



UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 335)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

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 30th September 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September			
		2004	2003
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Turnover	2	27,825	32,253
Net investment income		–	2,585
Other income		80	65
Provision for doubtful debts		(409)	(8,128)
Administrative and other operating expenses		(8,028)	(8,916)
Profit from operations	3	19,468	17,859
Finance costs	4	(1,229)	(2,028)
Share of results of an associate		(26)	–
Profit before taxation		18,213	15,831
Taxation	5	(2,950)	(3,290)
Profit attributable to shareholders		15,263	12,541
Interim dividend		Nil cent	Nil cent
Basic earnings per share	6	1.4 cents	1.1 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	30th September 2004 (unaudited) HK\$'000	31st March 2004 (audited) HK\$'000
Assets and Liabilities		
Non-current assets		
Property, plant and equipment	2,146	1,864
Intangible assets	2,040	2,380
Interest in an associate	71	97
Debtors, prepayments and deposits	466	480
Other non-current assets	6,438	7,046
	11,161	11,867
Current assets		
Debtors, prepayments and deposits	430,471	382,753
Tax recoverable	288	608
Pledged fixed deposits with bank	62,964	62,893
Fixed deposits with bank	3,027	–
Other bank balances and cash	23,384	27,929
	520,134	474,183
Current liabilities		
Creditors and accrued charges	34,791	27,707
Amounts due to related parties	145,527	121,958
Bank borrowings	164,472	156,191
Tax payable	8,332	6,084
	353,122	311,940
Net current assets	167,012	162,243
Net assets	178,173	174,110
Equity		
Capital and reserves		
Share capital	11,200	11,200
Reserves	166,973	151,710
Proposed final dividend	–	11,200
	178,173	174,110

NOTES TO CONDENSED INTERIM REPORTS**1. Basis of preparation and accounting policies**

The condensed unaudited consolidated interim accounts (“the Interim Accounts”) are prepared in accordance with the requirements of Hong Kong Statement of Standard Accounting Practice (the “SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These Interim Accounts should be read in conjunction with the audited annual accounts for the year ended 31st March 2004.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the audited reports for the year ended 31st March 2004.

2. Turnover and segment Information

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

	Six months ended 30th September 2004		2003	
	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	7,242	1,902	7,425	2,167
Securities margin financing & money lending	18,812	15,957	18,805	15,903
Corporate finance advisory, placing & underwriting	607	186	4,880	3,068
Assets management	1,164	523	1,143	171
	<u>27,825</u>	<u>18,568</u>	<u>32,253</u>	21,309
Provision for doubtful debts		(409)		(8,128)
Net investment income		–		2,585
Other income		80		65
Share of result of an associate		(26)		–
Profit before taxation		18,213		15,831
Taxation		(2,950)		(3,290)
Profit attributable to shareholders		<u>15,263</u>		<u>12,541</u>

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

3. Profit from operations

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

	Six months ended 30th September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Staff costs, including directors' remuneration		
– provident fund contributions	100	91
– other staff costs	4,178	2,879
Depreciation	158	251
Amortisation of intangible assets	340	340
Provision for doubtful debts	409	8,128
Operating lease rentals in respect of rented premises	<u>410</u>	<u>414</u>

4. Finance costs

	Six months ended 30th September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Interest on bank loans and overdrafts	1,216	2,028
Bank charges	<u>13</u>	<u>–</u>
	<u>1,229</u>	<u>2,028</u>

5. Taxation

	Six months ended 30th September	
	2004	2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax	<u>2,950</u>	<u>3,290</u>

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the period.

At September 30, 2004 and 2003, the Group had no material deferred tax asset or liability unrecognized at the balance sheet date.

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 2004 of approximately HK\$15,263,000 (2003: HK\$12,541,000) and the weighted average number of 1,120,000,000 shares (2003: 1,120,000,000 shares) in issue during the period.

There is no diluted earnings per share for the periods ended 30th September 2004 and 2003 presented since the Company has no dilutive potential ordinary shares.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30th September 2004 (2003: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the past six months ended 30th September 2004, we are pleased to report that the Group achieved a net profit of approximately HK\$15 million, representing a 22% increase from the corresponding period of 2003.

The downward trend of market activity in 2004 is primarily due to the negative market sentiment of concerns over high oil prices, slow economy recovery in the United States and possibility of any additional macro-economic measures by the PRC government. During the period under review, the average daily turnover on the Stock Exchange fell by 11 per cent or from HK\$13.8 billion in the second quarter to HK\$12.3 billion in the third quarter of 2004. This can also be seen by the decline of the daily average market turnover from a level exceeding HK\$23 billion in January 2004 to less than HK\$15 billion in September 2004. In line with the market trend, the Group's turnover record a decrease of approximately 14% when compare with the corresponding period of 2003.

The Group's four major core businesses are financing activities, securities brokerage, asset management and corporate finance. Financing activities contributed approximately HK\$19 million to the Group's turnover, which exceeded 67% of the total turnover.

Financing Activities

Notwithstanding the reduced market activity for the period under review, the Group was able to maintain a similar level of turnover and net profit. Pursuing to the implementation of advance risk management control, the Group was able to reduce the provision for doubtful debts from HK\$8.1 million to HK\$409,000, representing a decline of 95% when compared with the corresponding period of 2003.

Securities Brokerage

Activity on the stock market experienced considerable volatility during the six-month period under review. The macro-economic measures, high oil prices and the interest rate rise in the United States caused trading to decrease in the second quarter of 2004. As a result, there was substantial decrease in the total market turnover from HK\$443 billion in January 2004 to HK\$307 billion in September 2004. The Group's performance from this sector is in tandem with the market and hence the profit contribution fell by 12% when compared with the corresponding period of 2003.

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 Listing Rules, and four other institutional clients. The total asset value under our management exceeded HK\$837 million.

Corporate Finance

Instability in the Middle East and the cooling down measure adopted by the Chinese central government not only result in the ease down of securities cash market activities but also capital-raising and corporate activities. Turnover of this sector decreased approximately 88% when compare with the corresponding period of 2003 due to the negative response towards such events.

FUTURE PROSPECTS

With the recovery of the consumer market, the improvement of the labour market conditions, and the end of the past five and a half years of steadily falling prices initiated by the collapse of the property market in 1997. The fact that the Consumer Price Index has steadily increased since July 2004 indicates that Hong Kong's period of deflation since 1998 is over.

However, the escalating oil price and fear of interest rate hikes in the United States were perceived as potential threats to the global economy. In addition, the macroeconomic measures imposed by the Mainland authorities to adjust the overheated economy in China also create uncertainties to the market. These factors may affect the investment sentiment towards the economy condition.

On the other hand, Hong Kong will still be one of the major fund raising platforms for PRC enterprises intending to look for foreign investments. This is primarily attributable to the fact that HK is benefiting from various favorable policies implemented by the Chinese Central Government such as the CEPA, the Pan-Pearl River Delta Agreement, the relaxation of travel restrictions for Mainland visitors, and the Hong Kong Government's attitude towards the land policies and the well-established legislation and financial system. The effects of these policies can be observed by the rebound of property market since October 2004 and the market activity has started to pick up the momentum.

Despite these external uncertainties and the keen competition among the industrial counterparts and other local banks, the securities brokerage and financing businesses are able to benefit from the expected increase in market turnover. The Group is cautiously optimistic regarding the market for the coming year.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th September 2004, the Group had cash and bank balances of approximately HK\$89 million (31st March 2004: HK\$91 million) of which approximately HK\$63 million (31st March 2004: HK\$63 million) were pledged to bank for facilities granted to the Group. The Company has provided corporate guarantees to a bank to the extent of HK\$173 million (31st March 2004: HK\$173 million) for securing general banking facilities granted to subsidiaries.

As at 30th September 2004, the Group had available aggregate banking facilities of approximately HK\$283 million (31st March 2004: HK\$283 million) of which approximately HK\$119 million (31st March 2004: HK\$127 million) was not utilized.

Gearing Ratio

As at 30th September 2004, the amount of total bank borrowings was approximately HK\$164 million (31st March 2004: HK\$156 million), being equal to approximately 92% (31st March 2004: 90%) of the net assets of approximately HK\$178 million (31st March 2004: HK\$174 million).

CAPITAL STRUCTURE

There was no change to the Group's capital structure for the six months ended 30th September 2004.

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.

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 Institute of Certified Public 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 three independent non-executive directors, namely Mr. Wong Wai Kwong, David, Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai.

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 2004 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 30th September 2004, there was no repurchase, sale or redemption of 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 in due course.

By order of the Board

Tsang Cheuk Lau

Chairman

Hong Kong, 16th November 2004

As at the date of this announcement, the Board of the Company consists 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 as executive directors and Mr. Wong Wai Kwong, David, Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai as independent non-executive directors.

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