



UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 335)

FINAL RESULTS FOR THE YEAR ENDED MARCH 31, 2004

The Board of Directors (the “Board”) of Upbest Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended March 31, 2004 with comparative figures for the preceding financial year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2004

	<i>Note</i>	2004 HK\$'000	2003 HK\$'000
Turnover	(2)	74,185	50,790
Net investment income (loss)	(3)	2,585	(1,867)
Other income		319	129
Provision for doubtful debts		(13,644)	(14,246)
Administrative and other operating expenses		(13,945)	(15,606)
Profit from operations	(4)	49,500	19,200
Finance cost	(5)	(3,178)	(3,195)
Share of results of an associate		119	–
Profit before taxation		46,441	16,005
Taxation	(6)	(8,297)	(2,882)
Net profit for the year attributable to shareholders		38,144	13,123
Dividends	(7)	11,200	5,376
Basic earnings per share	(8)	HK3.4 cents	HK1.2 cents

Notes:

(1) Adoption of Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Society of Accountants (“HKSA”), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAPs”) and Interpretations approved by HKSA:

SSAP 12 (Revised)

Income taxes

SSAP 12 (Revised) requires deferred tax assets and liabilities to be provided in full using the liability method, on temporary differences arising between the tax base of an asset or a liability and its carrying amount in the financial statements at any point in time. Deferred tax assets or liabilities arising from temporary differences need to be measured at the tax rates enacted or substantively enacted at the balance sheet date.

The adoption of the revised SSAP as outlined above does not have material impact on results reported in the current or prior year, though the terminology used and certain disclosures have been revised in line with the new requirements.

(2) Turnover and segment information

The Group is principally engaged in the provision of a wide range of financial services including four core business segments, namely Broking, Financing, Corporate Finance and Assets Management. An analysis of the Group's turnover and contribution to the profit from operations by business and geographical segments for the years ended March 31, 2004 and 2003 are as follows:

(a) Business segments

An analysis of segment information about these businesses for the years ended March 31, 2004 and 2003 is as follows:

The Group

	Broking		Financing		Corporate finance		Assets management		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>19,362</u>	<u>11,392</u>	<u>38,591</u>	<u>30,414</u>	<u>13,799</u>	<u>6,083</u>	<u>2,433</u>	<u>2,901</u>	<u>74,185</u>	<u>50,790</u>
Segment results	<u>9,688</u>	<u>3,421</u>	<u>34,193</u>	<u>24,108</u>	<u>12,290</u>	<u>4,150</u>	<u>952</u>	<u>492</u>	<u>57,123</u>	<u>32,171</u>
Net investment income (loss)									2,585	(1,867)
Provision for doubtful debts									(13,644)	(14,246)
Bad debts written off									(61)	(182)
Other income									319	129
Share of results of an associate									119	–
Profit before taxation									46,441	16,005
Taxation									(8,297)	(2,882)
Net profit for the year attributable to shareholders									<u>38,144</u>	<u>13,123</u>

(b) Geographical segment

No geographical analysis is presented as all the Group's revenue and results are derived from activities in Hong Kong.

(3) Net investment income (loss)

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Net realised and unrealised holding gain (loss) on shares in Hong Kong Exchanges and Clearing Limited ("HKEX")	2,405	(2,477)
Dividend income from listed investments in HKEX	<u>180</u>	<u>610</u>
	<u>2,585</u>	<u>(1,867)</u>

(4) Profit from operations

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging/(crediting):		
Staff costs, including directors' remuneration		
– Provident fund contributions	195	171
– Other staff costs	7,039	4,823
	7,234	4,994
Depreciation	250	258
Amortisation of intangible assets	340	340
Auditors' remuneration		
– Current year	266	266
– Overprovision in prior years	(16)	–
Bad debts written off	61	182
Operating lease rentals in respect of rented premises	820	758
Gain on disposal of property, plant and equipment	(190)	–

(5) Finance cost

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	3,178	3,195

(6) Taxation

	The Group	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Group:		
Hong Kong Profits Tax		
Provision for current year	8,275	2,893
Overprovision in prior years	–	(11)
	8,275	2,882
Associate:		
Hong Kong Profits Tax		
Provision for current year	22	–
	8,297	2,882

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profits for the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/04, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended March 31, 2004.

(7) Dividends

	2004	2003
	HK\$'000	HK\$'000
Final dividend proposed of HK1 cent (2003: HK0.48 cent) per ordinary share	11,200	5,376

(8) Basic earnings per share

The calculation of basic earnings per share for the year is based on the net profit attributable to shareholders of HK\$38,144,000 (2003: HK\$13,123,000) and the weighted average number of 1,120,000,000 shares (2003: 1,120,000,000 shares) in issue during the year.

There is no diluted earnings per share for the years ended March 31, 2004 and 2003 presented since the Company has no dilutive potential ordinary shares.

DIVIDENDS AND DISTRIBUTION

The Board has resolved to recommend the payment of a final dividend of HK1 cent (2003: HK0.48 cent) per ordinary share for the year.

Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend are expected to be paid on September 30, 2004.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from August 16, 2004 to August 30, 2004, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on August 13, 2004.

BUSINESS REVIEW

The Group achieved a net profit of HK\$38,144,000 for the year ended March 31, 2004. When comparing with 2003's HK\$13,123,000, this represented an increase of 191%. During the financial year, the Group implemented further of its continuing cost control policies which had successfully reduced administrative and operating expenses by HK\$1.7 million comparing with previous year. This in essence represents a crucial improvement in terms of revenue generation and cost control.

As reported in our interim report ended September 30, 2003, the Group reported a net profit of approximately HK\$12.5 million for the six months ended September 30, 2003. The first half of 2003 was no doubt a challenging time to Hong Kong's economy due to the outbreak of the severe acute respiratory syndrome ("SARS") and the armed conflict happened in the Middle East.

Fortunately, the Group's businesses shared in benefits generated by the implementation of various favourable policies such as Closer Economic Partnership Arrangement ("CEPA"), individual travel scheme, etc designed to produce such effects. These policies has boosted the retail and hospitality industries and restored market confidence which push up local economy. The market showed a "V" shape recovery in the fourth quarter of 2003. Correspondingly, the Hang Seng Index surged over 40% to 12,687.61 as at March 2004 as compared to the same period in 2003. The average daily turnover of the Stock Exchange of Hong Kong Limited ("Stock Exchange") reach nearly HK\$17 billion in March 2004, showing a substantial increase by 226% when comparing with corresponding period last year. This was in line with the performance of the Group's margin financing and securities brokerage of an increase for 183% and 42% respectively.

Benefiting from various favourable policies implemented by the Chinese Central Government such as CEPA and the Pan-Pearl River Delta Agreement, the Group's turnover for the year ended March 31, 2004 achieved a substantial improvement of 46% when comparing with the same period last year.

The global investment markets were depressed by the burst of technology bubble in 2000 and the 9-11 terrorist attacks in 2001. The sluggish economy of Hong Kong was further impacted by the outbreak of SARS and the local political uncertainties in 2003. In response, the management adopted tight cost control policy during the difficult time. In addition, we have further strengthened our market position through diversifying our scopes of business from the traditional stock broking to a one stop financial services provider, especially in securities margin financing and corporate finance.

Financing

Securities margin financing and money lending business remain the core business of the Group which contributed over 50% of the Group's turnover. The active IPO exercise had created strong demand for the margin financing service. Turnover and profit for the second half of 2003 had therefore increased by HK\$8.2 million and HK\$10 million respectively.

Securities Brokerage

The decline in Hong Kong's composite consumer price index had narrowed to -2.1% in March 2004. Investors predicted that Hong Kong would soon walk away from deflation with signs of restoration. The total turnover of Stock Exchange for the year ended December 31, 2003 amounting to HK\$2.5 trillion, representing a 59% increase as compared with the corresponding period last year, investors therefore expected a better prospect of share appreciation in value.

This sector contributed an operating profit of over HK\$9 million to the Group for the year under review. This represented a significant improvement which exceeded 183% comparing with the preceding year. This improvement was largely because of the restoration of market confidence which had enhanced consumer purchasing power and the tight cost control policy adopted by the Group to minimize the impact from the abolishment of the minimum brokerage commission from 2003. Furthermore, active IPO application activities since the fourth quarter of 2003 and the increase in the average trading volume were other major factors behind the improved result.

Corporate Finance

Turnover and profit contributed from corporate finance increase by approximately 127% and 196 % respectively. This improvement was mainly due to fund raising activity such as placement rather than corporate advisory service provided.

Asset Management

The Group was the investment manager of two companies listed on the main board of the Stock Exchange under Chapter 21 (Investment Companies) of the Rules Governing the Listing of Securities and five other institutional clients. The total asset value under our management exceeded HK\$969 million.

PROSPECT

With the well established legislation and financial system, Hong Kong has been one of the major fund raising platform for the PRC enterprises intending to look for foreign investment. Looking ahead, we believe that the Group will benefit from the signing of Pan-Pearl River Delta Agreement and CEPA, as this common market covering the nine southwestern provinces and two SARs (Hong Kong and Macau) will channel a bio-lateral flow of business between China and abroad. Being a one-stop financial service provider, it is expected that our performance will be enhanced by taking advantage of this changing economy.

On the other hand, the subsequent cooling measures of China's credit policies and the imminent election in Hong Kong in September 2004 will overshadow the horizon of the Group. We understand perfectly the importance of risk management to our Group, and therefore we had set up risk management committee recently comprising three directors for immediate react to any possible uncertainty and unknown that may arise in the future.

The adoption of tight cost control, improvement in internal control and advance risk management will provide a solid cornerstone for future development. We believe that our Group's competitiveness will be enhanced.

FINANCIAL REVIEW

Liquidity and financial resources

As at March 31, 2004, the Group had cash and bank balances of approximately HK\$91 million (2003: HK\$71 million) of which approximately HK\$63 million (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\$173 million (2003: HK\$153 million) to secure the general banking facilities granted to subsidiaries.

As at March 31, 2004, the Group had available aggregate banking facilities of approximately HK\$283 million (2003: HK\$263 million) of which approximately HK\$127 million (2003: HK\$96 million) was not utilised.

Capital structure

There was no change to the Group's capital structure for the year ended March 31, 2004.

Gearing ratio

As at March 31, 2004, the amount of total bank borrowings was approximately HK\$156 million (2003: HK\$167 million), being equal to approximately 90% (2003: 118%) of the net assets of approximately HK\$174 million (2003: HK\$141 million).

The Group continues to keep a good relationship with our banker. The bank has increased the banking facilities of the Group by approximately HK\$20 million.

FOREIGN CURRENCY FLUCTUATION

The Board believes that the foreign exchange risk is minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

EMPLOYMENT

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

SHARE OPTIONS

The Company does not have share option scheme.

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

For the year ended March 31, 2004, other than as an agent for clients of the Company or its subsidiaries, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the year.

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. The audit committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended March 31, 2004.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Revised Listing Rules throughout the year ended March 31, 2004, save and except that all independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the percentage of the Company's shares which are in the hands of the public not less than 25% of the Company's total number of issued shares.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board
Tsang Cheuk Lau
Chairman

Hong Kong, July 19, 2004

As at the date of this announcement, the executive directors of the Company comprise of Mr. Tsang Cheuk Lau, Mr. Wong Ching Hung, Thomas, Mr. Cheng Kai Ming, Charles, Mr. Li Kwok Cheung, George and Mr. Choy Ye King. The independent non-executive directors of the Company comprise Mr. Wong Wai Kwong, David and Mr. Pang Cheung Hing, Alex.

Please also refer to the published version of this announcement in China Daily.