



UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

The board of directors (the “Board”) of Upbest Group Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2002	2001
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
	Notes		
Turnover	1	28,477	25,204
Net investment losses	2	(1,719)	(6,295)
Other income		10	51
Administrative and other operating expenses		(8,756)	(5,668)
Profit from operations	3	18,012	13,292
Finance costs	4	(1,441)	(3,770)
Profit before taxation		16,571	9,522
Taxation	5	(3,200)	(2,290)
Profit attributable to shareholders		13,371	7,232
Interim dividend	6	—	1.5 cents
Basic earnings per share	7	1.2 cents	0.6 cents

Notes:

1. Turnover and segment information

An analysis of the turnover and contribution to profit from operating activities by principal activity for the period is as follows:

	For the six months ended 30 September			
	2002		2001	
	Turnover (unaudited) HK\$'000	Contribution to profit before tax (unaudited) HK\$'000	Turnover (unaudited) HK\$'000	Contribution to profit before tax (unaudited) HK\$'000
Securities brokerage and futures brokerage commission fee	5,404	1,406	6,984	2,841
Margin financing & money lending interest income	17,224	13,054	16,113	11,788
Corporate advisory fees placing & underwriting commission	3,859	2,679	1,433	771
Assets management fee	1,990	1,141	674	366
	<u>28,477</u>	<u>18,280</u>	<u>25,204</u>	<u>15,766</u>
Net investment losses		(1,719)		(6,295)
Other income		<u>10</u>		<u>51</u>
Profit before taxation		16,571		9,522
Taxation		<u>(3,200)</u>		<u>(2,290)</u>
Profit after taxation		<u>13,371</u>		<u>7,232</u>

The Group has no operating activities outside Hong Kong and accordingly a geographical analysis of such activities has not been presented.

2. Net investment losses

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Unrealised loss on holding shares in Hong Kong Exchanges and Clearing Limited ("HKEC")	(2,142)	(6,295)
Realized loss on disposal of shares in HKEC	(187)	–
Dividend income from listed investments in HKEC	610	–
	<u>(1,719)</u>	<u>(6,295)</u>

3. Profit from operations

Profit from operations has been arrived at after charging the following:

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Mandatory Provident Fund Contribution	85	106
Staff costs, including directors' remuneration	2,232	1,555
Depreciation	299	238
Amortisation of intangible assets	170	–
Operating lease rentals in respect of rented premises	368	368
Loss on disposal of investment	–	496
	<u>–</u>	<u>496</u>

4. Finance costs

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	1,441	1,936
Interest on escrow money	—	1,834
	<u>1,441</u>	<u>3,770</u>

5. Taxation

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax	<u>3,200</u>	<u>2,290</u>

Hong Kong profits tax is calculated at 16% (2001: 16%) on the estimated assessable profit during the period.

6. Interim dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2002 (2001: HK1.5 cents per ordinary share).

7. Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30 September 2002 of HK\$13,371,000 (2001: HK\$7,232,000) and the weighted average number of 1,120,000,000 shares (pursuant to a resolution passed in the annual general meeting held on 15 July 2002, there was an bonus issue made on the basis of three bonus shares for every one existing ordinary share held by the shareholders) (2001: 1,120,000,000 shares*) after adjusting for bonus issue during the period.

* Adjusted bonus issue in 2002.

There is no diluted earnings per share for the period ended 30 September 2002 and 2001 presented since the Company has no dilutive potential ordinary shares.

BUSINESS REVIEW

During the six months under review, the sentiment in the investment markets in Hong Kong was affected by the accounting scandals, corporate governance issues, crash of the penny shares due to release of the consultation paper, gloomy local and global economy and the terrorist attacks on various part of the world.

However, under such an unfavorable and difficult environment, we manage to maintain an increase in our turnover by approximately 13%. The profit from operation activities increased by approximately 16%, while profit before taxation increased even drastically by nearly 74%.

There are three sectors of business, futures broking, assets management and corporate finance advisory, which have expanded dramatically during the six months. Turnover of each of these three sectors during the period under review has been at least doubled when compared with last corresponding period. Contribution to profit from these three activities are already equal to or even more than their contribution for the last whole financial year. During the six months under review, their total contributions accounted for approximately 22% of the operating profits as compared with 6% in the corresponding period.

Financing activities

Interest income from margin financing and money lending business increased by nearly 7% during the period although the interest rate that we charged our clients has decreased significantly after the various rates cut in Hong Kong prime lending rate. The contribution from such activities increased by approximately 11% when compared with corresponding period.

Financing activities now accounted for approximately 60% of the Group's turnover and contributed nearly 71% of the profit.

Securities brokerage

For the six months under review, the total market turnover of the Stock Exchange of Hong Kong Limited shrank by approximately 14%. Under such depressed market conditions, our securities brokerage income dropped by nearly 23%.

Asset management

This sector of business continues to expand drastically during the period under review. We are now investment manager of two companies listed on the main board of the Stock Exchange and other seven private institutional clients. The total assets under our management has exceeded HK\$1 billion.

Corporate finance

This is another sector of our business which has expanded drastically. Despite that the securities market remained weak and fund raising activities in the local market contracted as compared with previous year, our income during the six month under review is already 122% of the last year's full year turnover.

Contribution to the Group's profit from this sector was over 14% while it was approximately 5% both in the corresponding period and last full financial year.

FUTURE PROSPECTS

Our adopted strategy since our listing two years ago of being a one-stop financial service provider prove to be successful. The continuous expanded arms of business such as assets management and corporate finance has assisted to compensate for the slowdown of activities of the traditional securities brokerage business.

In the future, we expect the increased synergies among our different services would further strengthen our competitive edge over brokerage houses of similar size. After the abolishment of the minimum brokerage in April 2003, the market will be more competitive and income from the traditional brokerage business will likely to be affected. However we are confident that as a one-stop financial service provider and our status of listing on the main board, we will surely not be negatively affected.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 September 2002, the Group had bank balances and cash of approximately HK\$76 million (31 March 2002: HK\$82 million) of which HK\$62 million (31 March 2002: HK\$61 million) were pledged to banks for facilities granted to the Group.

As at 30 September 2002, the Group had available aggregate banking facilities of HK\$115 million (31 March 2002: HK\$84 million) of which HK\$23 million (31 March 2002: HK\$29 million) was not utilized.

Gearing ratio

As at 30 September 2002, the amount of total bank borrowings was approximately HK\$92 million (31 March 2002: HK\$55 million), being equal to approximately 65% (31 March 2002: 41%) of the net assets of approximately HK\$142 million (31 March 2002: HK\$135 million).

Capital structure

There was no change to the Group's capital structure for the six months ended 30 September 2002.

EMPLOYMENT AND REMUNERATION POLICIES

Employees' remuneration are fixed and determined with reference to the market remuneration.

SHARE OPTION

The Group does not have share option scheme.

AUDIT COMMITTEE

The audit committee, which comprises of two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2002.

CODE OF BEST PRACTICE

Save and except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2002 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2002, there was no repurchase, sale or redemption by the Company's listed securities by the Company or any of its subsidiaries.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (<http://www.hkex.com.hk>) in due course.

By order of the Board
Tsang Cheuk Lau
Chairman

Hong Kong, 5 December 2002

Please also refer to the published version of this announcement in The Standard.