# UPBEST GROUP LIMITED
# 美建集團有限公司*

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

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2013

## RESULTS

The Board of Directors (the "Board") of Upbest Group Limited (the "Company") is pleased to present the unaudited interim consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2013 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | For the six months ended 30th September 2013 (unaudited) HK$'000 | 2012 (unaudited) HK$'000 |
|---|---|---|---|
| Turnover | 3 | **29,421** | 35,466 |
| Cost of goods sold | | **(1,324)** | (7,790) |
| Other revenue | | **580** | 1,024 |
| Net gain on financial assets or liabilities at fair value through profit or loss | | **106** | 503 |
| Write back of impairment loss on trade receivable (net) | | **2,007** | 33 |
| Administrative and other operating expenses | | **(11,408)** | (11,165) |
| Finance costs | 4 | **(319)** | (280) |
| Share of results of associates | | **(1,799)** | 369 |
| Profit before taxation | 5 | **17,264** | 18,160 |
| Income tax expense | 7 | **(822)** | (1,043) |
| Profit for the period | | **16,442** | 17,117 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **16,524** | 17,145 |
| Non-controlling interests | | **(82)** | (28) |
| | | **16,442** | 17,117 |

## CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

| | Note | For the six months ended 30th September | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | **(unaudited)** | (unaudited) |
| | | **HK$'000** | HK$'000 |
| **Earnings per share** | 6 | **HK cents** | HK cents |
| Basic | | **1.23** | 1.28 |
| Diluted | | **N/A** | N/A |
| Interim dividend | | **Nil** | Nil |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | For the six months ended 30th September | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | **(unaudited)** | (unaudited) |
| | | **HK$'000** | HK$'000 |
| Profit for the period | | **16,442** | 17,117 |
| Other comprehensive income | | **-** | - |
| Total comprehensive income for the period | | **16,442** | 17,117 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **16,524** | 17,145 |
| Non-controlling interests | | **(82)** | (28) |
| | | **16,442** | 17,117 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **30th September 2013 (unaudited) HK$'000** | 31st March 2013 (audited) HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,593** | 1,593 |
| Investment properties | 8 | **864,000** | 864,000 |
| Intangible assets | | **2,040** | 2,040 |
| Interests in associates | | **115,577** | 117,558 |
| Available-for-sale financial assets | | **136** | 136 |
| Trade and other receivables, deposits and prepayments | 9 | **57,900** | 31,537 |
| Other assets | | **5,200** | 5,200 |
| | | **1,046,446** | 1,022,064 |
| **CURRENT ASSETS** | | | |
| Inventories | | **-** | 35 |
| Properties held for development | | **95,837** | 93,189 |
| Trade and other receivables, deposits and prepayments | 9 | **287,380** | 290,678 |
| Financial assets at fair value through profit or loss | | **27** | 3,173 |
| Tax recoverable | | **71** | 406 |
| Bank balances and cash | 10 | **141,814** | 195,032 |
| | | **525,129** | 582,513 |
| **CURRENT LIABILITIES** | | | |
| Borrowings | 11 | **3,083** | 44,942 |
| Amounts due to related parties | | **6,432** | 14,800 |
| Amounts due to ultimate holding company | | **82,334** | 84,034 |
| Creditors and accrued expenses | 12 | **82,185** | 80,190 |
| Dividend payable | | **48,282** | - |
| Provision for taxation | | **1,335** | 847 |
| | | **223,651** | 224,813 |
| **NET CURRENT ASSETS** | | **301,478** | 357,700 |
| **NET ASSETS** | | **1,347,924** | 1,379,764 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **13,412** | 13,412 |
| Reserves | | **1,297,308** | 1,280,784 |
| Proposed dividends | | **-** | 48,282 |
| Equity attributable to equity holders of the Company | | **1,310,720** | 1,342,478 |
| Non-controlling interests | | **37,204** | 37,286 |
| **TOTAL EQUITY** | | **1,347,924** | 1,379,764 |

## NOTES ON THE CONDENSED FINANCIAL STATEMENTS

### 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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business is 2nd Floor, Wah Kit Commercial Centre, 300 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.

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30th September 2013 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st March 2013.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2013.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

**(a) Adoption of new and revised HKFRSs**

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | *Consolidated Financial Statements* |
| HKFRS 11 | *Joint Arrangements* |
| HKFRS 12 | *Disclosure of Interests in Other Entities* |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* |
| HKFRS 13 | *Fair Value Measurement* |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* |
| HKAS 19 (2011) | *Employee Benefits* |
| HKAS 27 (2011) | *Separate Financial Statements* |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Adoption of new and revised HKFRSs

| | |
|---|---|
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* |
| HK(IFRIC) – Int 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements 2009 – 2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012 |

### (b) Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKFRS 7 and 9 Amendments | Mandatory Effective Date and Transition Disclosures[2] |
| HKFRS 9 | *Financial Instruments*[2] |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1] |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1] |
| HK(IFRIC) – Int 21 | Levies[1] |

[1] Effective for annual periods beginning on or after 1st January 2014
[2] Effective for annual periods beginning on or after 1st January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 3. TURNOVER AND OPERATING SEGMENT INFORMATION

a) Turnover

| | For the six months ended 30th September | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Commission and brokerage income from securities broking | **4,452** | 3,930 |
| Commission and brokerage income from futures broking | **599** | 773 |
| Interest income from | | |
| – margin clients | **3,781** | 4,127 |
| – money lending | **6,187** | 6,281 |
| – financial institutions and others | **1,321** | 1,439 |
| Management and handling fees | **396** | 424 |
| Commission for subscribing new shares | **2** | 1 |
| Corporate finance advisory fees | **-** | 45 |
| Placement and underwriting commission | **1,126** | - |
| Investment management fee | **866** | 785 |
| Rental and property management income | **8,936** | 9,133 |
| Sales of precious metal | **1,755** | 8,528 |
| | **29,421** | 35,466 |

b) Reportable operating segments

For management purposes, the Group is currently organized into business units based on their products and services and has seven reportable operating segments namely broking, financing, corporate finance, assets management, property investment, precious metal trading and investment holding.

Reportable operating segments 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, management and dealing |
| Precious metal trading | Precious metal trading |
| Investment holding | Share investments |

## 3. TURNOVER AND OPERATING SEGMENT INFORMATION (CONTINUED)

An analysis of segment information of the Group on these reportable operating segments for the six months ended 30th September 2013 and 2012 is as follows:

| | Consolidated For the six months ended 30th September | | Consolidated For the six months ended 30th September | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Segment revenue** | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Sales to external customers | | | | |
| Broking | **5,447** | 5,127 | | |
| Financing | **11,289** | 11,847 | | |
| Corporate finance | **1,128** | 46 | | |
| Assets management | **866** | 785 | | |
| Property investment | **8,936** | 9,133 | | |
| Precious metal trading | **1,755** | 8,528 | | |
| Investment holding | **-** | - | **29,421** | 35,466 |
| **Segment results** | | | | |
| Broking | **14** | (1,206) | | |
| Financing | **8,704** | 10,618 | | |
| Corporate finance | **1,110** | 40 | | |
| Assets management | **480** | 520 | | |
| Property investment | **6,482** | 6,725 | | |
| Precious metal trading | **(314)** | 37 | | |
| Investment holding | - | - | **16,476** | 16,734 |
| Write back of impairment loss on trade receivable (net) | | | **2,007** | 33 |
| Other revenue | | | **580** | 1,024 |
| Share of results of associates | | | **(1,799)** | 369 |
| Profit before taxation | | | **17,264** | 18,160 |
| Income tax expense | | | **(822)** | (1,043) |
| Profit for the period | | | **16,442** | 17,117 |

c) Geographical information

The Group's operations are principally located in Hong Kong, Macau and People's Republic of China. The Group's administration is carried out in Hong Kong.

The following table provides an analysis of the Group's revenue from external customers by geographical market and analysis of non-current assets by the geographical location in which assets are located other than available-for-sale financial assets, trade and other receivables, amount due from associates, deposits and prepayments and other assets.

| | Revenue from external customers For the six months ended 30th September | | Non-current assets | |
|---|---|---|---|---|
| | | | **As at 30th September** | As at 31st March |
| | **2013** | 2012 | **2013** | 2013 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (audited) |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong | **19,669** | 26,333 | **2,939** | 2,930 |
| Macau | **9,752** | 9,133 | **872,697** | 875,803 |
| People's Republic of China | **-** | - | **73,691** | 72,393 |
| | **29,421** | 35,466 | **949,327** | 951,126 |

## 4. FINANCE COSTS

| | The Group For the six months ended 30th September | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Interest on bank loans and overdrafts | **251** | 124 |
| Interest on other loans | **68** | 156 |
| | **319** | 280 |

## 5. PROFIT BEFORE TAXATION

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

| | The Group For the six months ended 30th September | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| Charging: | **HK$'000** | HK$'000 |
| Staff costs | | |
| - Salaries (including commission), bonuses and other benefits | **5,657** | 5,618 |
| - Contributions to retirement scheme | **204** | 189 |
| | **5,861** | 5,807 |
| Depreciation | **237** | 254 |
| Operating leases rentals in respect of rented premises | **1,003** | 878 |
| Crediting: | | |
| Rental income from operating leases less outgoings (Gross rental income: HK$8,936,000 (2012: HK$6,655,000)) | **7,689** | 5,743 |

## 6. EARNINGS PER SHARE

The 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 2013 of approximately HK$16,524,000 (2012: HK$17,145,000) and the number of 1,341,158,379 ordinary shares (2012: 1,341,158,379 shares) in issue during the period.

There is no diluted earnings per share for the periods ended 30th September 2013 and 2012 presented since the Company has no dilutive potential ordinary shares.

## 7. INCOME TAX EXPENSE

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

| | The Group For the six months ended 30th September | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Hong Kong profits tax | | |
| - provision for the period | **822** | 1,037 |
| Overseas tax paid | **-** | 6 |
| | **822** | 1,043 |

b) i) Provision for Hong Kong profits tax has been made at the rate of 16.5% (2012: 16.5%).

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

iii) At 30th September 2013, the Group had unutilised tax losses of approximately HK$59,628,000 (31st March 2013: HK$59,628,000) 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.

## 8. INVESTMENT PROPERTIES

| | The Group | |
|---|---|---|
| | **As at 30th September** | As at 31st March |
| | **2013** | 2013 |
| | **(unaudited)** | (audited) |
| | **HK$'000** | HK$'000 |
| Fair value: | | |
| At 1st April | **864,000** | 726,000 |
| Net increase in fair value recognized in the consolidated income statement | **-** | 138,000 |
| | **864,000** | 864,000 |

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 31st March 2013 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$655,000,000 (31st March 2013: HK$655,000,000) to a bank to secure general banking facilities granted to the Group.

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

| | The Group | |
|---|---|---|
| | **30th September 2013 (unaudited) HK$'000** | 31st March 2013 (audited) HK$'000 |
| Amounts receivable arising from the ordinary course of business of dealing in securities and options: | | |
| - Cash clients | **10,377** | 14,464 |
| - The SEHK Options Clearing House Limited | **2** | 2 |
| Amounts receivable arising from the ordinary course of business of dealing in futures contracts: | | |
| - Clearing house | **13,989** | 14,914 |
| Amounts receivable arising from the ordinary course of business of provision of securities margin financing: | | |
| - Clients (note) | **82,698** | 108,920 |
| Amounts receivable arising from the ordinary course of business dealing in trading of precious metal: | | |
| - Clients | **10,727** | 33,642 |
| Interest-bearing loan receivables | **228,586** | 170,392 |
| Accounts receivables | **1,150** | 1,149 |
| Other receivables | **57** | 164 |
| | **347,586** | 343,647 |
| Less: Impairment loss on trade receivables | **(86,337)** | (88,343) |
| | **261,249** | 255,304 |
| Deposits and prepayments | **84,031** | 66,911 |
| | **345,280** | 322,215 |
| Portion classified as non-current assets | **(57,900)** | (31,537) |
| Portion classified as current assets | **287,380** | 290,678 |

note: Margin client receivables after impairment loss of approximately HK$74,588,000 (31st March 2013: HK$100,810,000) are repayable on demand, bearing interest at market rate and secured by clients' securities listed on the Stock Exchange with a total market value of approximately HK$274,692,000 (31st March 2013: HK$425,479,000).

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

The ageing analysis of trade and other receivables (net of impairment loss on trade receivables) is as follows:

| | **30th September 2013 (unaudited) HK$'000** | 31st March 2013 (audited) HK$'000 |
|---|---|---|
| Neither past due nor impaired | **249,262** | 244,727 |
| Past due: | | |
| Less than 1 month past due | **4,009** | 3,247 |
| 1 to 3 months past due | **1,234** | 536 |
| 3 months to 1 year past due | **2,059** | 3,576 |
| Over 1 year past due | **4,685** | 3,218 |
| | **11,987** | 10,577 |
| | **261,249** | 255,304 |

## 10. BANK BALANCES AND CASH

| | The Group | |
|---|---|---|
| | **30th September 2013 (unaudited) HK$'000** | 31st March 2013 (audited) HK$'000 |
| Cash at bank | | |
| - General accounts | **11,388** | 35,479 |
| - Trust accounts | **19,884** | 8,952 |
| - Segregated accounts | **6,462** | 4,513 |
| Cash in hand | **4** | 5 |
| Short-term bank deposits | | |
| - Pledged (*note*) | **22,000** | 22,000 |
| - Non-pledged | **82,076** | 124,083 |
| | **141,814** | 195,032 |

Included in bank balances and cash in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group to which they relate:

| | **30th September 2013 (unaudited) $'000** | 31st March 2013 (audited) $'000 |
|---|---|---|
| United States Dollars | **31** | 10 |
| Patacas | **15** | 5 |
| Renminbi | **2** | 2 |

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

## 11. BORROWINGS

| | The Group | |
|---|---|---|
| | **30th September 2013 (unaudited) HK$'000** | 31st March 2013 (audited) HK$'000 |
| Borrowings comprise: | | |
| Bank loan | | |
| - interest-bearing | **-** | 10,000 |
| Other loans | | |
| - interest-bearing | **3,083** | 34,942 |
| | **3,083** | 44,942 |
| Analysed as: | | |
| Secured | **3,083** | 44,942 |
| Unsecured | - | - |
| | **3,083** | 44,942 |

## 11. BORROWINGS (CONTINUED)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowing are as follows:

| | **30th September 2013 (unaudited)** | 31st March 2013 (audited) |
|---|---|---|
| Effective interest rates: | | |
| Variable-rate borrowings | **0.75% - 3.25%** | 0.25% - 3.25% |

The fair value of the Group's borrowings is not materially different from the corresponding carrying amounts at the end of the reporting period.

Included in borrowings are the following amount denominated in a currency other than the functional currency of the Group to which they relate:

| | **30th September 2013 (unaudited) $'000** | 31st March 2013 (audited) $'000 |
|---|---|---|
| United States Dollars | **396** | 4,491 |

## 12. CREDITORS AND ACCRUED EXPENSES

| | **The Group** | |
|---|---|---|
| | **30th September 2013 (unaudited) HK$'000** | 31st March 2013 (audited) HK$'000 |
| Amounts payable arising from the ordinary course of business of dealing in securities and options: | | |
| - Cash clients | **20,567** | 28,562 |
| - Hong Kong Securities Clearing Company Limited ("HKSCC") | **2,347** | 60 |
| Amounts payable arising from the ordinary course of business of dealing in futures contracts: | | |
| - Clients | **20,448** | 19,422 |
| Amounts payable arising from the ordinary course of business of provision of securities margin financing: | | |
| - Clients | **2,567** | 2,052 |
| Amounts payable arising from ordinary course of business of dealing in bullion | **279** | 1,919 |
| Accruals and other payables | **32,471** | 25,323 |
| Rental and other deposits received | **3,356** | 2,648 |
| Rental received in advance | **150** | 204 |
| | **82,185** | 80,190 |

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.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30th September 2013 (2012: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the past six months, the global financial market continued to be volatile. Hong Kong Hang Seng Index experienced a V-shaped rebound after the financial crisis. Prices have exceeded pre-crisis levels, raising concerns of asset inflation. Worries on tightening measures taken by new Chinese leadership and the hard landing of the economy dragged stock market lower. Financial conditions in eurozone economies have modest recovery as sovereign borrowing rates continued to narrow and equity markets rallied. In the United States, the debate moved from the political deadlock over the debt ceiling to when the Fed may begin to taper its asset purchase programme. The US economic indicators were still soft and equity market zigzagged. Gold bounced back from a steep Q2 drop and commodities made modest gains. The global outlook appears range bound amid slow, incremental growth and high policy uncertainty.

The Group recorded a slight decrease of profit before taxation from HK$18 million to HK$17 million, down by 4.9%, which was mainly caused by absorbing the operating and administrative costs of an associate at the development phase of the property development cycle. The modest pullback of HK$1 million would eventually led to the achievement of long-term massive cash inflows. Revenue for the period under review of HK$29 million with after tax distributable earnings amounted to HK$16 million, reflected a net margin of 55%. The increase margin was the result of the application of effective tax planning and strict credit control administration.

### Brokerage and Financing

Turnover and profit attributable to the Group from brokerage and financing segments decreased. The combined turnover of two segments slightly declined from HK$16.9 million in 2012 to HK$16.7 million for the period under review, a shrinkage of 1%. Corresponding profit attributable to the Group decreased to HK$8.7 million from HK$9.4 million in 2012 because of the increasing cost of system upgrade and maintenance.

### Property Investment

The segment reveals a promising stream of earnings contribution and capital appreciation. After excluding the one-off property management fee income of approximately HK$2 million received last year, the revenue for the period under review increased HK$2 million, an increase of 34%. Accordingly, gross profit increased by over HK$2 million and gross profit margin increased by 9% when compared with corresponding period last year, reflecting a gross margin of over 73% for current period.

### Precious Metal Trading

The significant decrease in the segment revenue was mainly attributed to the decrease in revenue of the industrial product trading business and optimization of clientele portfolio. During the period, the Group implemented e-trading platform launched by the Chinese Gold and Silver Exchange Society to diversify clienteles and enrich the trendy service products. The development cost of electronic trading of bullion contracts resulted in the loss attributable to the Group.

### Corporate Finance and Assets Management

These two segments have improving performance. For the period under review, two segments' turnover and profit contribution to the Group were HK$2 million and HK$1.6 million respectively, contributing 184% increase in profit compared with 2012.

**Prospect**

China's real estate market was expecting a rapid recovery in 2013. In a survey, a total of 66 cities recorded price increases by an average of 6.7% in August 2013 compared with 62 cities in July 2013. August's increase is the highest spike since December 2010. It is believed that the Chinese government seems to have tolerated higher property prices and has not rolled out new tightening measures as promised in order to reach its GDP target of 7.5%.

The Group optimistically believed that a good property development trend of China's housing market continues to grow and the improvement in property investment environment is conductive for the Group to launch the property pre-sales, which is located at Quanzhou city, Fujian, and it will contribute sustainable income for the following years.

In Hong Kong, online futures and options trades are becoming more prevalent. With the power of digital information and internet, young clienteles are ditching their traditional brokers and looking for convenience in online trading futures and options at their own pace and time. The Group has launched a commodities internet trading platform which effectively helped to enhance the client ordering and investment portfolio management and diversify the clientele structure. A greater revenue contribution is expected from the changeover.

The markets in which the Group operates may be affected by numerous factors, many of which are beyond the Group's control and the exact effect of which cannot be accurately predicted. To cope with the unpredictable and volatile markets, the Group maintains the risk aversion policies and continues to focus on the well established and profitable property investment segment.

Given the strong and healthy financial position, the Group will dedicate its efforts and internal resources to source the organic development of the property investment segment. The Group will build on its success by continuing to address the six revenue streams with priority and control the non-value added costs, therefore striking a proper balance between sustainable profit growth and risk management.

**FINANCIAL REVIEW**

Liquidity and Financial Resources

As at 30$^{th}$ September 2013, the Group had cash and bank balances of approximately HK$142 million (31$^{st}$ March 2013: HK$195 million) of which approximately HK$22 million (31$^{st}$ March 2013: HK$22 million) were pledged to bank for facilities granted to the Group. The Company has given guarantees to the extent of HK$222 million (31$^{st}$ March 2013: HK$222 million) to secure the general banking facilities granted to subsidiaries.

As at 30$^{th}$ September 2013, the Group had available aggregate banking facilities of approximately HK$238 million (31$^{st}$ March 2013: HK$248 million) of which approximately HK$238 million (31$^{st}$ March 2013: HK$228 million) was not utilised.

Gearing Ratio

As at 30$^{th}$ September 2013, the amount of total borrowings was approximately HK$3 million (31$^{st}$ March 2013: HK$45 million), the gearing being equal to approximately 0.2 % (31$^{st}$ March 2013: 3.3 %) of the net assets of approximately HK$1,348 million (31$^{st}$ March 2013: HK$1,379 million).

## FOREIGN CURRENCY FLUCTUATION

During the period, the Group mainly uses Hong Kong dollars, Macau Pataca, United States dollars and Renminbi to carry out its business transactions. The Board considers the foreign currency exposure is insignificant.

## CAPITAL STRUCTURE

There was no change to the Group's capital structure for the six months ended 30th September 2013.

## EMPLOYMENT

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

## SHARE OPTION

The Company does not have any share option scheme.

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

For the six months ended 30th September 2013, 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 period.

## AUDIT COMMITTEE

The audit committee of the Group consists of three independent non-executive directors, namely Mr. Chan Chung Yee, Alan, Mr. Poon Kai Tik and Mr. Hui Man Ho, Ivan. 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 six months ended 30th September 2013.

## REMUNERATION COMMITTEE

The remuneration committee comprised of independent non-executive directors, Mr. Chan Chung Yee, Alan, Mr. Poon Kai Tik, Mr. Hui Man Ho, Ivan and executive director, Ms. Cheng Wai Ling, Annie. 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 six months ended 30th September 2013, 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 other 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 two 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) and the Company (www.upbest.com) on 25th November 2013. The interim report for the six months ended 30th September 2013 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
*IP Man Tin, David*
Chairman

Hong Kong, 25th November 2013

** 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, Dr. SZE Ping Fat and Mr. SUEN Man Tak, Stephen as non-executive directors, Mr. MOK Kwai Hang, Ms. CHENG Wai Ling, Annie and Mr. CHENG Wai Lun, Andrew as executive directors and Mr. CHAN Chung Yee, Alan, Mr. POON Kai Tik and Mr. HUI Man Ho, Ivan as independent non-executive directors.*