1. GENERAL

United Power Investment Limited (the ''Company'') is incorporated in Bermuda as a limited liability company. The Company is engaged in investment holding. The principal activities of the subsidiaries are set out in note 14.

2. BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings and investment properties.

The consolidated financial statements have been prepared on a going concern basis.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (''new HKFRSs'') that are effective for accounting periods beginning on or after 1 January 2005.

The Company has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Company has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

4. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The principal accounting policies adopted are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Group made up to 31 March each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less impairment loss, if any. All significant inter-company transactions and balances among group companies are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Associated company

An associated company is an enterprise over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee.

Investments in associated companies are accounted for in the consolidated financial statements under the equity method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investees. The consolidated income statement reflects the Group's share of the results of operation of the investees.

In the Company's balance sheet, investments in associated companies are carried at cost less impairment losses, if any. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable during the year.

Unrealised profit and losses resulting from transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated company, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in the income statement.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interests in the fair values of the identifiable assets and liabilities of the subsidiary at the date of acquisition. Goodwill is amortised on a straight line basis to the income statement over its estimated useful economic life of not more than twenty years.

On disposal of an investment in subsidiary, the relevant portion of attributable goodwill, net of accumulated amortisation and any impairment losses is included in the determination of the profit or loss on disposal.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed and which are held for their long term investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations carried out at each balance sheet date. The valuations are based on individual properties and separate values are not attributed to land and buildings.

Increases in valuation are credited to the investment property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Investment properties *(continued)*

Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less in which case depreciation is provided on the carrying amount over the remaining term of the lease.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the income statement.

(e) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(f) Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

When assets are sold or retired, their cost and accumulated depreciation and impairment losses are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Fixed assets *(continued)*

Any surplus arising on revaluation of land and buildings is credited to the property revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in the carrying amount arising on the revaluation of an asset is recognised as an expense to the extent that it exceeds the balance, if any, of the revaluation reserve from a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost of the assets over their estimated useful lives on a straight line basis at the following annual rates:

Leasehold land	Over the term of the lease
Buildings	2.5%
Leasehold improvements	20%-50%
Furniture, fixtures and equipment	20%-33%
Motor vehicles	20%
Wardrobe	100%

(g) Convertible note

The convertible note is stated at cost less provision for impairment loss.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost, which comprises the purchase prices of inventories and direct expenses, is calculated using the first-in first-out method.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

(k) Revenue recognition

Revenue from restaurant operations is recognised when food and beverages are sold and services are provided.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Revenue recognition *(continued)*

Management fee income is recognised when services are provided.

Revenue from provision of services is recognised when services are rendered.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(l) Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the market rates of exchange ruling at that date. All exchange differences are dealt with in the income statement.

(m) Impairment

The carrying amounts of the Group's tangible and intangible assets are reviewed annually at each balance sheet date to determine whether they have been impaired during the year. Where an asset has been impaired, the recoverable amount of the asset (or cash generating unit where applicable) is determined. Where the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The resultant impairment loss is recognised as an expense in the income statement unless the asset is carried at revalued amounts and the revaluation surplus is recognised in equity in which case the impairment is recognised directly against the revaluation surplus to the extent the impairment loss does not exceed the surplus.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the reversed estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments under operating leases are expensed on a straight-line basis over the accounting periods covered by the lease terms.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) 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 leave are not recognised until the time of leave.

(ii) Profit-sharing and bonus plans

The expected costs of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit-sharing and bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iii) Equity compensation benefits

Share options are granted to selected directors and employees. No employee benefit cost is recognised when options are granted. When the options are exercised, equity is increased by the amount of proceeds received net of any transaction costs.

(iv) Post-employment benefits

Pension obligations

The Group's contributions to the Mandatory Provident Fund scheme (''MPF'') are expensed as incurred. The contributions to MPF by the Group and employees are calculated based on a percentage of the employees' basic salaries but subject to a cap in accordance with the statutory requirements.

Long service payments

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

The obligations for long service payments are assessed using the projected unit credit method, under which the provision for long service payment is charged to the income statement so as to spread the cost over the service lives of employees. The obligations are determined based on actuarial assumptions that are the Group's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. The provisions are calculated as the present values of the estimated future cash outflows for each employee using interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related liabilities, less the fair value of the Group's contributions to MPF for that employee. Plan assets are measured at fair values. Actuarial gains and losses are recognised over the average remaining service lives of employees.

4. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format.

Unallocated costs represent corporate income and expenses. Segment assets consist primarily of goodwill, fixed assets, inventories and receivables, and exclude cash and bank balances. Segment liabilities comprise operating liabilities and exclude accruals for corporate expenses and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisition of wedding services business.

No geographical segment is presented as all customers are based in Hong Kong.

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

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

An analysis of turnover and other revenue is as follows:

	2005 *HK$*	**2004** *HK$*
Turnover		
Sales of food and beverages from restaurant operations	33,566,901	30,166,829
Gross rental income from investment properties	4,824,000	4,352,000
Provision of wedding services	105,259,358	4,931,262
	143,650,259	39,450,091
Other revenue		
Management fee income	–	1,260,010
Bank and other interest income	23,438	15,509
Customer deposits forfeited	–	439,286
Legal dispute settlement (note 16)	–	11,051,860
Others	573,571	–
	597,009	12,766,665
Total revenue	144,247,268	52,216,756