



UNITED POWER INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)



Interim Report
2004 / 2005

The directors of United Power Investment Limited (the “Company”) are pleased to present the Interim Report and unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2004. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th September 2004, and the consolidated balance sheet as at 30th September 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 4 to 12 of this report.

Management discussion and analysis

Consolidated results

The turnover of the Group for the six months ended 30th September 2004 was about HK\$74.8 million, representing an increase of 420% compared to the same period last year. The increase was mainly due to contribution from the newly acquired wedding services business. A profit of HK\$14.5 million for the period was recorded as compared to HK\$1.3 million in the previous period. The growth in profit was again mainly contributed by the wedding services business.

Restaurant operations

The business of the restaurant in Star House is stable and profitable.

Investment properties

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

Wedding services business

The wedding services business is operating under the trade names of “Cite Du Louvre 羅浮宮婚紗影城” and “Wonderful Arts Wedding Services 新天地婚紗攝影” in Hong Kong. The business is profitable and has contributed significantly to the turnover and profit of the Group.

Investment in convertible note

On 19th January 2004, Marlborough Gold Limited (“MGL”), a wholly owned subsidiary of the Company, entered into a deed of settlement (the “Settlement Deed”) with Opal Technologies Inc. (“Opal”).

Under the Settlement Deed, MGL agreed to accept Opal’s payment of US\$2.5 million (about HK\$19.5 million) in full settlement of the debts of US\$10.3 million (about HK\$80.34 million) with interest at the rate of 8.72% per annum from 4th February 2002 to 22nd March 2002 and thereafter at judgement rate until payment and HK\$1,550.00 fixed costs under a judgement dated 22nd March 2002 provided that the US\$2.5 million is paid punctually by 2 instalments:

- 1 US\$1.42 million within 1 month from the date of the Settlement Deed; and
- 2 US\$1.08 million within 6 months from the date of the Settlement Deed.

MGL has received the first instalment of US\$1.42 million. By a letter dated 30th June 2004 from Opal to MGL, Opal requested for three months’ extension for payment of the second instalment of US\$1.08 million which was due to MGL on 19th July 2004. As the financial position of Opal was unknown and it would be difficult and costly to take legal action to enforce the payment immediately, the Company and MGL agreed to grant the extension as requested by Opal. MGL has not yet received the second instalment.

The judgement debts related to moneys due to MGL under a US\$10 million 4% convertible note due on 9th April 2003 issued by Opal (the “Note”). The Company made a full provision of HK\$78 million for the Note in its financial statements for the year ended 31st March 2001 in view of Opal’s uncertain financial position.

Trading of securities of Opal on NASDAQ Bulletin Board has been suspended since 23rd May 2001 primarily due to its failure to file its audited financial statements with the Securities and Exchange Commission of the United States of America. The Company was not able to obtain any update financial information from Opal. As the financial position of Opal was uncertain and the costs of taking further legal action to recover the judgement debts may be substantial, the Company and MGL accepted the terms of the Settlement Deed.

Prospect

The current principal activities of the Group are restaurant operations, property investment and provision of wedding services. The Group's financial position is strong with net assets value of about HK\$223 million and no bank borrowings as at 30th September 2004. The management will look for suitable 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 charges on assets

At 30th September 2004, the net book value of investment properties and leasehold land and buildings pledged as security for the Group's banking facilities amounted to HK\$137 million (2003: HK\$119 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 during the six months ended 30th September 2004.

Employees

As at 30th September 2004, the total number of staff of the Group was 313. 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 "Scheme"). The purpose of the 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 programmes for its staff.

Disclosure of interests

Directors and chief executive

As at 30th September 2004, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name	Number of shares	Nature of interest	Percentage of shareholding
Ma Shuk Kam	587,322,207	Corporate <i>(Note)</i>	53.59
Yeung Chi Hang	587,322,207	Corporate <i>(Note)</i>	53.59
Yeung Kit Yu, Kitty	587,322,207	Corporate <i>(Note)</i>	53.59
Liu Yu Mo	24,000	Personal	0.002

Note: 587,322,207 shares are owned by World Possession Assets Limited (“World Possession”), which is beneficially owned by Ms. Ma Shuk Kam, Mr. Yeung Chi Hang and Ms. Yeung Kit Yu Kitty in equal shares.

Save as disclosed herein, as at 30th September 2004, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Substantial shareholder

As at 30th September 2004, the following person (other than a director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Number of shares	Nature of interest	Percentage of shareholding
World Possession	587,322,207	Beneficial owner	53.59

Save as disclosed herein, as at 30th September 2004, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

Share option scheme

On 30th August 2002, the Company adopted the Scheme under which the directors of the Company may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares of the Company. No option under the Scheme has been granted since its adoption.

The Company did not grant any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or to the spouse or children under 18 years of age of any such director or chief executive under the Scheme or otherwise as at 30th September 2004.

Code of best practice

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 Rules Governing the Listing of Securities on the Stock Exchange, at any time during the six months ended 30th September 2004, 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.

Review by audit committee

The Audit Committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 30th September 2004.

By order of the Board
Liu Yu Mo
Director

Hong Kong, 24th November 2004

UNITED POWER INVESTMENT LIMITED
Condensed consolidated income statement
For the six months ended 30th September 2004
(Expressed in Hong Kong dollars)

	<i>Notes</i>	Six months ended 30th September	
		2004 (Unaudited) \$	2003 (Unaudited) \$
Turnover	2	74,758,824	14,375,856
Cost of sales		(17,155,161)	(4,667,700)
Gross profit		57,603,663	9,708,156
Other revenue		55,124	682,312
Operating expenses		(39,805,895)	(8,677,458)
Operating profit	3	17,852,892	1,713,010
Finance costs		(28,479)	–
Profit before taxation		17,824,413	1,713,010
Taxation	4	(3,328,396)	(416,993)
Profit attributable to shareholders	2	<u>14,496,017</u>	<u>1,296,017</u>
Basic earnings per share	5	<u>1.32 cents</u>	<u>0.12 cents</u>

The accompanying notes form an integral part of these interim financial statements.

UNITED POWER INVESTMENT LIMITED
Condensed consolidated balance sheet
As at 30th September 2004
(Expressed in Hong Kong dollars)

	<i>Notes</i>	As at 30th September 2004 (Unaudited) \$	As at 31st March 2004 (Audited) \$
Non-current assets			
Goodwill	6	19,490,028	19,991,918
Property, plant and equipment	7	174,048,382	175,469,751
Interest in associate		–	–
Investment in convertible note	8	–	–
Deferred tax assets		17,431,968	20,760,364
		<u>210,970,378</u>	<u>216,222,033</u>
Current assets			
Inventories		1,820,544	1,046,015
Accounts receivable, deposits and prepayments	9	4,380,296	5,905,392
Cash and bank balances		19,707,772	9,917,714
		<u>25,908,612</u>	<u>16,869,121</u>
Current liabilities			
Accounts payable and accrued charges	10	11,175,824	15,600,020
Short-term bank loan, secured		–	6,000,000
		<u>11,175,824</u>	<u>21,600,020</u>
Net current assets/(liabilities)		<u>14,732,788</u>	<u>(4,730,899)</u>
Total assets less current liabilities		<u>225,703,166</u>	<u>211,491,134</u>
Financed by:			
Share capital	11	54,794,200	54,794,200
Reserves		168,142,662	153,646,645
Shareholders' funds		222,936,862	208,440,845
Non-current liabilities			
Provision for long service payments		2,766,304	3,050,289
		<u>225,703,166</u>	<u>211,491,134</u>

The accompanying notes form an integral part of these interim financial statements.

UNITED POWER INVESTMENT LIMITED
Condensed consolidated statement of changes in equity
For the six months ended 30th September 2004
(Expressed in Hong Kong dollars)

	Share capital \$	Share premium \$	Contribution surplus \$	Unaudited Investment properties revaluation reserve \$	Other properties revaluation reserve \$	Accumulated losses \$	Total \$
At 1st April 2004	54,794,200	293,365,856	28,784,000	38,530,053	74,068,957	(281,102,221)	208,440,845
Profit for the period	—	—	—	—	—	14,496,017	14,496,017
At 30th September 2004	<u>54,794,200</u>	<u>293,365,856</u>	<u>28,784,000</u>	<u>38,530,053</u>	<u>74,068,957</u>	<u>(266,606,204)</u>	<u>222,936,862</u>
At 1st April 2003	54,794,200	293,365,856	28,784,000	28,530,053	58,194,071	(293,048,138)	170,620,042
Profit for the period	—	—	—	—	—	1,296,017	1,296,017
At 30th September 2003	<u>54,794,200</u>	<u>293,365,856</u>	<u>28,784,000</u>	<u>28,530,053</u>	<u>58,194,071</u>	<u>(291,752,121)</u>	<u>171,916,059</u>

The accompanying notes form an integral part of these interim financial statements.

UNITED POWER INVESTMENT LIMITED
Condensed consolidated cash flow statement
For the six months ended 30th September 2004
(Expressed in Hong Kong dollars)

	Six months ended 30th September	
	2004 (Unaudited) \$	2003 (Unaudited) \$
Net cash inflow from operating activities	16,651,444	2,224,997
Net cash outflow from investing activities	(861,386)	(267,560)
Net cash outflow from financing activities	(6,000,000)	—
Increase in cash and bank balances	9,790,058	1,957,437
Cash and bank balances at beginning of period	9,917,714	7,378,670
Cash and bank balances at end of period	<u>19,707,772</u>	<u>9,336,107</u>

The accompanying notes form an integral part of these interim financial statements.

UNITED POWER INVESTMENT LIMITED
Notes to the condensed consolidated financial statements
(Expressed in Hong Kong dollars)

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation used in preparing these interim financial statements are the same as those used in preparing the audited financial statements for the year ended 31st March 2004.

The interim financial statements should be read in conjunction with the 2004 annual financial statements.

2. Turnover, Revenue and Segment information

The Group is principally engaged in restaurant operations, property investment and provision of wedding services.

An analysis of the Group's turnover and results by business segment for the interim period ended 30th September 2004, together with the comparative figures for the corresponding period in 2003, is as follows:

	Restaurant operations	Six months ended Property investment	Unaudited Six months ended 30th September 2004 Wedding services	Inter-segment elimination	Total
	\$	\$	\$	\$	\$
Turnover	14,818,943	4,011,000	57,608,881	(1,680,000)	74,758,824
Segment results	859,293	2,924,200	15,474,455		19,257,948
Interest income					1,872
Other revenue					53,252
Unallocated costs					(1,460,180)
Operating profit					17,852,892
Finance costs					(28,479)
Profit before taxation					17,824,413
Taxation					(3,328,396)
Profit for the period					14,496,017

	Restaurants operations	Unaudited Six months ended 30th September 2003 Property investment	Total
	\$	\$	\$
Turnover	12,273,856	2,102,000	14,375,856
Segment results	1,134,193	1,202,233	2,336,426
Interest income			15,075
Other revenue			667,237
Unallocated costs			(1,305,728)
Operating profit			1,713,010
Taxation			(416,993)
Profit for the period			1,296,017

UNITED POWER INVESTMENT LIMITED
Notes to the condensed consolidated financial statements (Continued)
(Expressed in Hong Kong dollars)

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2004	2003
	(Unaudited)	(Unaudited)
	\$	\$
Crediting		
Bank interest income	<u>1,872</u>	<u>15,075</u>
Charging		
Depreciation of property, plant and equipment	2,284,627	871,068
Amortisation of goodwill	501,890	–
Operating lease rentals in respect of land and buildings	4,689,161	372,276
Staff costs		
– Wages and salaries	21,491,489	3,707,509
– Provision for long-service payments	<u>35,796</u>	<u>303,242</u>

4. Taxation

Taxation in the condensed consolidated income statement represents:

	Six months ended 30th September	
	2004	2003
	(Unaudited)	(Unaudited)
	\$	\$
Deferred taxation	<u>(3,328,396)</u>	<u>(416,993)</u>

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to offset against the estimated assessable profits for the period (2003: Nil).

5. Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of \$14,496,017 (2003: \$1,296,017) divided by the weighted average of 1,095,884,000 ordinary shares (2003: 1,095,884,000 ordinary shares) in issue during the period.

Diluted figures are not shown as there is no dilutive effect for the interim periods ended 30th September 2004 and 30th September 2003.

UNITED POWER INVESTMENT LIMITED

Notes to the condensed consolidated financial statements (Continued)

(Expressed in Hong Kong dollars)

6. Goodwill

	As at 30th September 2004 (Unaudited) \$	As at 31st March 2004 (Audited) \$
Opening net book amount	19,991,918	–
Acquisition of wedding services business	–	20,075,566
Amortisation	(501,890)	(83,648)
	<u>19,490,028</u>	<u>19,991,918</u>

7. Property, plant and equipment

	Six months ended 30th September 2004 (Unaudited) \$
Opening net book amount	175,469,751
Additions	863,258
Depreciation	(2,284,627)
Closing net book amount	<u>174,048,382</u>

8. Investment in convertible note

	As at 30th September 2004 (Unaudited) \$	As at 31st March 2004 (Audited) \$
Unlisted investment, at cost	78,000,000	78,000,000
Less: Provision	(78,000,000)	(78,000,000)
	<u>–</u>	<u>–</u>

The investment was a convertible note (“Note”) of Opal Technologies Inc. (“Opal”) for a principal amount of US\$10 million. Opal is engaged in the manufacturing, trading and distribution of organic fertilisers and its shares were traded on the NASDAQ Bulletin Board in the United States of America. The Note was unsecured and interest bearing at 4% per annum payable quarterly in arrears.

The Note was 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. The Group did not exercise the right to convert the Note into shares of Opal. The Note matured on 9th April 2003.

UNITED POWER INVESTMENT LIMITED
Notes to the condensed consolidated financial statements (Continued)
(Expressed in Hong Kong dollars)

8. Investment in convertible note (Continued)

Trading of shares of Opal on NASDAQ Bulletin Board has been suspended since 23rd May 2001 due to its failure to file audited financial statements for the year ended 31st December 2000 and subsequent financial years with the Securities and Exchange Commission of the United States of America. The directors made an assessment of the recoverability of the Note and full provision on the Note was made in 2001.

Legal action was taken by the Group against Opal in 2002. The court adjudged that Opal had to pay the Group, inter alia, a sum of US\$10,300,000 representing the principal and interest accrued on the Note up to 7th January 2002 (the "Judgement Debts").

On 19th January 2004, the Group entered into a deed of settlement (the "Settlement Deed") with Opal. Under the Settlement Deed, the Group agreed to accept Opal's payment of US\$2,500,000 as full settlement of the Judgement Debts. The first instalment of the settlement of US\$1,420,000 (HK\$11,051,860) was received on 19th January 2004 in accordance with the terms of the Settlement Deed. The second instalment of the settlement of US\$1.08 million is still outstanding.

9. Accounts receivable, deposits and prepayments

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

	As at 30th September 2004 (Unaudited) \$	As at 31st March 2004 (Audited) \$
Within 30 days	240,166	345,713
31 to 60 days	–	19,908
	<u>240,166</u>	<u>365,621</u>

10. Accounts payable and accrued charges

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

	As at 30th September 2004 (Unaudited) \$	As at 31st March 2004 (Audited) \$
Within 30 days	3,607,259	2,645,206
31 to 60 days	26,825	429,123
Over 60 days	11,000	151,031
	<u>3,645,084</u>	<u>3,225,360</u>

UNITED POWER INVESTMENT LIMITED
Notes to the condensed consolidated financial statements (Continued)
(Expressed in Hong Kong dollars)

11. Share capital

	As at 30th September 2004 (Unaudited) \$	As at 31st March 2004 (Audited) \$
Authorised:		
2,000,000,000 ordinary shares of HK\$0.05 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
1,095,884,000 ordinary shares of HK\$0.05 each	<u>54,794,200</u>	<u>54,794,200</u>

During the period, no options were granted, exercised or lapsed under the existing share option scheme.

12. Commitments under operating leases

At 30th September 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, shops and warehouse premises as follows:

	As at 30th September 2004 (Unaudited) \$	As at 31st March 2004 (Audited) \$
Not later than one year	9,417,206	9,358,000
Later than one year but not later than five years	3,843,234	8,120,000
	<u>13,260,440</u>	<u>17,478,000</u>

13. Operating lease rental receivables

At 30th September 2004, the Group's future aggregate minimum rental receivables under non-cancellable operating leases in respect of investment properties are as follows:

	As at 30th September 2004 (Unaudited) \$	As at 31st March 2004 (Audited) \$
Not later than one year	4,926,000	4,764,000
Later than one year but not later than five years	7,031,000	9,494,000
	<u>11,957,000</u>	<u>14,258,000</u>

UNITED POWER INVESTMENT LIMITED**Notes to the condensed consolidated financial statements (Continued)***(Expressed in Hong Kong dollars)***14. Related party transactions**

Significant related party transactions, which were carried out in the normal course of the Group's business and at agreed upon terms that approximate market terms, are as follows:

	Six months ended 30th September	
	2004	2003
	(unaudited)	(unaudited)
	\$	\$
Management fees charged to related companies <i>(Note (a))</i>	–	667,237
Rental expenses charged by related companies <i>(Note (b))</i>	1,116,000	–
	<u> </u>	<u> </u>

- (a) Management fees of \$Nil (2003: \$590,437) were charged at 1.5% of the revenue of these related companies and management fees of \$Nil (2003: \$76,800) were charged for warehouse usage by the related companies.
- (b) Rental expenses were charged based on the tenancy agreements signed between both parties. These tenancy agreements related to the wedding services business of the Group acquired from an associate of a director of the Company, the acquisition of which was approved by the shareholders on 5th March 2004.
- (c) Two directors of the Company have beneficial interests in the related companies, one of whom also holds directorship in those companies.