



# UPBEST GROUP LIMITED

美建集團有限公司\*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 335)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

UPBEST GROUP LIMITED is an investment holding with subsidiaries 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, precious metal trading and also property investment.

### *Performance Highlights*

	<b>2009</b> <b>HK\$'000</b>	<b>2008</b> <b>HK\$'000</b>
<b>Net assets</b>	<b>1,064,975</b>	918,223
<b>Turnover</b>	<b>420,481</b>	294,955
<b>Net profit</b>	<b>119,011</b>	156,089
<b>Proposed final dividend per share</b>	<b>HK2.0 cents</b>	HK3.0 cents
<b>Proposed special dividend per share</b>	<b>HK1.5 cents</b>	Nil
<b>Earnings per share</b>	<b>HK9.0 cents</b>	HK12.2 cents

## RESULTS

The Board of Directors (the “Board”) of Upbest Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31<sup>st</sup> March, 2009 with comparative figures for the preceding financial year as follows:

### CONSOLIDATED INCOME STATEMENT

		<b>For the year ended 31<sup>st</sup> March</b>	
	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	4	<b>420,481</b>	294,955
Cost of goods sold		<b>(354,915)</b>	(188,575)
Other revenue		<b>503</b>	186
Gain on disposal of a subsidiary		-	12,000
Increase in fair value of investment properties	10	<b>86,411</b>	92,000
Net gain on financial assets or liabilities at fair value through profit or loss		<b>615</b>	346
Impairment loss on goodwill on acquisition of a subsidiary		<b>(92)</b>	-
Write-back of provision for doubtful debts (net)		<b>4,230</b>	316
Bad debts recovered (net)		<b>137</b>	-
Provision for litigation claims	15	<b>(5,000)</b>	-
Administrative and other operating expenses		<b>(26,755)</b>	(34,164)
Finance costs	5	<b>(1,567)</b>	(9,815)
Share of results of associates		<b>(34)</b>	205
Profit before taxation	6	<b>124,014</b>	167,454
Income tax expense	8	<b>(5,003)</b>	(11,365)
Profit for the year		<b>119,011</b>	156,089
Attributable to:			
Equity holders of the Company		<b>118,280</b>	156,101
Minority interests		<b>731</b>	(12)
		<b>119,011</b>	156,089
Dividends	9	<b>46,941</b>	38,865
<b>Earnings per share</b>	7	<b>HK cents</b>	<b>HK cents</b>
Basic		<b>9.0</b>	12.2
Diluted		<b>N/A</b>	N/A

# **CONSOLIDATED BALANCE SHEET**

		<b>As at 31<sup>st</sup> March</b>	
	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,242	2,125
Investment properties	10	556,000	442,000
Intangible assets		2,040	2,040
Interests in associates		65,340	65,298
Available-for-sale financial assets		136	136
Loan receivables		61	236
Trade and other receivables, deposits and prepayments	11	33,093	25,301
Other assets		5,200	5,226
		<b>664,112</b>	<b>542,362</b>
<b>CURRENT ASSETS</b>			
Properties held for development		133,457	80,787
Inventories		9,667	6,424
Loan receivables		175	163
Trade and other receivables, deposits and prepayments	11	189,392	367,714
Amounts due from related companies		3,943	-
Financial assets at fair value through profit or loss		2,522	18,598
Tax recoverable		165	207
Bank balances and cash	12	155,142	181,182
		<b>494,463</b>	<b>655,075</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	13	8,356	81,712
Amounts due to related parties		25,965	75,363
Financial liabilities at fair value through profit or loss		2,878	-
Creditors and accrued expenses	14	50,450	118,802
Provision for litigation claims	15	5,000	-
Provision for taxation		951	3,337
		<b>93,600</b>	<b>279,214</b>
<b>NET CURRENT ASSETS</b>		<b>400,863</b>	<b>375,861</b>
<b>NET ASSETS</b>		<b>1,064,975</b>	<b>918,223</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		13,412	12,955
Reserves		949,291	847,727
Proposed final dividends	9	46,941	38,865
Equity attributable to equity holders of the Company		1,009,644	899,547
Minority interests		55,331	18,676
<b>TOTAL EQUITY</b>		<b>1,064,975</b>	<b>918,223</b>

## NOTES ON THE CONDENSED 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 Uglan 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.

As at the date of this announcement, CCAA Group Limited held direct interests in 987,720,748 shares, representing approximately 73.65%, of the issued share capital of the Company.

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, precious metal trading and also property investment.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group and the Company have applied, for the first time, the following amendments and new interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group and the Company for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONT'D)

The Group and the Company have not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1<sup>st</sup> January, 2009 except the amendments to HKFRS 5, effective for annual periods being on or after 1<sup>st</sup> July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1<sup>st</sup> January, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1<sup>st</sup> July, 2009

<sup>4</sup> Effective for transfer on or after 1<sup>st</sup> July, 2009

The Directors of the Company have assessed the potential impact and believe that the application of the revised standards, amendments and interpretations will not have material impact on the results and financial position of the Group and the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation:

The financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention except that the investment properties, available-for-sale financial assets and financial assets or liabilities at fair value through profit or loss are stated at fair value.

#### 4. TURNOVER AND SEGMENT INFORMATION

##### a) Business segments

For management purposes, the Group is currently organised into seven operating divisions namely broking, financing, corporate finance, assets management, property investment, precious metal trading and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Broking	Securities brokerage and futures brokerage
Financing	Securities margin financing and money lending
Corporate finance	Corporate finance advisory, placing and underwriting
Assets management	Assets management for listed and unlisted companies and high net worth individuals
Property investment	Property rental and dealing
Precious metal trading	Precious metal trading
Investment holding	Share investments

An analysis of segment information of the Group on these businesses for the years ended 31<sup>st</sup> March, 2009 and 2008 is as follows:

	Consolidated	
	2009 HK\$'000	2008 HK\$'000
<b>Segment revenue</b>		
Sales to external customers		
Broking	18,942	44,285
Financing	25,540	47,300
Corporate finance	877	444
Assets management	6,401	3,187
Property investment	6,739	5,128
Precious metal trading	361,982	194,611
Investment holding	-	-
	<u>420,481</u>	<u>294,955</u>

#### 4. TURNOVER AND SEGMENT INFORMATION (CONT'D)

##### a) Business segments (Cont'd)

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment results</b>		
Broking	<b>2,998</b>	23,333
Financing	<b>16,084</b>	35,806
Corporate finance	<b>702</b>	438
Assets management	<b>5,685</b>	2,818
Property investment	<b>4,461</b>	2,298
Precious metal trading	<b>2,930</b>	(170)
Investment holding	<b>-</b>	-
	<b>32,860</b>	64,523
Increase in fair value of investment properties	<b>86,411</b>	92,000
Impairment loss on goodwill on acquisition of a subsidiary	<b>(92)</b>	-
Gain on disposal of a subsidiary	<b>-</b>	12,000
Bad debts written off	<b>(7)</b>	(1,776)
Write-back of provision for doubtful debts	<b>4,230</b>	316
Bad debts recovered	<b>143</b>	-
Other revenue	<b>503</b>	186
Share of results of associates	<b>(34)</b>	205
Profit before taxation	<b>124,014</b>	167,454
Income tax expense	<b>(5,003)</b>	(11,365)
Profit for the year	<b>119,011</b>	156,089

##### 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.

	<b>Turnover</b>		<b>Total assets</b>		<b>Capital expenditure</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>413,742</b>	289,827	<b>405,753</b>	617,242	<b>744</b>	654
Macau	<b>6,739</b>	5,128	<b>752,822</b>	580,195	<b>90</b>	-
	<b>420,481</b>	294,955	<b>1,158,575</b>	1,197,437	<b>834</b>	654

#### 5. FINANCE COSTS

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans and overdrafts	<b>773</b>	6,001
Interest on other loans	<b>794</b>	3,814
	<b>1,567</b>	9,815

## 6. PROFIT BEFORE TAXATION

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

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Charging:		
Auditors' remuneration		
- current year	<b>397</b>	369
- prior year	<b>41</b>	-
	<b>438</b>	369
Staff costs		
- salaries, bonuses and other benefits	<b>15,153</b>	19,449
- contributions to retirement scheme	<b>384</b>	407
	<b>15,537</b>	19,856
Depreciation	<b>630</b>	556
Bad debts written off	<b>7</b>	1,776
Operating leases rentals in respect of rented premises	<b>1,731</b>	1,476
Loss on disposal of property, plant and equipment	<b>-</b>	40
Crediting:		
Rental income from operating leases less outgoings (Gross rental income: HK\$6,782,584 (2008: HK\$5,127,895))	<b>6,474</b>	4,857

## 7. EARNINGS PER SHARE

The basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$118,280,000 (2008: HK\$156,101,000) and the weighted average number of 1,310,511,853 (2008: 1,283,119,415) ordinary shares in issue during the year.

There is no diluted earnings per share for the years ended 31<sup>st</sup> March, 2009 and 2008 presented since the Company has no dilutive potential ordinary shares.

## 8. INCOME TAX EXPENSE

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

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
- current year	<b>5,003</b>	11,365

b) i) Provision for Hong Kong profits tax has been made at the rate of 16.5% (2008: 17.5%)

ii) No provision for overseas taxation has been made as the amount is insignificant.



## 8. INCOME TAX EXPENSE (CONT'D)

- c) Income tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation	<u><b>124,014</b></u>	<u>167,454</u>
Tax at the statutory income tax rate of 16.5% (2008: 17.5%)	<b>20,462</b>	29,304
Tax effect of increase in fair value of investment properties	<b>(14,258)</b>	(16,100)
Tax effect of other non-taxable revenue	<b>(1,870)</b>	(3,512)
Tax effect of other non-deductible expenses	<b>1,067</b>	875
Tax effect of unrecognised temporary difference	<b>94</b>	36
Tax effect of tax losses not recognised	<b>17</b>	775
Utilisation of tax losses previously not recognised	<b>(397)</b>	-
Over-provision in prior year	<b>(112)</b>	-
Under-provision in current year	<u>-</u>	<u>(13)</u>
Income tax expense	<u><b>5,003</b></u>	<u>11,365</u>

- d) At the balance sheet date, the Group had unutilised tax losses of approximately HK\$95,566,000 (2008: HK\$125,374,000) available for offsetting against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future taxable profits. The tax losses may be carried forward indefinitely.

## 9. DIVIDENDS

	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend proposed of HK2.0 cents (2008: HK3.0 cents) per ordinary share	<b>26,823</b>	38,865
Special dividend proposed of HK1.5 cents (2008: Nil) per ordinary share	<u><b>20,118</b></u>	<u>-</u>
	<u><b>46,941</b></u>	<u>38,865</u>

The amount of the proposed final and special dividend for the year ended 31<sup>st</sup> March, 2009 of HK2.0 cents per ordinary share and HK1.5 cents per ordinary share respectively will be payable in cash is not accounted for until they have been approved by the shareholders at the forthcoming annual general meeting.

## 10. INVESTMENT PROPERTIES

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fair value:		
At 1 <sup>st</sup> April	<b>442,000</b>	350,000
Additions	<b>88</b>	-
Transferred from properties held for development	<b>27,501</b>	-
Net increase in fair value recognized in the consolidated income statement	<u><b>86,411</b></u>	<u>92,000</u>
At 31 <sup>st</sup> March	<u><b>556,000</b></u>	<u>442,000</u>

## 10. INVESTMENT PROPERTIES (CONT'D)

The Group's investment properties are situated in Macau and are held under medium-term lease.

The fair value of the Group's investment properties at 31<sup>st</sup> March, 2009 have been arrived at on the basis of market value of a valuation carried out at that date by LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer. Investment properties were valued on open market basis.

The Group leases out investment properties under operating leases.

The Group has pledged certain of its investment properties with aggregate carrying value of approximately HK\$399,000,000 (2008: HK\$442,000,000) to a bank to secure general banking facilities granted to the Group.

## 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amounts receivable arising from the ordinary course of business of dealing in securities and options:		
- Cash clients	<b>29,210</b>	27,708
- The SEHK Options Clearing House Limited	<b>2</b>	2
- Hong Kong Securities Clearing Company Limited ("HKSCC")	<b>-</b>	5,083
Accounts receivable from tenants	<b>8</b>	2
Amounts receivable arising from the ordinary course of business of dealing in futures contracts:		
- Clearing house	<b>1,224</b>	14,368
Amounts receivable arising from the ordinary course of business of provision of securities margin financing:		
- Clients	<b>69,316</b>	114,354
Amounts receivable arising from the ordinary course of business dealing in trading of precious metal:		
- Clients	<b>2,942</b>	5,864
Interest-bearing loan receivables	<b>196,298</b>	308,413
Other receivables	<b>1,430</b>	4,249
	<b>300,430</b>	480,043
Less: Provision for doubtful debts	<b>(86,464)</b>	(93,510)
	<b>213,966</b>	386,533
Deposits and prepayments	<b>8,519</b>	6,482
	<b>222,485</b>	393,015
Portion classified as non-current assets	<b>(33,093)</b>	(25,301)
Portion classified as current assets	<b>189,392</b>	367,714

Margin client receivables of approximately HK\$56,738,000 (2008: HK\$101,323,000) are repayable on demand, bearing interest at market rate and secured by clients' securities listed on the Stock Exchange with a market value of approximately HK\$124,793,000 as at 31<sup>st</sup> March, 2009 (2008: HK\$406,876,000).

The settlement terms of cash client receivables and amounts due from clearing houses are one or two days after the trade date.

# 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The movements in the provision for doubtful debts/impairment losses during the year, including both specific and collective loss components, are as follows:

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
At 1 <sup>st</sup> April	<b>93,510</b>	107,989
Amount written off as uncollectible	<b>(2,816)</b>	(14,163)
Impairment loss written back (net)	<b>(4,230)</b>	(316)
At 31 <sup>st</sup> March	<b><u>86,464</u></b>	<u>93,510</u>

The aged analysis of trade and other receivables (net of provision for doubtful debts) is as follows:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	<b><u>201,745</u></b>	<u>377,390</u>
Past due:		
Less than 1 month past due	<b>5,209</b>	1,926
1 to 3 months past due	<b>702</b>	4,283
3 months to 1 year past due	<b>4,367</b>	661
Over 1 year past due	<b><u>1,943</u></b>	<u>2,273</u>
	<b><u>12,221</u></b>	<u>9,143</u>
	<b><u>213,966</u></b>	<u>386,533</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default or covered by collaterals pledged with the Group.

Receivables that were past due relate to a number of independent customers and were reviewed by the directors with a provision/impairment losses of approximately HK\$86,464,000 made at 31<sup>st</sup> March, 2009 (2008: HK\$93,510,000). Based on past experience, the directors are of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

## 12. BANK BALANCES AND CASH

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash at bank		
- General accounts	<b>49,789</b>	61,396
- Trust accounts	<b>10,728</b>	27,896
- Segregated accounts	<b>4,457</b>	6,738
Cash in hand	<b>5</b>	6
Short-term bank deposits		
- pledged (note)	<b>66,008</b>	70,566
- non-pledged	<b>24,155</b>	14,580
	<b><u>155,142</u></b>	<b><u>181,182</u></b>

Note: The amount represents fixed deposits pledged to a bank to secure general banking facilities granted to the Group.

## 13. BORROWINGS

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Borrowings comprise:		
Bank overdrafts	-	51,902
Bank loan	-	11,000
Other loans		
- interest bearing	<b>8,356</b>	18,810
- interest free	-	-
	<b><u>8,356</u></b>	<b><u>81,712</u></b>
Analysed as:		
Secured	<b>8,356</b>	81,712
Unsecured	-	-
	<b><u>8,356</u></b>	<b><u>81,712</u></b>
Borrowings are repayable as follows:		
Within one year or on demand	<b>8,356</b>	81,712
More than one year but not exceeding two years	-	-
More than two years but not exceeding five years	-	-
	<b><u>8,356</u></b>	<b><u>81,712</u></b>
Less: Amount repayable within one year and shown under current liabilities	<b><u>(8,356)</u></b>	<b><u>(81,712)</u></b>
Amount due after one year	-	-

#### 14. CREDITORS AND ACCRUED EXPENSES

	<b>The Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amounts payable arising from the ordinary course of business of dealing in securities and options:		
- Cash clients	<b>21,025</b>	41,618
- HKSCC	<b>810</b>	-
- Other intermediaries	<b>1,945</b>	-
Amounts payable arising from the ordinary course of business of dealing in futures contracts:		
- Clients	<b>5,254</b>	19,958
Amounts payable arising from the ordinary course of business of provision of securities margin financing:		
- Clients	<b>8,277</b>	11,221
Amounts payable arising from ordinary course of business of dealing in bullion	<b>285</b>	19,565
Escrow money received	<b>3,286</b>	14,189
Accruals and other payables	<b>7,579</b>	8,348
Rental and other deposits received	<b>1,780</b>	3,776
Rental receipts in advance	<b>209</b>	127
	<b>50,450</b>	118,802

No ageing analysis is disclosed for escrow money received as it represents deposits paid by third parties to the Group for the purpose of potential investments in certain projects and the balance at 31<sup>st</sup> March, 2009 is non-interest bearing.

The settlement term of cash client payables is two days after the trade date. Other payables are repayable on demand. The age of these balances is within 30 days.

#### 15. PROVISION FOR LITIGATION CLAIMS

- i) During the year ended 31<sup>st</sup> March, 2008, a writ had been served to a subsidiary of the Group by the liquidator of a former client for alleged negligence in the placement of this client's financial instruments in prior years. Pursuant to the settlement agreement dated 15<sup>th</sup> May, 2009 signed between the liquidator and the subsidiary, the claim has been settled at HK\$500,000 out of court.
- ii) During the year ended 31<sup>st</sup> March, 2008, the liquidator of the former parent company of a subsidiary of the Group had filed a claim for alleged maluse of trust monies of the subsidiary. Pursuant to the settlement agreement signed between the liquidator and the subsidiary dated 22<sup>nd</sup> May, 2009, the claim has been settled at HK\$4,500,000 out of court.

The above-mentioned litigation claims, totalling HK\$5,000,000, were fully provided in the consolidated financial statements as at 31<sup>st</sup> March, 2009.

#### DIVIDENDS AND DISTRIBUTION

The Board has resolved to recommend the payment of a final dividend of HK2.0 cents (2008: HK3.0 cents) per ordinary share and a special dividend of HK1.5 cents (2008: Nil) per ordinary share for the year.

## **CLOSURE OF REGISTERS OF MEMBERS**

The registers of members of the Company will be closed from 24<sup>th</sup> August, 2009 to 28<sup>th</sup> August, 2009, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final and special dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 21<sup>st</sup> August, 2009.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the past year, the world witnessed its worst economic slump since the Great Depression of the 1930's. In general, corporate earnings suffered, and investors' confidence dwindled. Financial markets were brought to their knees when housing prices started coming off their highs and home loan defaults increased; major international investment banks become bankrupt.

In a coordinated effort governments of major economies implemented economic stimulus programmes aimed at improving credit liquidity, housing prices, employment, and consumer spending. Although investors remained cautious, the stimulus packages boosted economic confidence and stopped the apparent freefall in equity market prices.

The majority of benchmark indices plunged on the back of the broader economic meltdown. Hong Kong and China were significantly impacted by the economic tsunami. The Hang Seng Index closed down 40% at 16,740.46 on 31<sup>st</sup> March, 2009 from 27,781.18 points one-year earlier. Despite this unprecedented economic disaster, the Group recorded a profit before taxation of more than HK\$124 million.

In line with the prudent credit policy adopted by the management at the end of 2007, the Group's gearing ratio (net interest bearing debts) had substantially reduced to 0.8% from 47.2% in 2007. Moreover, the Group maintains a healthy level of cash. Resulting from management's approach to balance growth and control, the Group remains in a strong financial position. The Group is prepared to capture attractive future growth opportunities.

For the financial year ended 31<sup>st</sup> March, 2009, the Group recorded a profit before taxation of HK\$124,014,000 (2008: HK\$167,454,000). Profit attributable to equity holders of the Company amounted to HK\$118,280,000 (2008: HK\$156,101,000), while earnings per share was HK9.0 cents (2008: HK12.2 cents). Turnover reached a record of HK\$420,481,000 (2008: HK\$294,955,000) with 86% of the turnover coming from the precious metal business.

This year's results included HK\$86,411,000 (2008: HK\$92,000,000) arising from the fair value change in investment properties. In accordance with the Hong Kong Accounting Standard 40 "Investment Property", Chino Plaza located on the Macau Peninsula and Si Wan site located in Taipa, Macau were classified as "Investment Properties". Investment Properties were initially recognized at fair value at each balance date. Resulting from the fluctuating market and economic tsunami, the net profit (after excluding the increase in fair value of Investment Properties) decreased to HK\$32,600,000 from HK\$64,089,000 in 2008. The fair value of the Group's investment properties at 31<sup>st</sup> March, 2009 have been arrived at on the basis of market value of a valuation carried out at that date by LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer. Investment properties were valued on open market basis.

The Directors recommended the declaration of a final dividend of HK2.0 cents per ordinary share and a special dividend of HK1.5 cents per ordinary share.

### **Financing**

Given higher levels of market volatility, a challenging operating environment and reducing trading volumes in the market, the Group had tightened its lending policy. As a result, the loan book dropped from HK\$422,767,000 in 2008 to HK\$265,614,000 this year. Turnover within the money lending business and margin financing activities decreased by approximately 46% to HK\$25,540,000 (2008: HK\$47,300,000). This segment contributed HK\$16,084,000 profit (2008: HK\$35,806,000) to the Group.

### **Securities and Commodities Brokerage**

Turnover and profit attributable to the Group had significantly reduced to HK\$18,942,000 (2008: HK\$44,285,000) and HK\$2,998,000 (2008: HK\$23,333,000) respectively. When compared with last year's corresponding period, turnover and profit attributable to the Group decreased by 57% and 87% respectively.

### **Corporate Finance**

Turnover in the Group's corporate finance division increased from HK\$444,000 to HK\$877,000. This division contributed HK\$702,000 in profit to the Group for the year under review. The division will continue to focus on different types of financial advisory, placing and IPO business.

### **Assets Management**

The Group continued to act as the investment manager of one company listed on the Main Board of the Stock Exchange under Chapter 21 (Investment Companies) of the Listing Rules. Since the year 2008, a performance mechanism had been adopted with the mentioned client. Under this arrangement, the performance fee will be increased or decreased in accordance with the client's performance. A special bonus of HK\$4.1 million was received in respect of the previous year's service. For the financial year under review, this division's turnover increased 101% to HK\$6,401,000.

### **Property Investments**

For the year ended 31<sup>st</sup> March, 2009, rental income turnover amounted to HK\$6,739,000, a 31% increase when compared with last year's corresponding period. This division's attributable profit increased over 94% to HK\$4,461,000. Chino Plaza (the "Plaza") in Macau accounted for over 90% of the rental income to the Group. The management had successfully implemented a tenant re-organisation scheme by securing well-known tenants, e.g. a large supermarket, an American fast food chain store and a bank. These well-known tenants not only increased customer flow to the Plaza, but also enhanced the Plaza's overall image, which in turn translated into a substantial increase in rental incomes at the Plaza.

### **Precious Metal Trading**

In 2006, the Group commenced precious metal business through a 75% owned subsidiary. This subsidiary provides a one-stop precious metal service, which includes physical trading, industrial product trading and financing. The business collaborates with major players in the industry such as The Standard Bank, Wing Hang Bank and Bank of China, among others. Riding on the increasing demand of precious metal, this segment recorded a turnover of HK\$361,982,000 (2008: HK\$194,611,000). For the year under review, this segment turned around from loss of HK\$170,000 to a profit of HK\$2,930,000.

**Litigation**

Upbest Securities Company Limited (“Upbest Securities”), a wholly owned subsidiary of the Company, had entered into a settlement agreement with the liquidators of Baker Group International Holdings Limited (“Baker Group”) in relation to an action against Upbest Securities of which a Writ of Summons was served to Upbest Securities during the year ended 31<sup>st</sup> March, 2008. The settlement sum was HK\$500,000 and had been fully provided for in the financial year ended 31<sup>st</sup> March, 2009.

On 22<sup>nd</sup> May, 2009, Gold-Face Finance Limited (“GFF”), a wholly owned subsidiary of the Company, entered into a deed of settlement with the liquidators of True Gold Investment Limited in relation to a Writ of Summons issued to GFF during the year ended 31<sup>st</sup> March, 2008. The settlement sum was HK\$4,500,000 and had been fully provided for in the financial year ended 31<sup>st</sup> March, 2009.

**Prospect**

It is expected that 2009 will remain a challenging year for the world economy. The global downward economic trend had hurt the financial institutions in general. As a result, the Group experienced a decline in commissions, interest income and profit. This year, the Group launched an online trading platform, which targets to mitigate the decrease in traditional brokerage business. Worries of a potential second-round slowdown resulting from the global financial turmoil creates uncertainties in the domestic and global stock markets. In order to maintain steady and stable profit growth in the coming years, our Group will continue to maintain a balance between overall business development, cost and risk. Our property investments started to bear fruit during the past few years. The Group will continue to seek suitable investment opportunities in this direction and aim to bring reasonable and stable return to its shareholders.



## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 31<sup>st</sup> March, 2009, the Group had cash and bank balances of approximately HK\$155 million (2008: HK\$181 million) of which approximately HK\$66 million (2008: HK\$70 million) were pledged to bank for facilities granted to the Group. The Company has given guarantees to the extent of HK\$313 million (2008: HK\$336 million) to secure the facilities granted to subsidiaries.

As at 31<sup>st</sup> March, 2009, the Group had available aggregate banking facilities of approximately HK\$313 million (2008: HK\$336 million) of which approximately HK\$293 million (2008: HK\$253 million) was not utilised.

### **Gearing Ratio**

As at 31<sup>st</sup> March, 2009, the amount of total borrowings was approximately HK\$8 million (2008: HK\$81 million). The gearing (net interest bearing debts) being equal to approximately 0.8 % (2008: 8.9%) of the net assets of approximately HK\$1,065 million (2008: HK\$918 million).

### **FOREIGN CURRENCY FLUCTUATION**

During the year, the Group mainly uses Hong Kong dollars, Macau Pataca 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.

### **SHARE OPTION**

The Company does not have share option scheme.

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

For the year ended 31<sup>st</sup> March, 2009, 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 audit committee of the Group consists of three independent non-executive directors, namely Mr. PANG Cheung Hing, Alex, Mr. CHAN Chung Yee, Alan and Mr. FUK Ho Kai. 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 financial statements of the Group for the year ended 31<sup>st</sup> March, 2009.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31<sup>st</sup> March 2009 have been agreed by the Group's auditors, Li, Tang, Chen & Co, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Li, Tang, Chen & Co in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Li, Tang, Chen & Co on the preliminary announcement.

## **REMUNERATION COMMITTEE**

The Remuneration Committee was set up on 18<sup>th</sup> July, 2005 and the members comprised of independent non-executive directors, Mr. PANG Cheung Hing, Alex, Mr. CHAN Chung Yee, Alan, 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 throughout the year ended 31<sup>st</sup> March, 2009, 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 (the "Model Code") 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.

## **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.

## **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**

This announcement will be published on the respective websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.upbest.com](http://www.upbest.com)) on 20<sup>th</sup> July, 2009. The annual report for the year ended 31<sup>st</sup> March, 2009 containing all the information required by the Listing Rules will be published on the website of the Company and the Stock Exchange and despatched to shareholders in due course.

By order of the Board  
Mr. IP Man Tin, David  
Chairman

Hong Kong, 20<sup>th</sup> July, 2009

*\* For identification purpose only*

*As at the date of this announcement, the Board of the Company consists of Mr. IP Man Tin, David as chairman and non-executive director, Mr. WONG Ching Hung, Thomas and Dr. SZE Ping Fat as non-executive directors, Mr. CHENG Kai Ming, Charles, Mr. SUEN Man Tak, Stephen, Mr. LI Kwok Cheung, George, Mr. CHENG Wai Lun, Andrew and Ms. CHENG Wai Ling, Annie as executive directors and Mr. PANG Cheung Hing, Alex, Mr. CHAN Chung Yee, Alan and Mr. FUK Ho Kai as independent non-executive directors.*