



UNITED POWER INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)



Interim Report
2002/2003

The directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 30th September 2002. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th September 2002, and the consolidated balance sheet as at 30th September 2002 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 2002 was HK\$17.9 million representing a decrease of 6.6% compared to same period last year. The decrease was mainly due to the closure of an unprofitable restaurant in the People's Republic of China which in same period last year contributed HK\$1.3 million to the Group's turnover. The profit for the period HK\$2.4 million was recorded against a loss of HK\$1.9 million in the previous period. This return to profitability for the period is due to the closure of all the Group's loss making restaurants in previous years, successful downsizing of the Group and rental income from investment properties.

Restaurant operations

The business of the Star House Branch is stable and profitable.

Investment properties

The investment properties have contributed steady rental income to the Group.

Investment in convertible note

The investment in the convertible note of Opal Technologies Inc. ("Opal") was unsuccessful. A full provision of HK\$78 million was made for the investment in the previous year. Opal has default 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. Legal action has been taken by the Group against Opal last year. The court adjudged that Opal shall pay the Group a sum of US\$10.3 million representing the principal and interest accrued on the note up to 7th January 2002. Opal has made no payment since the court judgement.

Prospect

The current principal activities of the Group are restaurant operation and property investment. The Group's financial position is strong with net assets value of HK\$142 million and no bank borrowings. The management will look for good business opportunities.

Liquidity and financial resources

The Group finances its operations with internally generated resources. The Group maintains good business relationship with banks and has banking facilities available for future business development.

Details of the charges on Group assets

At 30th September 2002, the net book value of investment properties and leasehold land and buildings pledged as security for the Group's banking facilities amounted to HK\$119 million (2001: HK\$124 million).

Purchase, sale or redemption of securities

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries for the six months ended 30th September 2002.

Employees

As at 30th September 2002, the total number of staff of the Group was 102. The Group remunerates its employees based on their performance, experience and prevailing industry practices. The Company has adopted a new share option scheme on 30th August 2002. The purpose of the new share option scheme is to attract and retain quality personnel and other persons to provide incentive to them to contribute to the business and operation of the Group. The Group also provides in-house and external training programme for its staff.

Directors' interests in equity or debt securities

At 30th September 2002, the interests of the directors and chief executive in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("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 in the Company
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 were 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 2002, 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 "Terminated 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 Terminated Scheme expired on 1st January 2001. The options of the Terminated Scheme outstanding are exercisable subject to the terms of the Terminated Scheme. A new share option scheme (the "Existing Scheme") was approved and adopted at a Special General Meeting of the Company held on 30th August 2002.

At 30th September 2002, particulars of outstanding share options granted were as follows:

Name	Date of grant	Exercise price HK\$	Balance outstanding as at 1st April and 30th September 2002	Exercisable period
Mr. Kwan Ming Kau, Cary	26th April 2000	0.58	10,000,000	1st August 2000 to 31st July 2005
	29th December 2000	0.26	5,000,000	29th December 2000 to 31st July 2005
Ms. Ma Shuk Kam	26th April 2000	0.58	10,000,000	1st August 2000 to 31st July 2005
	29th December 2000	0.26	5,000,000	29th December 2000 to 31st July 2005
Mr. Liu Yu Mo	26th April 2000	0.58	2,000,000	1st August 2000 to 31st July 2005
	29th December 2000	0.26	2,000,000	29th December 2000 to 31st July 2005
Continuous contract employees	26th April 2000	0.58	2,500,000	1st August 2000 to 31st July 2005
	29th December 2000	0.26	1,956,000	29th December 2000 to 31st July 2005
			<u>38,456,000</u>	

No share options in the Company were granted, exercised or lapsed during the period.

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 2002, 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 in the section headed "Directors' interests in equity or debt securities" 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 (<i>Note</i>)	450,000,000

Note: World Possession Assets Limited is a company in which each of Ms. Ma Shuk Kam, Mr. Kwan Ming Kau, Cary and Mr. Sy Ching Tang, Timothy has 1/3 interest.

Compliance with the Code of Best Practice of the Listing Rules

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 Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited, at any time during the six months ended 30th September 2002, save that the 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.

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 2002 with the directors.

By the Order of the Board
Liu Yu Mo
Director

Hong Kong, 2nd December 2002

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

		Unaudited	
		Six months ended	
		30th September	
	<i>Note</i>	2002	2001
		<i>HK\$</i>	<i>HK\$</i>
Turnover	2	17,927,350	19,194,051
Cost of sales		<u>(6,339,420)</u>	<u>(7,403,312)</u>
Gross profit		11,587,930	11,790,739
Other revenues		516,824	691,344
Operating expenses		<u>(9,668,769)</u>	<u>(13,963,061)</u>
Operating profit/ (loss)	3	2,435,985	(1,480,978)
Finance costs		<u>–</u>	<u>(511,681)</u>
Profit/ (loss) for the period		<u><u>2,435,985</u></u>	<u><u>(1,992,659)</u></u>
Basic earnings/ (loss) per share	5	<u><u>0.22 cent</u></u>	<u><u>(0.18) cent</u></u>

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2002 AND 31ST MARCH 2002

		Unaudited as at 30th September 2002 HK\$	Audited as at 31st March 2002 HK\$
Fixed assets	6	148,339,960	149,198,801
Interest in an associated company		–	–
Investment in convertible note	7	–	–
Current assets			
Inventories		991,844	1,094,798
Accounts receivable, deposits and prepayments	8	1,892,796	2,357,674
Bank balances and cash		4,008,804	787,595
		<u>6,893,444</u>	<u>4,240,067</u>
Current liabilities			
Accounts payable and accrued charges	9	7,391,877	8,033,326
Provision for long service payments		5,724,501	5,724,501
		<u>13,116,378</u>	<u>13,757,827</u>
Net current liabilities		<u>(6,222,934)</u>	<u>(9,517,760)</u>
Total assets less current liabilities		<u>142,117,026</u>	<u>139,681,041</u>
Financed by:			
Share capital	10	54,794,200	54,794,200
Reserves		87,322,826	84,886,841
Shareholders' funds		<u>142,117,026</u>	<u>139,681,041</u>

UNITED POWER INVESTMENT LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Net cash inflow from operating activities	3,209,939	2,139,909
Net cash inflow from investing activities	11,270	797,441
Net cash outflow from financing activities	—	(5,717,900)
Increase/ (decrease) in bank balances and cash	3,221,209	(2,780,550)
Bank balances and cash at 1st April	787,595	6,615,273
Bank balances and cash at 30th September	4,008,804	3,834,723

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

	Share capital	Share premium	Contribution surplus	Unaudited		Exchange difference	Accumulated losses	Total
				Investment properties revaluation reserve	Other properties revaluation reserve			
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st April 2002	54,794,200	293,365,856	28,784,000	28,530,053	57,165,807	529,522	(323,468,397)	139,661,041
Profit for the period	—	—	—	—	—	—	2,435,985	2,435,985
At 30th September 2002	54,794,200	293,365,856	28,784,000	28,530,053	57,165,807	529,522	(321,032,412)	142,117,026

	Share capital	Share premium	Contribution surplus	Unaudited		Exchange difference	Accumulated losses	Total
				Investment properties revaluation reserve	Other properties revaluation reserve			
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st April 2001	54,700,000	292,970,216	28,784,000	33,071,737	68,787,243	529,522	(320,290,366)	158,552,350
Loss for the period	—	—	—	—	—	—	(1,992,659)	(1,992,659)
At 30th September 2001	54,700,000	292,970,216	28,784,000	33,071,737	68,787,243	529,522	(322,283,027)	156,559,691

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 ("HKSA").

These interim accounts should be read in conjunction with the 2002 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 2002 except that the Group has adopted certain new or revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 34:	Employee benefits

The changes to the Group's accounting policies and the effect of adopting these new or revised policies are set out below:

(a) SSAP 11 (revised) "Foreign currency translation"

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising in these cases are dealt with as a movement in reserves.

In prior periods, the profit and loss account of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the accounts.

(b) SSAP 34 "Employee benefits"

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Long service payments

The Group has provided long service payments for employees who had completed the required number of years of service under Hong Kong's Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment.

(iii) Pension obligations

The Group contributes to a mandatory pension fund scheme (the "Scheme") which is available to all employees in Hong Kong. Contributions to the Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The Scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The assets of the Scheme are held separately from those of the Group in an independently administered fund.

2 Turnover and segment information

The Group is principally engaged in restaurant operations and property investment.

Primary reporting format – business segments

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30th September 2002		
	Restaurant operations	Property investment	Total
		<i>HK\$</i>	
Turnover	15,677,350	2,250,000	17,927,350
Segment results	1,578,012	1,653,961	3,231,973
Interest income			11,270
Other revenues			505,554
Unallocated costs			(1,312,812)
			<u>2,435,985</u>
Profit for the period			<u>2,435,985</u>

	Six months ended 30th September 2001		
	Restaurant operations	Property investment	Total
		<i>HK\$</i>	
Turnover	18,344,051	850,000	19,194,051
Segment results	(765,267)	576,248	(189,019)
Interest income			127,505
Other revenues			563,839
Unallocated costs			(1,983,303)
			<u>(1,480,978)</u>
Operating loss			(1,480,978)
Finance costs			(511,681)
			<u>(1,992,659)</u>
Loss for the period			<u>(1,992,659)</u>

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

Secondary reporting format – geographical segments

An analysis of the Group's turnover and contribution to operating profit/(loss) for the period by geographical segment is as follows:

	Turnover		Contribution to Operating profit/(loss)	
	Six months ended 30th September 2002	2001	Six months ended 30th September 2002	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Geographic segment:				
Hong Kong	17,927,350	17,795,762	2,435,985	(68,710)
The People's Republic of China	–	1,398,289	–	(1,923,949)
	<u>17,927,350</u>	<u>19,194,051</u>	<u>2,435,985</u>	<u>(1,992,659)</u>

There are no sales between the segments.

3 Operating profit/(loss)

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

	Six months ended 30th September	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Crediting		
Bank interest income	11,270	62,123
Gain on disposal of fixed assets	–	73,633
Interest income on convertible note	–	67,096
	<u> </u>	<u> </u>
Charging		
Depreciation of fixed assets	858,841	925,062
Operating lease rentals in respect of land and buildings	340,801	343,778
Staff costs		
– Wages and salaries	4,726,326	5,555,077
– Contributions to mandatory pension fund scheme	278,728	297,322
Provision for closure costs of a restaurant operation	–	2,040,134
Outgoings in respect of investment properties	–	41,995
Fixed assets written off	–	136,309
Inventories written off	–	759,709
Net exchange loss	–	232,979
	<u> </u>	<u> </u>

4 Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group has sufficient taxation losses brought forward to offset against the estimated assessable profit for the period (2001: nil).

5 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit/(loss) attributable to shareholders of HK\$2,435,985 (2001: loss of HK\$1,992,659) and the weighted average of 1,095,884,000 (2001: 1,094,000,000) ordinary shares in issue during the period.

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

6 Fixed assets

	<i>HK\$</i>
Six months ended 30th September 2002	
Opening net book amount	149,198,801
Depreciation	(858,841)
Closing net book amount	<u> </u> <u> </u>

7 Investment in convertible note

	Unaudited as at 30th September 2002 HK\$	Audited as at 31st March 2002 HK\$
Unlisted investment, at cost	78,000,000	78,000,000
Less: provision for convertible note	<u>(78,000,000)</u>	<u>(78,000,000)</u>
	<u>—</u>	<u>—</u>

This represents a 4% convertible note ("Note") of Opal Technologies Inc. ("Opal") for a principal amount of US\$10 million at par. Opal is engaged in the manufacturing, trading and distribution of organic fertilisers and its shares was 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. The directors had made an assessment on the recoverability of the Note. A full provision on the Note had been made in previous period.

Legal action had been taken by the Group against Opal in previous period. The court adjudged that Opal shall pay the Group a sum of US\$10,300,000 representing the principal and interest accrued on the Note up to 7th January 2002. Opal has made no payment since the court judgement.

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 2002 HK\$	Audited as at 31st March 2002 HK\$
Current	374,849	502,987
30 to 60 days	<u>39,068</u>	<u>241,910</u>
	<u>413,917</u>	<u>744,897</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 2002	Audited as at 31st March 2002
	<i>HK\$</i>	<i>HK\$</i>
Current	1,177,491	1,440,992
30 to 60 days	434,164	513,029
Over 60 days	145,610	126,692
	<u>1,757,265</u>	<u>2,080,713</u>

10 Share capital

	Ordinary shares of HK\$0.05 each No. of shares	<i>HK\$</i>
Authorised:		
At 1st April 2002 and 30th September 2002	<u>2,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 1st April 2002 and 30th September 2002	<u>1,095,884,000</u>	<u>54,794,200</u>

11 Commitments under operating leases

At 30th September 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited as at 30th September 2002	Audited as at 31st March 2002
	<i>HK\$</i>	<i>HK\$</i>
Within one year	753,000	140,000
In the second to fifth year inclusive	202,000	280,000
	<u>955,000</u>	<u>420,000</u>

12 Operating lease rental receivables

At 30th September 2002, the Group's future aggregate minimum rental receivables under non-cancellable operating leases in respect of investment properties are as follows:

	Unaudited as at 30th September 2002	Audited as at 31st March 2002
	<i>HK\$</i>	<i>HK\$</i>
Within one year	4,740,000	4,455,000
In the second to fifth year inclusive	16,478,000	16,256,000
After the fifth year	–	1,242,000
	<u>21,218,000</u>	<u>21,953,000</u>