

NOTES TO CONDENSED INTERIM REPORTS

1. Basis of preparation and accounting policies

The condensed unaudited consolidated interim accounts ("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 Society of Accountants (the "HKSA"), 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 31 March 2002.

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 31 March 2002, except that the Group has changed certain of its accounting policies following its adoption of the following SSAP issued by the HKSA which are effective for accounting periods commencing after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statement
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:

SSAP 34: Employee benefits

(1) *Employee leave entitlements*

According to this new SSAP, employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision has been made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

In prior periods, no provision was made for employee annual and long service leave entitlements. No prior period adjustment on provision for employee annual and long service leave entitlements has been made following the adoption of SSAP 34 as the amount is not material.

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(2) *Pension obligations*

The Group contributes to a mandatory provident fund which is available to all employees. Contributions to the fund by the Group and its employees are calculated as a percentage of the employees' basic salaries. The cost charged to the profit and loss account represents contribution payable by the Group to the fund.

The Group's contributions to the fund are expensed as incurred and the assets of the fund are held separately from those of the Group in an independently administrated fund.

2. Turnover and segment Information

An analysis of the turnover and contribution to profit from operating activities by principal activity for the period is as follows:

	For the six months ended 30 September			
	2002		2001	
	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	5,404	1,406	6,984	2,841
Margin financing & money lending	17,224	13,054	16,113	11,788
Corporate advisory, placing & underwriting	3,859	2,679	1,433	771
Assets management	1,990	1,141	674	366
	28,477	18,280	25,204	15,766
Net investment losses		(1,719)		(6,295)
Other income		10		51
Profit before taxation		16,571		9,522
Taxation		(3,200)		(2,290)
Profit after taxation		13,371		7,232

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

3. Net investment losses

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Unrealised losses on holding shares in Hong Kong Exchanges and Clearing Limited ("HKEC")	(2,142)	(6,295)
Realized loss on disposal of shares in HKEC	(187)	-
Dividend income from listed investments in HKEC	610	-
	(1,719)	(6,295)

4. Profit from Operations

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

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Mandatory Provident Fund Contribution	85	106
Staff costs, including directors' remuneration	2,232	1,555
Depreciation	299	238
Amortisation of intangible assets	170	-
Operating lease rentals in respect of rented premises	368	368
Loss on disposal of investment	-	496
	-	496

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5. Finance costs

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Interest on bank loans and overdrafts	1,441	1,936
Interest on escrow money	-	1,834
	1,441	3,770

6. Taxation

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Hong Kong profits tax	3,200	2,290

Hong Kong profits tax is calculated at 16% (2001: 16%) on the estimated assessable profit during the period.

7. Interim dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2002 (2001: 1.5 HK cents per ordinary share).

8. 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 30 September 2002 of HK\$13,371,000 (2001: HK\$7,232,000) and the weighted average number of 1,120,000,000 shares (pursuant to a resolution passed in the annual general meeting held on 15 July 2002, there was bonus issue made on the basis of three bonus shares for every one existing ordinary share held by the shareholders) (2001: 1,120,000,000 shares*) after adjusting for the bonus issue during the period.

* Adjusted for bonus issue in 2002.

There is no diluted earnings per share for the periods ended 30 September 2002 and 2001 presented since the Company has no dilutive potential ordinary shares.

9. Investment in securities

	30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
Listed non-current equity securities – HKEC	7,471	24,182

10. Debtors, prepayments and deposits

No ageing analysis is disclosed for debtors, prepayment and deposits as, in the opinion of the Board, the ageing analysis does not give additional value in view of the nature of business of share margin financing and money lending business.

The settlement terms of cash client receivables and amounts due from clearing houses are one or two days after the trade date. The age of these balances is within 30 days.

11. Other bank balances and cash

	30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
Bank balances		
– General accounts	11,777	19,328
– Trust accounts	2,114	791
– Segregated accounts	132	319
Cash in hand	6	5
	14,029	20,443

12. Creditors and accrued charges

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.

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.

13. Related party transactions

During the period, the Group entered into transactions with Town Bright Industries Limited ("Town Bright") and UBA Investments Limited ("UBA"). In the opinion of the Board, the following transactions arose in the ordinary course of the Group's business:

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Rental expenses to Town Bright (Note (i))	368	368
Investment management fee from UBA (Note (ii))	752	674
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Mr. Cheng Kai Ming, Charles, a Director of the Company, has beneficial interests in UBA and Town Bright.

In addition, Mr. Li Kwok Cheung, George, an Executive Director of the Company, is also an Executive Director of UBA.

Notes:

- (i) Investment management fee was charged at 1.5% of the net asset value of UBA.
- (ii) The rental expenses and building management fee were transacted at the market rate.

BUSINESS REVIEW

During the six months under review, the sentiment of the investment market in Hong Kong was affected by the accounting scandals, corporate governance issues, crash of the penny shares due to release of the consultation paper, gloomy local and global economy and the terrorist attacks in various parts of the world.

Despite such an unfavorable and difficult environment, we manage to maintain an increase in our turnover by approximately 13%. The profit from operation activities increased by approximately 16%, while profit before taxation increased even drastically by nearly 74%.

Three sectors of our core businesses, futures broking, assets management and corporate finance advisory, expanded dramatically during the six months period. Turnover for each of these three sectors has at least doubled when compared with the last corresponding period. Contribution to profit from these three activities are already equal to or even more than their contribution for the whole of the last financial year. During the six months under review, their total contributions accounted for approximately 22% of the operating profits as compared with 6% in the corresponding period.

Financing Activities

Interest income from margin financing and money lending business increased by nearly 7% during the period although the interest rates charged to clients were decreased significantly following the various rates cut in Hong Kong's prime lending rate. The contribution from such activities increased by 11% when compared with corresponding period.

Financing activities now accounted for approximately 60% of the Group's turnover and contributed to nearly 71% of the profit.

Securities Brokerage

For the six months under review, the total market turnover of the Stock Exchange of Hong Kong Limited shrank by approximately 14%. Under such depressed market conditions, our securities brokerage income were dropped by nearly 23%.

Assets Management

This sector of business continues to expand drastically during the period under review. We are now investment manager to two companies listed on the main board of the Stock Exchange and seven other private institutional clients. The total asset value under our management exceeded HK\$1 billion.

Corporate Finance

This is another sector of our business which has expanded drastically. Although the securities market remained weak and fund raising activities in the local market contracted as compared with previous year, our income during the six month under review is already 122% of the last year's full year turnover.

Contribution to the Group's profit from this sector was over 14% while it was approximately 5% both in the corresponding period and the whole of the last financial year.