal markets is as follows:

| | Turnover | | Operating (loss)/profit | |
|----------------------------------------------------------|-------------------------|-------------------|--------------------------------|------------------|
| | Six months ended | | Six months ended | |
| | 30th September | | 30th September | |
| | 2000 | 1999 | 2000 | 1999 |
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Principal markets: | | | | |
| Hong Kong | 32,390,895 | 44,535,432 | 48,898 | 2,943,299 |
| The People's Republic of China excluding Hong Kong | 5,932,204 | 5,443,366 | (287,177) | (1,220,911) |
| | <u>38,323,099</u> | <u>49,978,798</u> | <u>(238,279)</u> | <u>1,722,388</u> |

No analysis of the Group's turnover and contribution to operating loss after finance costs for the period by principal activities has been prepared as less than 10% of such amounts are derived from activities other than restaurant operations.

3 Operating (loss)/profit

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

| | For the six months ended 30th September | |
|-------------------------------------------------------------|----------------------------------------------------|---------------|
| | 2000 | 1999 |
| | <i>HK\$</i> | <i>HK\$</i> |
| Crediting | | |
| Net exchange gain | 91,837 | — |
| Interest income on convertible note | 1,491,943 | — |
| Bank interest income | <u>544,696</u> | <u>30,248</u> |
| Charging | | |
| Depreciation of fixed assets | 2,679,896 | 1,203,659 |
| Staff costs | 11,301,504 | 16,584,382 |
| Operating lease rentals in respect of land and buildings | 637,172 | 2,449,029 |
| Outgoings in respect of investment properties | 3,344 | 3,554 |
| Fixed assets written off | 337,070 | 1,574 |
| Net exchange loss | <u>—</u> | <u>61,832</u> |

4 Taxation

No provision for Hong Kong profits tax has been made in the accounts as the company has no estimated assessable profits for the period. The taxation charge for the six months period ended 30th September 1999 represented an under-provision of taxation in prior years.

The Group's subsidiary in the People's Republic of China excluding Hong Kong (the "PRC") has not made any assessable income and accordingly no provision for PRC taxation has been made in the accounts.

5 Loss per share

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$1,133,592 (1999: HK\$12,552,723) and the weighted average number of 1,094,000,000 (1999: 760,000,000) ordinary shares in issue during the period.

The exercise of outstanding share options would have an anti-dilutive effect on the basic loss per share and accordingly, no diluted loss per share for the period is presented.

6 Investments in unlisted convertible note

On 7th April 2000, Marlborough Gold Limited ("MGL"), a wholly-owned subsidiary of the Company, subscribed for a 4% convertible note ("Note") of Opal Technologies Inc., for a principal amount of US\$10 million at par for cash consideration.

The Note will be due on 9th April 2003. MGL may convert all or part of the Note up to the principal amount into fully paid shares of common stock of US\$0.001 par value of Opal at US\$0.20 per share (subject to adjustment) after 10th October 2000.

7 Accounts receivable, deposits and prepayments

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

| | 0-30 days <i>HK\$</i> | 31-60 days <i>HK\$</i> | 61-90 days <i>HK\$</i> | 91-120 days <i>HK\$</i> | Over 120 days <i>HK\$</i> | Total <i>HK\$</i> |
|--------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------|
| Balance at 30th September 2000 | <u>849,322</u> | <u>45,578</u> | <u>190,642</u> | <u>51,368</u> | <u>164,982</u> | <u>1,301,892</u> |
| Balance at 31st March 2000 | <u>1,344,141</u> | <u>377,024</u> | <u>65,807</u> | <u>-</u> | <u>158,603</u> | <u>1,945,575</u> |

The Group has a defined credit policy. The general credit term is 30-60 days.

8 Accounts payable and accrued charges

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

| | 0-30 days <i>HK\$</i> | 31-60 days <i>HK\$</i> | 61-90 days <i>HK\$</i> | 91-120 days <i>HK\$</i> | Over 120 days <i>HK\$</i> | Total <i>HK\$</i> |
|--------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------|
| Balance at 30th September 2000 | <u>2,031,331</u> | <u>–</u> | <u>22,925</u> | <u>–</u> | <u>82,381</u> | <u>2,136,637</u> |
| Balance at 31st March 2000 | <u>4,338,383</u> | <u>3,707,569</u> | <u>–</u> | <u>5,000</u> | <u>99,549</u> | <u>8,150,501</u> |

9 Share capital

Ordinary shares of HK\$0.05 each

No. of shares *HK\$*

Authorised:

At 1st April 2000 and
30th September 2000

2,000,000,000 100,000,000

Issued and fully paid:

At 1st April 2000 and
30th September 2000

1,094,000,000 54,700,000

- (a) Pursuant to the Company's share option scheme (the "Scheme") adopted on 2nd January 1991, the directors of the Company may at their discretion grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The Scheme will remain in force for a period of ten years from the date of its adoption.
- (b) On 26th April 2000, options to subscribe for 64,800,000 ordinary shares of the Company were granted to certain directors and employees of the Group under the Scheme. The option holders are entitled to exercise their options at a price of HK\$0.58 per share. The share options are exercisable from 1st August 2000 to 31st July 2005. As at 30th September 2000, none of the above options was exercised.

10 Reserves

| | Share premium HK\$ | Contribution surplus HK\$ | Investment properties revaluation reserve HK\$ | Other properties revaluation reserve HK\$ | Exchange reserve HK\$ | Accumulated losses HK\$ | Total HK\$ |
|------------------------------------|--------------------------|---------------------------------|------------------------------------------------------------|-------------------------------------------------------|-----------------------------|-------------------------------|--------------------|
| At 1st April 2000 | 292,970,216 | 28,784,000 | 1,413,120 | 103,863,640 | 529,522 | (237,041,760) | 190,518,738 |
| Loss for the period | - | - | - | - | - | (1,133,592) | (1,133,592) |
| At 30th September 2000 | <u>292,970,216</u> | <u>28,784,000</u> | <u>1,413,120</u> | <u>103,863,640</u> | <u>529,522</u> | <u>(238,175,352)</u> | <u>189,385,146</u> |
| At 1st April 1999 | 86,670,216 | 28,784,000 | 813,120 | 89,672,989 | 529,522 | (189,699,800) | 16,770,047 |
| Net surplus arising on revaluation | - | - | 600,000 | 10,300,000 | - | - | 10,900,000 |
| Loss for the year | - | - | - | - | - | (12,552,726) | (12,552,726) |
| At 30th September 1999 | <u>86,670,216</u> | <u>28,784,000</u> | <u>1,413,120</u> | <u>99,972,989</u> | <u>529,522</u> | <u>(202,252,526)</u> | <u>15,117,321</u> |

11 Commitments

(a) Capital commitments

At 30th September 2000, the Group had the following capital commitments contracted but not provided for in respect of:

| | As at 30th September 2000 HK\$ | As at 31st March 2000 HK\$ |
|-----------------|--------------------------------------------------|----------------------------------------------|
| Renovation cost | <u>479,284</u> | <u>756,145</u> |

(b) Commitments under operating leases

At 30th September 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

| | As at 30th September 2000 HK\$ | As at 31st March 2000 HK\$ |
|---------------------------------------|--------------------------------------------------|----------------------------------------------|
| Within one year | 3,132,751 | 27,000 |
| In the second to fifth year inclusive | 1,299,852 | 5,308,320 |
| | <u>4,432,603</u> | <u>5,335,320</u> |