



UPBEST GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 335)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

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, 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th September	
		2006	2005
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	87,486	32,812
Cost of goods sold		(43,022)	—
Other gains – net		1,095	—
Excess of net fair value of consolidation arising from acquisition of a subsidiary		—	24,678
Gain on disposal of a subsidiary		—	18,100
Other income		544	20
Bad debts recovered		169	—
Provision for doubtful debts		(682)	(507)
Administrative and other operating expenses		(11,232)	(7,771)
Profit from operations		34,358	67,332
Finance costs	4	(4,799)	(2,827)
Share of results of associates		37	—
Profit before taxation	5	29,596	64,505
Taxation	7	(5,137)	(3,181)
Profit for the period		24,459	61,324
Attributable to:			
Equity holders of the Company		24,301	61,324
Minority interests		158	—
		24,459	61,324
Interim dividend		Nil	Nil
Earnings per share		HK cents	HK cents
Basic	6	1.9	5.0
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	30th September, 2006 (unaudited) HK\$'000	31st March, 2006 (audited) HK\$'000
Assets and Liabilities		
NON-CURRENT ASSETS		
Property, plant and equipment	2,196	1,962
Investment properties	187,000	187,000
Intangible assets	2,040	2,040
Interests in associates	21,329	20,481
Available-for-sale financial assets	1	1
Trade and other receivables, deposits and prepayments	69,900	89,898
Other assets	7,790	6,788
	290,256	308,170
CURRENT ASSETS		
Properties held for development	71,277	71,000
Loan receivable	127,999	127,999
Trade and other receivables, deposits and prepayments	525,650	469,130
Derivative financial instrument	39,637	—
Amounts due from related companies	5,712	5,242
Tax recoverable	—	390
Inventories	6,025	—
Bank balances and cash	134,817	112,000
	911,117	785,761
CURRENT LIABILITIES		
Borrowings	400,854	114,778
Amounts due to related parties	95,755	111,633
Creditors and accrued expenses	77,105	132,778
Dividend payable	35,087	—
Provision for profit tax	11,036	5,803
	619,837	364,992
NET CURRENT ASSETS	291,280	420,769
TOTAL ASSETS LESS CURRENT LIABILITIES	581,536	728,939
NON CURRENT LIABILITY		
Borrowings	26,325	163,100
NET ASSETS	555,211	565,839
CAPITAL AND RESERVES		
Share capital	12,531	12,531
Reserves	524,804	500,503
Proposed final dividend	—	35,087
Equity attributable to equity holders of the Company	537,335	548,121
Minority interests	17,876	17,718
TOTAL EQUITY	555,211	565,839

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

	For the six months ended 30th September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Net cash from/(used in) operations	863	(14,898)
Net cash (used in)/from investing activities	(39,555)	6,630
Cash flows from financing activities	5,200	18,125
Net (decrease)/increase in cash and cash equivalents	(33,492)	9,857
Cash and cash equivalents as at the beginning of the period	(63,736)	(126,747)
Cash and cash equivalents as at the end of the period	(97,228)	(116,890)
Analysis of cash and cash equivalents		
Bank balances and cash	55,137	52,014
Bank overdrafts, secured	(152,365)	(168,904)
	(97,228)	(116,890)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Proposed final dividend (unaudited) HK\$'000	Minority interest (unaudited) HK\$'000	Total (unaudited) HK\$'000
As at 1st April, 2006	12,531	230,304	8,515	261,684	35,087	17,718	565,839
Profit for the period	–	–	–	24,301	–	158	24,459
Dividend approved	–	–	–	–	(35,087)	–	(35,087)
As at 30th September, 2006	12,531	230,304	8,515	285,985	–	17,876	555,211
As at 1st April, 2005	12,288	205,936	8,515	141,475	30,719	–	398,933
Profit for the period	–	–	–	61,324	–	–	61,324
Disposal of interest in a subsidiary	–	–	–	–	–	17,600	17,600
Dividend approved	–	–	–	–	(30,719)	–	(30,719)
As at 30th September, 2005	12,288	205,936	8,515	202,799	–	17,600	447,138

NOTES ON THE CONDENSED INTERIM REPORTS

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal place of business is 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong.

The Company is principally engaged in investment holding. Its subsidiaries are principally engaged in the provision of a wide range of financial services including securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, assets management, property investment and precious metal trading. The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas:

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) Financial guarantee contracts which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

The Group acts as the issuer of the financial guarantee contracts

Prior to 1st January, 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognized when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated realisable.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

The adoption of this amendment has had no material effect on the results and presentation in the Group’s interim financial statements.

The Group has not early applied the following major standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies” ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

3. TURNOVER AND SEGMENT INFORMATION

(a) Business segments

An analysis of segment information of the Group on these businesses for the six months ended 30th September, 2006 and 2005 is as follows:

	For the six months ended 30th September 2006 (unaudited) HK\$'000		2005 (unaudited) HK\$'000		Consolidation For the six months ended 30th September 2006 (unaudited) HK\$'000		2005 (unaudited) HK\$'000	
Segment revenue								
Sales to external customers								
Broking		10,638		7,587				
Financing		27,928		22,015				
Corporate finance		1,902		268				
Assets management		1,480		1,309				
Property investment		1,754		1,633				
Precious metal trading		43,784		—				
						87,486		32,812
Segment result								
Broking		3,800		2,581				
Financing		21,731		18,576				
Corporate finance		1,890		(118)				
Assets management		1,425		907				
Property investment		(83)		268				
Precious metal trading		765		—				
						29,528		22,214
Excess of net fair value of consolidation arising from acquisition of a subsidiary						—		24,678
Gain on disposal of a subsidiary						—		18,100
Bad debts recovered						169		—
Provision for doubtful debts						(682)		(507)
Other income						544		20
Share of results of an associate						37		—
Profit before taxation						29,596		64,505
Taxation						(5,137)		(3,181)
Profit for the period						24,459		61,324
Attributable to:								
Equity holders of the Company						24,301		61,324
Minority interests						158		—
						24,459		61,324
						</		

Liabilities	Segment liabilities		Interest in associates		Unallocated corporate liabilities		Consolidated total liabilities	
	30th	31st	30th	31st	30th	31st	30th	31st
	September, 2006 (unaudited) HK\$'000	March, 2006 (audited) HK\$'000	September, 2006 (unaudited) HK\$'000	March, 2006 (audited) HK\$'000	September, 2006 (unaudited) HK\$'000	March, 2006 (audited) HK\$'000	September, 2006 (unaudited) HK\$'000	March, 2006 (audited) HK\$'000
Broking	75,736	82,041						
Financing	261,183	238,116						
Corporate finance	–	–						
Assets management	10	10						
Property investment	22,595	10,131						
Investment holding	128,000	–						
Precious metal trading	97,843	–						
Inter-segment elimination	(44,223)	(2,486)						
Consolidated	<u>541,144</u>	<u>327,812</u>	<u>–</u>	<u>–</u>	<u>78,693</u>	<u>37,180</u>	<u>619,837</u>	<u>364,992</u>

Other information	Capital expenditure		Depreciation and amortization		Provision for doubtful debts		Bad Debts Recovered	
	30th September	30th September	30th September	30th September	30th September	30th September	30th September	30th September
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Broking	595	27	262	211				
Financing	3	3	40	34	682	507	169	–
Corporate finance	–	–						
Assets management	–	–						
Property investment	–	164						
Investment holding	–	–						
Precious meta trading	99	–	6					
	<u>697</u>	<u>194</u>	<u>308</u>	<u>245</u>	<u>682</u>	<u>507</u>	<u>169</u>	<u>–</u>

(b) **Geographical segments**

The group's operations are principally located in Hong Kong and Macau. The Group's administration is carried out in Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market and analysis of total assets and capital expenditure by the geographical area in which the operations and assets are located.

	Turnover		Capital expenditure		Total assets	
	For the six months ended		For the six months ended		30th	31st
	30th September 2006 (unaudited) HK\$'000	30th September 2005 (unaudited) HK\$'000	30th September 2006 (unaudited) HK\$'000	30th September 2005 (unaudited) HK\$'000	September, 2006 (unaudited) HK\$'000	March, 2006 (audited) HK\$'000
Hong Kong	85,732	31,179	697	30	749,622	686,561
Macau	1,754	1,633	–	164	451,751	407,370
	<u>87,486</u>	<u>32,812</u>	<u>697</u>	<u>194</u>	<u>1,201,373</u>	<u>1,093,931</u>

4. FINANCE COSTS

	For the six months ended	
	30th September 2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Interest on bank loans and overdrafts	3,512	2,613
Interest on other loans	1,287	214
	<u>4,799</u>	<u>2,827</u>

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging and crediting the following:

	For the six months ended 30th September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Staff costs	5,754	3,942
Depreciation	308	245
Provision for doubtful debts	682	507
Operating leases rentals in respect of rented premises	<u>485</u>	<u>418</u>
Crediting:		
Rental income from operating leases less outgoings (Gross rental income: HK\$1,753,662 (2005: HK\$1,632,949))	1,104	1,480
Gain on disposal of property, plant and equipment	<u>94</u>	<u>—</u>

6. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the six months ended 30th September, 2006 of approximately HK\$24,301,000 (2005: HK\$61,324,000) and the weighted average number of 1,253,122,065 shares (2005: 1,228,754,000 shares) in issue during the period.

There is no diluted earnings per share for the periods ended 30th September, 2006 and 2005 presented since the Company has no dilutive potential ordinary shares.

7. TAXATION

(a) Income tax expense in the consolidated income statement represents:

	For the six months ended 30th September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax – provision for the period	5,134	3,181
Overseas tax paid	<u>3</u>	<u>—</u>
	<u>5,137</u>	<u>3,181</u>

- (b) (i) Provision for Hong Kong profits tax has been made at the rate of 17.5% (2005: 17.5%)
(ii) No provision for overseas taxation has been made as the amount is insignificant.
(iii) At 30th September, 2006, the Group had unutilised tax losses of approximately HK\$113 million (31st March, 2006: HK\$113 million) available for offsetting against future taxable profits. However, no deferred tax asset has been recognized due to the unpredictability of future taxable profits. The tax losses may be carried forward indefinitely.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30th September, 2006 (2005: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The interim result for the six months ended 30th September, 2006 recorded a profit before tax of HK\$29,596,000 (2005: HK\$64,505,000). Profit attributable to equity holders of the Company amounted to HK\$24,301,000 (2005: HK\$61,324,000). Earnings per share were HK1.9 cents (2005: HK5 cents). However it is important to note that the HK\$61,324,000 of 2005 included a gain on acquisition of subsidiaries of HK\$24,678,000 and a gain on disposal of a subsidiary of HK\$18,100,000. The profit after excluded the above mentioned items improved significantly from HK\$18,546,000 of 2005 to HK\$24,459,000 of 2006 which representing an increase of over 31%. The significant improvement in profit from ordinary course of business mainly resulted from the expansion in the financial services sector. Turnover for the six months ended 30th September, 2006 increased by 167% to HK\$87,486,000 which principally caused by two major factors. The first was an increase in existing business turnover from HK\$32,812,000 to HK\$43,702,000, a 33% increase. The other factor was the commencement of precious metal trading, which contributed HK\$43,784,000 to the Group's turnover.

Financing

Turnover within the money lending business and margin financing activities improved significantly. Turnover within this segment increased by approximately 27% which mainly due to increase in interest rates and the continuing business expansion activities. Profit attributable to the Group increased around 17% to HK\$21,731,000 when compared with last year's corresponding period.

Securities and Commodities Brokerage

As the turnover of Main Board increased significantly for the first three quarters of 2006, this segment result had reflected the market condition correspondingly. During the six months period, our business in this segment recorded a turnover of HK\$10,638,000, an increase of 40% when compared with HK\$7,587,000 of 2005. Profit attributable to the Group improved significantly to HK\$3,800,000 from HK\$2,581,000 of 2005, representing a 47% increase.

Corporate Finance

Our corporate finance division turned around from a loss of HK\$118,000 last year corresponding period to an attributable profit of HK\$1,890,000. This division will continue to focus on different types of financial advisory, placing and IPO projects.

Assets Management

The Group maintained as the investment manager of two companies listed on the Main Board of the Stock Exchange under Chapter 21 (Investment Companies) of the Listing Rules. Profit for the six months ended increased by 57% to HK\$1,425,000. The asset value for these two companies increased over 13% when compared with last year corresponding period. The cherry-picking approach adopted by the Group proved to be successful. The total value of assets under our management exceeds HK\$190 million during the period. There had been a reduction of assets under management which were preciously compensated on a performance base mode, of HK\$280 million. This is in line with the Group's defined policy on focusing on managing asset at a fee on asset value basis going forward.

Property Investment

For the interim period ended 30th September, 2006, the rental income amounted to HK\$1,754,000, a 7% increase when compared with last year's corresponding period. Though a loss of HK\$83,000 being recorded, this was due to the property tax payable for HK\$486,000.

Precious Metal Trading

In April 2006, the Group has commenced precious metal business through a 75% owned subsidiary. This subsidiary provides one stop precious metal service including physical trading, industrial product trading and financing by collaborating with major players in the market such as Johnson Matthey, The Standard Bank, Wing Hang Bank, Bank of China and Mitsui Precious Metals etc. It is not usual for a business to contribute profit during the inception stage, however, this company had a successful start. This segment recorded a turnover and profit of HK\$43,784,000 and HK\$765,000 respectively.

During the period, the Group entered into gold contracts in order to hedge against firmly committed commercial transactions. The contracts were arranged with commercial banks and other institutions.

Prospect

During the year 2005, the Group had acquired Chino Plaza (the "Plaza") in Macau Peninsula which contributed a gross rental income approximately HK\$1,754,000 for the six months period. The Management has re-organised the tenants portfolio and is successfully introducing a well-known supermarket and American fast food chain store to locate in the Plaza in year 2006. The new tenants will enhance the Plaza's image and customers flow which in turn enhance our bargaining powers on rental negotiation. It is expected that the gross rental income will be increased satisfactory after the tenants' portfolio re-organisation is completed.

In the meanwhile, our other investments on properties development in Macau are progressing satisfactory. The continuing rapid growth of Macau economy has stimulated the increasing demand and price of both residential flats and commercial shops. The management believes the projects will bring a good profit to the Group in future years.

The listed securities turnover has reached a record high in Hong Kong due to the IPO of several famous Chinese banks and corporations during the year. The turnover and contribution from brokerage and margin financing are expected to grow steadily as the market is forecasted to be active in the coming months.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th September, 2006, the Group had cash and bank balances of approximately HK\$135 million (31st March, 2006: HK\$112 million) of which approximately HK\$67 million (31st March, 2006: HK\$65 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\$253 million (31st March, 2006: HK\$233 million) for securing general banking facilities granted to subsidiaries.

As at 30th September, 2006, the Group had available aggregate banking facilities of approximately HK\$446 million (31st March, 2006: HK\$343 million) of which approximately HK\$223 million (31st March, 2006: HK\$242 million) was not utilised.

Gearing Ratio

As at 30th September, 2006, the cash and bank balances was approximately HK\$135 million (31st March 2006: HK\$112 million) and the amount of total borrowings was approximately HK\$427 million (31st March, 2006: HK\$278 million). The gearing (net interest bearing debts) to total equity was 54% (31st March, 2006: 26%).

CAPITAL STRUCTURE

There was no change to the Group's capital structure for the six months ended 30th September, 2006.

CREDIT CONTROL

The Group has been practicing tight credit control policy. A credit committee composed of three executive directors is responsible for overseeing the granting of credit facilities. Daily operation of money lending will be guided by the stringent procedures as prescribed by the internal control manual.

FOREIGN CURRENCY FLUCTUATION

As at 30th September, 2006, the Group mainly uses Hong Kong dollars and United States dollars to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

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 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. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The unaudited interim results of the Group have been reviewed by the Company's audit committee.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 18th July, 2005 and the members comprised of independent non-executive directors, Mr. Wong Wai Kwong, David, Mr. Pang Cheung Hing, Alex, Mr. Fuk Ho Kai and executive director, Mr. Cheng Kai Ming, Charles. During the past one year, the remuneration committee had one meeting.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Appendix 14 "Code on Corporate Governance Practices" ("Code") throughout the six months ended 30th September, 2006, with deviations from code provisions A.4.1 of the Code only in respect of the service term of directors.

None of the existing non-executive directors (including independent non-executive directors) of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the directors of the Company are subject to the retirement provisions under article 116 of the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period.

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

During the six months ended 30th September, 2006, there was no repurchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

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 is not less than 25% of the Company's total number of issued shares.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement of the Company for the period containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Dr. Wong King Keung, Peter
Chairman

Hong Kong, 12 December, 2006

As at the date of this announcement, the Board of the Company consists of Dr. Wong King Keung, Peter as chairman and non-executive director, Mr. Wong Ching Hung, Thomas, Mr. Cheng Kai Ming, Charles, Mr. Li Kwok Cheung, George and Ms. Cheng Wai Ling, Annie 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.