



# UPBEST GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

The board of directors (the “Board”) of Upbest Group Limited (the “Company”) is pleased to present the interim report and the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2003 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th September,	
		2003	2002
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Turnover	1	32,253	28,477
Net investment income (losses)	2	2,585	(1,719)
Other income		65	10
Provision for doubtful debts		(8,128)	—
Administrative and other operating expenses		(8,916)	(8,756)
Profit from operations	3	17,859	18,012

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Finance costs	4	<b>(2,028)</b>	(1,441)
Profit before taxation		<b>15,831</b>	16,571
Taxation	5	<b>(3,290)</b>	(3,200)
Profit attributable to shareholders		<b>12,541</b>	13,371
Basic earnings per share	6	<b>1.1 cents</b>	1.2 cents

## 1. Turnover and segment information

An analysis of the turnover and contribution to profit before taxation by principal activity for the period is as follows:

	Six months ended 30th September			
	2003		2002	
	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	7,425	2,167	5,404	1,406
Securities margin financing & money lending	18,805	15,903	17,224	13,054
Corporate finance advisory, placing & underwriting	4,880	3,068	3,859	2,679
Assets management	1,143	171	1,990	1,141
	<b>32,253</b>	<b>21,309</b>	<b>28,477</b>	18,280
Provision for doubtful debts		(8,128)		—
Net investment income (losses)		2,585		(1,719)
Other income		65		10
Profit before taxation		<b>15,831</b>		16,571
Taxation		<b>(3,290)</b>		(3,200)
Profit attributable to shareholders		<b>12,541</b>		13,371

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

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## 2. Net investment income (losses)

	<b>Six months ended 30th September</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unrealised losses on holding shares in Hong Kong Exchanges and Clearing Limited ("HKEx")	–	(2,142)
Realized gain (loss) on disposal of shares in HKEx	<b>2,405</b>	(187)
Dividend income from listed investments in HKEx	<b>180</b>	610
	<b><u>2,585</u></b>	<b><u>(1,719)</u></b>

## 3. Profit from Operations

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

	<b>Six months ended 30th September</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Mandatory Provident Fund Contribution	<b>91</b>	85
Staff costs, including directors' remuneration	<b>2,879</b>	2,232
Depreciation	<b>251</b>	299
Amortisation of intangible assets	<b>340</b>	170
Provision for doubtful debts	<b>8,128</b>	–
Operating lease rentals in respect of rented premises	<b>414</b>	368
	<b><u>414</u></b>	<b><u>368</u></b>

## 4. Finance costs

	<b>Six months ended 30th September</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans and overdrafts	<b>2,028</b>	1,441
	<b><u>2,028</u></b>	<b><u>1,441</u></b>

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## 5. Taxation

	Six months ended 30th September	
	2003	2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax	<u>3,290</u>	<u>3,200</u>

Hong Kong profits tax is calculated at 17.5% (2002 : 16%) on the estimated assessable profit for the period.

## 6. 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 30th September 2003 of HK\$12,541,000 (2002: HK\$13,371,000) and the weighted average number of 1,120,000,000 shares (2002: 1,120,000,000 shares)

There is no diluted earnings per share for the periods ended 30th September 2003 and 2002 presented since the Company has no dilutive potential ordinary shares.

## INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30th September 2003 (2002: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

With the global and local economy remained uncertain, the six months under review continued to be challenging to the Group. The sluggish economy of Hong Kong was further impacted by the outbreaks of the war in Iraq and the Severe Acute Respiratory Syndrome (SARS). Hong Kong has experienced the highest unemployment rate of 8.7% and an underemployment rate of 4% since 1997 for the period from May to July.

Despite the sluggish economy, the Group managed to maintain a stable income out from its four main core business. Turnover for the six months ended 30th September 2003 was approximately HK\$32 million representing an increase of over 13% from the corresponding period last year.

The Group has continued to expand the corporate finance advisory business. During the six months under review, its turnover accounted for approximately 15% of the Group's turnover as compared with 14% in the corresponding period last year.

### **Financing Activities**

For the six months under review, interest income from securities margin financing and money lending business, and contribution to profit before taxation was increased by approximately 9% and 22% respectively when compared with the corresponding period last year.

Financing activities accounted for approximately 58% of the Group's turnover and contributed nearly 75% of the profit.

### **Securities Brokerage**

The Group's turnover from securities brokerage was increased by approximately 37% compared with the corresponding period last year. Despite the impact from the abolishment of the minimum brokerage from April 2003, the Group was able to maintain a stable contribution from this sector of business.

### **Asset Management**

The Group was the investment manager of two companies listed on the main board of the Stock Exchange of Hong Kong Limited and five other private institutional clients. The total asset value under our management exceeded HK\$930 million. The sluggish investment sentiment and economy were the major contributing factors for the discouraging performance of the Group's investment securities. As a

result, the turnover and profit contributed from such activities were decreased by approximately 43% and 85% respectively compared with the corresponding period last year.

### **Corporate Finance**

Despite the impact of the sluggish economy in Hong Kong and the outbreak of SARS during the reporting period, the performance of the Group's corporate finance business was rather encouraging. During the six months under review, corporate finance activities contributed over 15% of the Group's turnover representing an increase of approximately 26% compared with the corresponding period last year.

This sector contributed approximately 14% of the profit representing an increase of nearly 15% compared with the corresponding period last year.

### **FUTURE PROSPECTS**

In recent months, there have been signs of recovery of the Hong Kong economy, strong evidence indicating that there are inflows of funds into the Hong Kong stock market as well as strong rebound in tourism after the disappearance of SARS in July 2003. As a result, the Hang Seng Index surged over 30 % to a 18-month high of 12,250 on 21st October 2003. The total turnover of stock trading reached HK\$30 billion in September 2003, the highest in the three years. The weakening United States dollar and upward pressure on the Hong Kong dollar have forced interest rates lower which convinced foreign investors that Hong Kong assets such as real estates represent good value. Investors believed that deflation was abating and companies would benefit from the improving economy.

The Group believes that the signing of the CEPA between the Mainland and Hong Kong will further enhance and broaden the content of the free-trade deal which would have positive impacts on

the Hong Kong economy. The Group is confident of the future economy of Hong Kong as the continuous improvement of unemployment rate from 8.7% to 8.3% and underemployment rate from 4% to 3.6%.

To further improve services to clients, the Group would continue maintaining as a one-stop financial service provider. To minimize the impact from the liberalization of commission rates after 1st April 2003, the Group will continuously diversify its scopes of business from traditional stock broking business by further expanding its other core business such as assets management and corporate finance.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 30th September 2003, the Group had cash and bank balances of approximately HK\$74 million (31st March 2003: HK\$71 million) of which approximately HK\$63 million (31st March 2003: HK\$62 million) were pledged to bank for facilities granted to the Group. The Company has provided corporate guarantees to the extent of HK\$153 million (31st March 2003: HK\$153 million) to secure the general banking facilities granted to subsidiaries.

As at 30th September 2003, the Group had available aggregate banking facilities of approximately HK\$263 million (31st March 2003: HK\$263 million) of which approximately HK\$91 million (31st March 2003: HK\$96 million) was not utilized.

### **Gearing Ratio**

As at 30th September 2003, the amount of total bank borrowings was approximately HK\$173 million (31st March 2003: HK\$167 million), being equal to approximately 116% (31st March 2003: 118%) of the net assets of approximately HK\$149 million (31st March 2003: HK\$141 million).

## **CAPITAL STRUCTURE**

There was no change to the Group's capital structure for the six months ended 30th September 2003.

## **EMPLOYMENT**

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 Company has established an audit committee according to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee of the Group consists of two independent non-executive Directors, namely Mr. Wong Wai Kwong, David and Mr. Pang Cheung Hing, Alex.

## **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 30th September 2003 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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

During the six months ended 30th September 2003, there was no repurchase, sale or redemption by the Company's listed securities by the Company or any of its subsidiaries.

By order of the Board  
**Tsang Cheuk Lau**  
*Chairman*

Hong Kong, 13th November 2003

Please also refer to the published version of this announcement in China Daily dated on 14-11-2003.