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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in shares, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in **UPBEST GROUP LIMITED** (the “Company”), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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### **UPBEST GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

## **PROPOSALS FOR (1) BONUS SHARES ISSUE (2) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES OF THE COMPANY**

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A notice convening a Annual General Meeting of the Company to be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Friday, 23 August 2002 at 9:30 a.m. is set out on pages 3 to 6 of the 2002 annual report of the Company which is sent to you on the same date as this circular. A proxy form for use at the Annual General Meeting is enclosed with the 2002 annual report of the Company. Whether or not you intend to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the principal place of business of the Company at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Annual General Meeting or any adjourned meeting if you so wish.

July 29, 2002

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## EXPECTED TIMETABLE

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2002

Last day of dealings in Shares cum entitlements to the Bonus Shares and dividend .....	Wednesday, August 14
First day of dealings in Shares ex entitlements to the Bonus Shares and dividend .....	Thursday, August 15
Latest time for lodging share transfers to qualify for the Bonus Shares and dividend .....	4:00 p.m. Friday, August 16
Register of members closed (both days inclusive) from .....	Monday, August 19
to .....	Friday, August 23
Latest time for lodging proxy forms for the Annual General Meeting .....	9:30 a.m., Wednesday, August 21
Record date for determination of entitlements to the Bonus Shares and dividend .....	Friday, August 23
Annual General Meeting .....	9:30 a.m. Friday, August 23
Expected day of dispatch of certificates for the Bonus Shares and cheques for dividend .....	Monday, September 16
Dealing of Bonus Shares on the Stock Exchange to commence on .....	Monday, September 23

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“Annual General Meeting”	the annual general meeting of the Company to be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Friday, August 23, 2002 at 9:30 a.m., notice of which dated July 29, 2002 was set out in the 2002 annual report of the Company
“Bonus Share(s)”	the new Share(s) to be issued by the Company under the Bonus Shares Issue
“Bonus Shares Issue”	the issue by the Company of new Shares on the basis of three Bonus Shares for every one existing ordinary Share held by Shareholders on the Record Date upon and subject to the terms and conditions set out in this circular
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Company”	Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	July 22, 2002, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Record Date”	August 23, 2002, the record date for the determination of entitlements to the Bonus Shares
“Registrars”	Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, the share registrar and transfer office of the Company in Hong Kong
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$” or “\$”	Hong Kong dollars
“%”	per cent.

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## LETTER FROM THE CHAIRMAN

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### UPBEST GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

*Directors:*

Mr. Tsang Cheuk Lau (*Chairman*)  
Mr. Wong, Thomas Ching Hung  
Mr. Cheng Kai Ming, Charles  
Mr. Li Kwok Cheung, George  
Mr. Choy Ye King  
Mr. Wong Wai Kwong, David\*  
Dr. Lewis Hung Fung\*

*\* Independent Non-executive Directors*

*Registered office:*

Ugland House  
South Church Street  
P.O. Box 309  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Principal place of business:*

2nd Floor  
Wah Kit Commercial Centre  
302 Des Voeux Road Central  
Hong Kong

July 29, 2002

*To the shareholders of the Company*

Dear Sir or Madam,

**PROPOSALS FOR  
(1) BONUS SHARES ISSUE  
(2) GENERAL MANDATES TO ISSUE  
AND  
REPURCHASE SHARES OF THE COMPANY**

#### INTRODUCTION

The purpose of this circular is to seek your approval of proposals to issue Bonus Shares and grant general mandates to issue and repurchase shares of the Company, as well as to provide you with information in connection with such proposals. Your approval will be sought at the Annual General Meeting.

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## LETTER FROM THE CHAIRMAN

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### BONUS SHARES ISSUE

The Directors have recommended, subject to the conditions set out below, a bonus issue of new Shares on the basis of three Bonus Shares, credited as fully paid, for every one existing Share held by Shareholders whose names appear on the register of members of the Company on the Record Date (including those with registered addresses outside Hong Kong) by way of the capitalisation of amounts standing to the credit of the Company's share premium account. The Bonus Shares will rank *pari passu* in all respects with the existing issued Shares.

As at the Latest Practicable Date, there were an aggregate of 280,000,000 Shares in issue, on which basis and assuming no further Shares are issued after the Latest Practicable Date and up to the Record Date, 840,000,000 new Shares will be issued pursuant to the Bonus Shares Issue and HK\$8,400,000 of the amount standing to the credit of the share premium account of the Company will be capitalised.

The Bonus Share Issue is conditional upon:

- (a) the passing of an ordinary resolution to approve, *inter alia*, the Bonus Shares Issue and the capitalisation of an appropriate amount standing to the credit of the share premium account of the Company for the Bonus Shares Issue on the terms set out in the notice of the Annual General Meeting; and
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant the approval of listing of, and permission to deal in, the Bonus Shares.

### LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the approval of listings of, and permission to deal in, the Bonus Shares.

It is expected that certificates for the Bonus Shares will be posted to those entitled thereto at their own risks on or about September 16, 2002. In case of joint shareholdings, certificates will be posted to the address of the first-named shareholder on the register of members of the Company on August 23, 2002.

Subject to the granting of the approval of listing of, and permission to deal in, the Bonus Shares as well as compliance with the stock admission requirements of Hongkong Clearing, the Bonus Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Bonus Shares on the Stock Exchange. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangement will be made to enable the Bonus Shares to be admitted into CCASS.

The Bonus Shares will not be listed or dealt in and no approval of listing or permission to deal in the Bonus Shares is or being proposed to be sought on any stock exchange other than the Stock Exchange.

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## LETTER FROM THE CHAIRMAN

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Dealings in the Bonus Shares on the Stock Exchange are expected to commence on Monday, September 23, 2002 and will be subject to Hong Kong stamp duty.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from August 19, 2002 to August 23, 2002 (both dates inclusive) in order to determine entitlements to the Bonus Shares and dividend during which period no transfer of Shares can be registered. The last day for dealings in Shares cum entitlement to the Bonus Shares and dividend will be on August 14, 2002.

In order to qualify for the Bonus Shares and dividend all transfer form accompanied by the relevant share certificates, must be lodged with the Registrars for registration no later than 4:00 p.m. on August 16, 2002.

### **GENERAL MANDATE TO REPURCHASE SHARES OF THE COMPANY**

At the annual general meeting held on August 31, 2001, a general mandate was given to the Directors to exercise the powers of the Company to repurchase (the Shares) up to a maximum of 10 per cent. of the issued share capital of the Company on that date. Such mandate will lapse at the conclusion of the Annual General Meeting. Your attention is drawn to an ordinary resolution set out in the notice convening the Annual General Meeting dated July 29, 2002 contained in the 2002 annual report of the Company. Such ordinary resolution proposes to give a general mandate to the Directors to exercise the powers of the Company to repurchase at any time until the conclusion of the next annual general meeting of the Company following the passing of the relevant resolution or such earlier period as stated therein up to a maximum of 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing that ordinary resolution (the “Repurchase Mandate”).

An explanatory statement, as required under the relevant rules set out in the Listing Rules regulating the repurchase by companies with primary listings on the Stock Exchange of their own shares on the Stock Exchange, to provide the requisite information for your consideration of the Repurchase Mandate is set out in the Appendix hereto.

### **GENERAL MANDATE TO ISSUE NEW SHARES OF THE COMPANY**

It will be proposed at the Annual General Meeting the ordinary resolutions as set out in the notice convening the Annual General Meeting dated July 29, 2002 for granting to the Directors a general mandate to allot, issue and deal with new shares of the Company not exceeding 20 per cent. of the issued share capital of the Company as at the date of passing that ordinary resolution (the “New Issue Mandate”) and extending the New Issue Mandate by adding to it the aggregate nominal amount of the Shares repurchased by the Company under the Repurchase Mandate.



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## LETTER FROM THE CHAIRMAN

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### RECOMMENDATION

The Directors believe that the Bonus Shares Issue, the Repurchase Mandate and the New Issue Mandate are in the best interests of the Company as well as its Shareholders. Accordingly, the Directors recommend that all Shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully  
For and on behalf of the Board  
**Tsang Cheuk Lau**  
*Chairman*

The Appendix serves as an explanatory statement, as required by the Listing Rules, to provide information to you with regard to the Repurchase Mandate.

## **1. THE LISTING RULES**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange on which the shares of the companies may be listed and recognised for this purpose by the Securities and Futures Commission and the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

### **(a) Source of funds**

Repurchases must be funded out of funds legally available for such purpose in accordance with the constitutive documents of the company and the laws of the jurisdiction in which the company is incorporated.

### **(b) Maximum number of shares to be repurchased**

The shares which are proposed to be repurchased by a company must be fully paid up. A maximum of 10 per cent. of the issued share capital as at the date of passing the relevant resolution may be repurchased on the Stock Exchange.

## **2. SHARE CAPITAL**

As at the Latest Practicable Date, there were 280,000,000 Shares in issue. Assuming the proposed resolution for the approval of Bonus Shares Issue being passed, the issued share capital as enlarged by the Bonus Shares will be 1,120,000,000 shares. Subject to the passing of the necessary ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, exercise in full of the Repurchase Mandate could accordingly result in up to 112,000,000 fully-paid Shares being repurchased by the Company during the course of the period prior to the next annual general meeting to be held in 2003.

## **3. REASONS FOR REPURCHASES**

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from shareholders to enable the Directors to repurchase the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or net assets per share and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

#### **4. FUNDING OF REPURCHASES**

Repurchases of the Shares will be funded entirely from the Company's available cash flow or working capital facilities, and will, in any event, be made out of funds legally available for the purchase in accordance with the Memorandum and Articles of Association of the Company and the applicable laws of the Cayman Islands.

There might be a material adverse effect on the working capital requirements or gearing levels of the Company (as compared with the position disclosed in the audited accounts contained in the 2002 annual report of the Company) in the event that the Repurchase Mandate is exercised in full at any time. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company at the time of the relevant purchases unless the Directors determine that such repurchases are, taking account of all relevant factors, in the best interests of the Company.

#### **5. GENERAL**

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchase pursuant to the Repurchase Mandate and in accordance with the Listing Rules and any applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if the same is approved by the Shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell any Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers of the Company to repurchase its shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers ("Takeover Code"). Accordingly, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. As at the Latest Practicable Date, CCAA Group Limited ("CCAA") was interested in 210,000,000 Shares, representing approximately 75 per cent. of the issued share capital of the Company. In the event that the Repurchase Mandate is exercised in full, CCAA interest would be increased to approximately 83 per cent. of the issued share capital of the Company. Provided that the Company has issued new shares to the public other than CCAA, the Directors have no intention to repurchase Shares to such an extent as would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage. Save as disclosed above, the Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchase made under the Repurchase Mandate.

The Company has not purchased any of its shares (whether on the Stock Exchange or otherwise) in the six months period preceding the date of this circular.

**6. THE SHARE PRICES**

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
July 2001	1.45	1.36
August 2001	1.50	1.34
September 2001	1.33	1.26
October 2001	1.46	1.30
November 2001	1.50	1.38
December 2001	1.52	1.42
January 2002	1.47	1.43
February 2002	1.47	1.42
March 2002	1.72	1.44
April 2002	1.80	1.66
May 2002	1.98	1.74
June 2002	1.94	1.89