

**UNITED POWER
INVESTMENT LIMITED**

(Incorporated in Bermuda with limited liability)



**INTERIM REPORT
2001/2002**

The directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 30th September 2001. The consolidated results and consolidated cash flow statement for the six months ended 30th September 2001, and the consolidated balance sheet as at 30th September 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 5 to 12 of this report.

Management discussion and analysis

Consolidated results

The turnover of the Group for the six months ended 30th September 2001 was HK\$19.2 million representing a decrease of 50% compared to the same period last year. The decrease was mainly due to the closure of some unprofitable restaurants which in the same period last year contributed HK\$14.5 million to the Group's turnover. A loss of HK\$2.0 million was recorded against a loss of HK\$1.1 million in the previous period. The loss slightly increased mainly due to the decrease of interest income of HK\$1.9 million and the costs for the closure of a restaurant operation in the PRC of HK\$2.0 million.

Restaurant operations

The management has closed down a loss making restaurant in the PRC in order to preserve shareholders' value. The business of the Star House Branch is stable and profitable.

Prospect

The Group has completed its downsizing exercise and closed all the loss making restaurants of the Group. The current principal activities of the Group are restaurant operation and property investment. The Group's financial position is strong with net asset value of HK\$156 million and low bank borrowings. The management will look for good business opportunities.

The investment in the convertible note of Opal Technologies Inc. ("Opal") is unsuccessful. A full provision of HK\$78 million has been made for the investment. Opal has defaulted in payment of interest on the note since the second quarter of 2001 and its audited accounts for the year ended 31st December 2000 have not been filed with the Securities and Exchange Commission of the United States of America. The management will take necessary actions to recover the outstanding amount from Opal.

As announced on 21st November, 2001, the Company has decided to form a joint venture with an independent third party to bid for a licence to operate gambling establishment in Macau. The Company will have 30% interest in the joint venture. If the joint venture should succeed in the bid, the Company's contribution to the joint venture will be about HK\$60 million. The joint venture may or may not succeed in the bid. Further announcement on the bid will be made as appropriate.

Liquidity and financial resources

The Group finances its operations with internally generated resources and banking facilities. During the period, the Group had repaid HK\$5.7 million bank loans. As at 30th September, 2001, the Group had total bank borrowings of HK\$12.0 million which were repayable within one year.

Details of the charges on group assets

At 30th September 2001, the net book value of investment properties and leasehold land and buildings pledged as security for the Group's bank loans amounted to HK\$124,175,000 (2000: HK\$49,450,000).

Purchase, sale or redemption of shares

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

Directors' interests in equity or debt securities

At 30th September 2001, the beneficial interests of the directors and chief executive in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company under section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Ordinary shares of HK\$0.05 each in the Company

Name	Types of interest	Number of shares
Ms. Ma Shuk Kam	Corporate (<i>Note</i>)	450,000,000
Mr. Kwan Ming Kau, Cary	Corporate (<i>Note</i>)	450,000,000

Note: These shares are held by World Possession Assets Limited in which each of Ms. Ma Shuk Kam and Mr. Kwan Ming Kau, Cary has 1/3 interest.

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 2001, none of the directors and chief executive of the Company (including their spouse and children under 18 years of age) had any interests in the equity or debt securities of the Company and its associated corporation (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Share options in the Company

Pursuant to the Company's share option scheme (the "Scheme"), which became effective on 2nd January 1991, the directors of the Company might 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 expired on 1st January 2001.

At 30th September 2001, particulars of outstanding share options granted were as follows:

Name	Date of grant	Exercise price HK\$	Balance outstanding as at 1st April 2001	Options lapsed during the period	Balance outstanding as at 30th September 2001	Exercisable period
Mr. Kwan Ming Kau, Cary	26th April 2000	0.58	10,000,000	-	10,000,000	1st August 2000 to 31st July 2005
	29th December 2000	0.26	5,000,000	-	5,000,000	29th December 2000 to 31st July 2005
Ms. Ma Shuk Kam and her spouse	26th April 2000	0.58	20,000,000	(10,000,000)	10,000,000	1st August 2000 to 31st July 2005
	29th December 2000	0.26	5,000,000	-	5,000,000	29th December 2000 to 31st July 2005
Mr. Liu Yu Mo	26th April 2000	0.58	2,000,000	-	2,000,000	1st August 2000 to 31st July 2005
	29th December 2000	0.26	2,000,000	-	2,000,000	29th December 2000 to 31st July 2005

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

Substantial shareholder

At 30th September 2001, according to the register of interests required to be kept by the Company under section 16(1) of the SDI Ordinance, save for the interests of the directors disclosed above, the shareholder who was interested in 10 percent or more of the issued share capital of the Company was as follows:

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the six months ended 30th September 2001 except that the non-executive directors were 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 management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September 2001 with the directors.

By order of the Board
Liu Yu Mo
Director

Hong Kong, 27th November 2001

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001

		Unaudited	
		Six months ended	
		30th September	
	<i>Note</i>	2001	2000
		<i>HK\$</i>	<i>HK\$</i>
Turnover			
Continuing operations		17,795,762	32,656,245
Discontinued operations	2	<u>1,398,289</u>	<u>5,932,204</u>
		19,194,051	38,588,449
Cost of sales		<u>(7,403,312)</u>	<u>(16,871,265)</u>
Gross profit		11,790,739	21,717,184
Other revenues		691,344	2,345,389
Operating expenses		<u>(13,963,061)</u>	<u>(24,300,852)</u>
Operating profit/ (loss) from operations	3		
Continuing operations		442,971	48,898
Discontinued operations		<u>(1,923,949)</u>	<u>(287,177)</u>
		(1,480,978)	(238,279)
Finance costs		<u>(511,681)</u>	<u>(895,313)</u>
Loss for the period	2	<u><u>(1,992,659)</u></u>	<u><u>(1,133,592)</u></u>
Loss per share	5	<u><u>(0.18) cent</u></u>	<u><u>(0.10) cent</u></u>

A condensed consolidated statement of recognised gains and losses is not presented as the only component in which is the loss for the period

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30TH SEPTEMBER 2001 AND 31ST MARCH 2001

	<i>Note</i>	Unaudited as at 30th September 2001 HK\$	Audited as at 31st March 2001 HK\$
Fixed assets	6	173,849,566	175,477,794
Investment in convertible note	7	–	–
Current assets			
Inventories		1,267,660	2,676,300
Accounts receivable, deposits and prepayments	8	1,856,362	5,245,036
Tax recoverable		873,971	685,222
Bank balances and cash		3,834,723	6,615,273
		<u>7,832,716</u>	<u>15,221,831</u>
Current liabilities			
Accounts payable and accrued charges	9	13,110,146	14,416,930
Taxation		7,845	7,845
Bank loans, secured		12,004,600	17,722,500
		<u>25,122,591</u>	<u>32,147,275</u>
Net current liabilities		<u>(17,289,875)</u>	<u>(16,925,444)</u>
Total assets less current liabilities		<u>156,559,691</u>	<u>158,552,350</u>
Financed by:			
Share capital	10	54,700,000	54,700,000
Reserves	11	101,859,691	103,852,350
Shareholders' funds		<u>156,559,691</u>	<u>158,552,350</u>

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001

	Unaudited	
	Six months ended	
	30th September	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Net cash inflow/(outflow) from operating activities	2,778,216	(18,289,510)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(449,558)	429,383
Total taxation paid	(188,749)	–
Net cash inflow/(outflow) from investing activities	797,441	(78,643,168)
Net cash outflow from financing	(5,717,900)	(10,136,100)
Decrease in bank balances and cash	(2,780,550)	(106,639,395)
Bank balances and cash at 1st April	6,615,273	110,353,524
Bank balances and cash at 30th September	<u>3,834,723</u>	<u>3,714,129</u>

UNITED POWER INVESTMENT LIMITED
NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

These interim accounts should be read in conjunction with the 2001 annual accounts.

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 2001, except that the Group has changed certain of its accounting policies following its adoption of the following SSAP issued by the Hong Kong Society of Accountants which became effective during the year:

- (a) SSAP 14 (revised) "Leases"

In Note 12(b) to these condensed interim accounts the Group has disclosed operating lease commitments under the revised SSAP 14 which requires the disclosure of the aggregate future minimum lease payments. This is a change from the previous SSAP 14 which only required disclosure of minimum lease payment payable in the next twelve months.

(b) SSAP 26 "Segment reporting"

In Note 2 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

(c) SSAP 30 "Business combinations"

In accordance with SSAP 30, goodwill arising on acquisition of subsidiaries and associated companies occurring on or after 1st January 2001 is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions, which occurred prior to 1st January 2001, was taken directly to reserves. The change in accounting policy has no effect to the accounts for the period.

2 Turnover and segment information

The Group is principally engaged in restaurant operations and property investment. With effect from 1st April 2001, the directors regard property investment be one of the principal activities of the Group. Certain comparative figures have been reclassified accordingly.

An analysis of the Group's turnover and contribution to operating results by principal activities and geographic locations are as follows:

By principal activities:

	Turnover		Contribution to operating results	
	Six months ended		Six months ended	
	30th September		30th September	
	2001	2000	2001	2000
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Continuing operations:				
– restaurant operations in Hong Kong	16,945,762	32,390,895	1,158,682	(1,904,669)
– rental income	850,000	265,350	576,248	261,366
Discontinued operations:				
– restaurant operations in Mainland China	1,398,289	5,932,204	(1,923,949)	(287,177)
	<u>19,194,051</u>	<u>38,588,449</u>		
Net interest income			127,505	2,033,481
Group finance cost			(511,681)	(895,313)
Group overheads			(1,419,464)	(341,280)
			<u>(1,992,659)</u>	<u>(1,133,592)</u>

By geographic locations:

	Turnover		Contribution to operating results	
	Six months ended		Six months ended	
	30th September		30th September	
	2001	2000	2001	2000
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	17,795,762	32,656,245	(68,710)	(846,415)
Mainland China	1,398,289	5,932,204	(1,923,949)	(287,177)
	<u>19,194,051</u>	<u>38,588,449</u>	<u>(1,992,659)</u>	<u>(1,133,592)</u>

3 Operating loss

Operating loss is stated after crediting and charging the following:

	Six months ended 30th September	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Crediting		
Gain on disposal of fixed assets	73,633	–
Net exchange gain	–	91,837
Interest income on convertible note	67,096	1,491,943
Bank interest income	62,123	544,696
	<u> </u>	<u> </u>
Charging		
Depreciation of fixed assets	925,062	2,679,896
Staff costs	5,852,399	11,301,504
Operating lease rentals in respect of land and buildings	343,778	637,172
Outgoings in respect of investment properties	41,995	3,344
Fixed assets written off	136,309	337,070
Inventories written off	759,709	–
Provision for closure costs of a restaurant operation	2,040,134	–
Net exchange loss	232,979	–
	<u> </u>	<u> </u>

Provision for closure costs of restaurant operation included fixed assets written off amounted to HK\$585,769.

4 Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group has no estimated assessable profits for the period.

The Group's subsidiaries in Mainland China (the "PRC") have 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 basic loss per share is based on the Group's loss attributable to shareholders of HK\$1,992,659 (2000: HK\$1,133,592) and the weighted average of 1,094,000,000 (2000: 1,094,000,000) ordinary shares in issue during the period.

No diluted loss per share is disclosed as the exercise of the Company's share options would not have a dilutive effect on the loss per share.

6 Capital expenditure

	Fixed assets
	<i>HK\$</i>
Six months ended 30th September 2001	
Opening net book amount	175,477,794
Additions	59,723
Fixed assets written off	(722,078)
Disposals	(40,811)
Depreciation	(925,062)
	<u> </u>
Closing net book amount	<u>173,849,566</u>

7 Investment in convertible note

	Unaudited as at 30th September 2001 HK\$	Audited as at 31st March 2001 HK\$
Convertible note, at cost	78,000,000	78,000,000
Provision for diminution in value	(78,000,000)	(78,000,000)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

This represents a 4% convertible note of Opal Technologies Inc. ("Opal") for a principal amount of US\$10 million (the "Note") at par for cash consideration. Opal is engaged in the manufacturing, trading and distribution of organic fertilisers and its shares are traded on the NASDAQ Bulletin Board in the United States of America. The Note is unsecured, interest bearing at 4% per annum payable quarterly in arrears and due on 9th April 2003.

Pursuant to the agreement, the Note is convertible, in whole or in part, into fully paid shares of common stock of Opal (par value US\$0.001) at US\$0.20 per share (subject to adjustment) after 10th October 2000.

Trading of Opal on NASDAQ Bulletin Board has been suspended since 23rd May 2001 due to its failure to file the audited accounts for the year ended 31st December 2000 with the Securities and Exchange Commission of the United States of America. Full provision on the Note has been made in this account.

8 Accounts receivable, deposits and prepayments

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

	Unaudited as at 30th September 2001 HK\$	Audited as at 31st March 2001 HK\$
Current	370,437	702,542
30-60 days	78,974	170,410
60-90 days	39,200	80,616
	<u> </u>	<u> </u>
	488,611	953,568
	<u> </u>	<u> </u>

The Group's general credit term granted to customers is 30 to 60 days.

9 Accounts payable and accrued charges

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

	Unaudited as at 30th September 2001	Audited as at 31st March 2001
	<i>HK\$</i>	<i>HK\$</i>
Current	1,169,979	1,501,270
30-60 days	600,590	956,660
60-90 days	–	126,691
Over 90 days	126,691	–
	<u>1,897,260</u>	<u>2,584,621</u>

10 Share capital

	Ordinary shares of HK\$0.05 each	
	No. of shares	<i>HK\$</i>
Authorised:		
At 1st April 2001 and 30th September 2001	<u>2,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 1st April 2001 and 30th September 2001	<u>1,094,000,000</u>	<u>54,700,000</u>

11 Reserves

	Share premium	Contribution surplus	Investment properties revaluation reserve	Group Other properties revaluation reserve	Exchange difference	Accumulated losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st April 2000	292,970,216	28,784,000	1,413,120	103,863,640	529,522	(237,041,760)	190,518,738
Transfers	–	–	37,312,617	(37,312,617)	–	–	–
Net (deficit)/surplus on revaluation	–	–	(5,654,000)	3,463,400	–	–	(2,190,600)
Reserve realised upon disposal	–	–	–	(1,227,180)	–	–	(1,227,180)
Loss for the year	–	–	–	–	–	(83,248,608)	(83,248,608)
At 31st March 2001	<u>292,970,216</u>	<u>28,784,000</u>	<u>33,071,737</u>	<u>68,787,243</u>	<u>529,522</u>	<u>(320,290,368)</u>	<u>103,852,350</u>
At 1st April 2001	292,970,216	28,784,000	33,071,737	68,787,243	529,522	(320,290,368)	103,852,350
Loss for the period	–	–	–	–	–	(1,992,659)	(1,992,659)
At 30th September 2001	<u>292,970,216</u>	<u>28,784,000</u>	<u>33,071,737</u>	<u>68,787,243</u>	<u>529,522</u>	<u>(322,283,027)</u>	<u>101,859,691</u>

12 Commitments

(a) Capital commitments

At 30th September 2001, the Group had the following capital commitments contracted but not provided for in respect of:

	Unaudited as at 30th September 2001 HK\$	Audited as at 31st March 2001 HK\$
Renovation cost	<u>51,450</u>	<u>87,950</u>

(b) Commitments under operating leases

At 30th September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited as at 30th September 2001 HK\$	Audited as at 31st March 2001 HK\$
Within one year	108,000	1,113,867
In the second to fifth year inclusive	186,000	1,323,111
	<u>294,000</u>	<u>2,436,978</u>