



# UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

## FINAL RESULTS FOR THE YEAR ENDED MARCH 31, 2003

The Board of Directors (the “Board”) of Upbest Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended March 31, 2003 with comparative figures for the preceding financial year as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	(1)	50,790	51,245
Net investment loss	(2)	(1,867)	(738)
Other income		129	4
Provision for doubtful debts		(14,246)	–
Administrative and other operating expenses		(15,606)	(15,776)
Profit from operations	(3)	19,200	34,735
Finance costs	(4)	(3,195)	(5,302)
Profit before taxation		16,005	29,433
Taxation	(5)	(2,882)	(4,845)
Net profit for the year attributable to shareholders		13,123	24,588
Dividends	(6)	5,376	11,200
Basic earnings per share	(7)	HK1.2 cents	HK2.2 cents

Notes:

#### (1) Turnover and segment information

The Group is principally engaged in the provision of a wide range of financial services including four core business segments, namely Broking, Financing, Corporate Finance and Assets Management. An analysis of the Group's turnover and contribution to the profit from operations by business and geographical segments for the years ended March 31, 2003 and 2002 are as follows:

##### (a) Business segments

An analysis of segment information about these businesses for the years ended March 31, 2003 and 2002 is as follows:

	Broking		Financing		Corporate finance		Assets management		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:										
Sales to external customers	11,392	13,354	30,414	29,408	6,083	3,176	2,901	5,307	50,790	51,245
Segment results	3,421	4,912	24,108	22,763	4,150	1,336	492	1,156	32,171	30,167
Net investment loss									(1,867)	(738)
Provision for doubtful debts									(14,246)	–
Bad debt written off									(182)	–
Other income									129	4
Profit from operations									16,005	29,433
Taxation									(2,882)	(4,845)
Net profit for the year attributable to shareholders									13,123	24,588

##### (b) Geographical segment

No geographical analysis is presented as all the Group's revenue and results are derived from activities in Hong Kong.

#### (2) Net investment loss

	2003 HK\$'000	2002 HK\$'000
Net realised and unrealised holding loss on shares in Hong Kong Exchanges and Clearing Limited (“HKEX”)	(2,477)	(900)
Realised loss on investment securities, unlisted	–	(496)
Dividend income from listed investments in HKEX	610	658
	(1,867)	(738)

**(3) Profit from operations**

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Provident fund contributions	171	200
– Other staff costs	4,823	4,215
	4,994	4,415
Depreciation	258	529
Amortisation of intangible assets	340	340
Auditors' remuneration		
– Current year	266	299
– Overprovision in prior year	–	(130)
Bad debts written off	182	–
Operating lease rentals in respect of rented premises	758	813
<b>(4) Finance costs</b>		
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts	3,195	3,468
Interest on escrow money	–	1,834
	3,195	5,302

Escrow money represents deposits paid by third parties to the Group in relation to potential investments in certain projects. In current year, such deposits were non-interest bearing while in the last year, the deposits were interest-bearing at normal commercial rates.

**(5) Taxation**

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
<i>Hong Kong Profits Tax</i>		
Provision for the year	2,893	4,844
(Overprovision) Underprovision in prior years	(11)	1
	(2,882)	4,845

Hong Kong Profits Tax is calculated at 16% (2002: 16%) on the estimated assessable profits for the year.

The Group and the Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.

**(6) Dividends**

	2003 HK\$'000	2002 HK\$'000
Interim dividend paid of Nil (2002: HK1.5 cents per share before bonus issue) per ordinary share	–	4,200
Final dividend proposed of HK0.48 cents (2002: HK2.5 cents per share before bonus issue) per ordinary share	5,376	7,000
	5,376	11,200

**(7) Basic earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$13,123,000 (2002: HK\$24,588,000) and the weighted average number of 1,120,000,000 shares (pursuant to a resolution passed in the annual general meeting held on August 23, 2002, there was bonus issue made on the basis of three bonus shares for every one existing ordinary share held by shareholders) (2002: 1,120,000,000 shares after adjusting for the bonus issue in 2002) in issue during the year.

There is no diluted earnings per share for the years ended March 31, 2003 and 2002 presented since the Company has no dilutive potential ordinary shares.

**FINAL DIVIDEND**

The Board has resolved to recommend the payment of a final dividend of HK0.48 cents per ordinary share for the year ended March 31, 2003 to shareholders of the Company whose names appear on the register of members of the Company on August 20, 2003.

Subject to the approval of shareholders at the forthcoming annual general meeting, the dividend cheques of the final dividend will be despatched to shareholders on September 22, 2003.

**CLOSURE OF REGISTERS OF MEMBERS**

The registers of members of the Company will be closed from August 14, 2003 to August 20, 2003, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on August 13, 2003.

**BUSINESS REVIEW**

The year under review was another difficult year for all businesses in Hong Kong. The outbreak of the severe acute respiratory syndrome (SARS) from March to June only added the pressure to the already depressed economy.

During the year under review, income from brokerage decreased by approximately 15%. Due to the slight 3% increase in turnover from securities margin financing and money lending, despite the continuous interest rate reduction, and the over 90% increase in corporate finance activities, the total turnover decreased merely by less than 1% when comparing with last year.

Operating profit before the provision for doubtful debts and bad debts written off for the year is HK\$32 million which is even HK\$2 million, or 6.6%, higher than last financial year. However, being conservative, we have made a provision for doubtful debt amounted to HK\$14 million and written off bad debt amounted to HK\$182,000. Therefore, the profit attributable to shareholders dropped substantially by HK\$11.5 million, a nearly 47% decrease.

The decrease in securities brokerage income is in line with the decrease in turnover of the securities market during the track record period, probably on account of investors confidence due to accounting scandals and corporate governance issues in the PRC and the USA. The political uncertainties arise from the war in Iraq and terrorist attacks in other parts of the world also led to investors staying away from the securities market.

There are two sectors of business, namely corporate finance and asset management, that we have expanded substantially during the past 12 months. Turnover from corporate finance activities has been increased by over 90% and contributed approximately 13% to our operating profit.

The total assets under our assets management business was approximately HK\$1.1 billion as at 31 March 2003. Our clients now included 2 listed companies and 7 private clients. However, as to fee income from some of these clients are related to the performance of their investment portfolio, the 21.7% decrease in the benchmark Hang Seng Index during the track record period had significantly affected our asset management fee income.

## **PROSPECTS**

Looking forward, the recent signed Closer Economic Partnership Arrangement (CEPA) eliminates tariff on various goods made in Hong Kong. CEPA also facilitates Hong Kong companies in various industries to establish wholly owned businesses in the PRC. The entry requirements of asset threshold for various industries are also substantially reduced. Under the CEPA, professionals in the Hong Kong securities industry can apply to practice in the PRC. The Hong Kong Exchange and Clearing Limited is also going to set up a representative office in Beijing. These will provide an easier foothold for us to take advantage of the business opportunities there.

It is expected that CEPA will provide vast opportunities to business enterprises to expedite Hong Kong's economic transformation. It will also provide Hong Kong services industries firms with a better access to the mainland.

The Economic Re-launch Strategy Group, headed by the Financial Secretary, has initiated a comprehensive series of programmes to promote Hong Kong internationally and revitalize our economy after the SARS attack.

We hope that both schemes can revive international investors' attention to Hong Kong securities market which will boost our corporate finance and brokerage activities.

On the other hand, the operating environment of the securities industry will be very competitive after the liberalization of commission rates on April 1, 2003. The proposal to raise the capital requirement for dealers will also add financial burden to all players in the industry. Although we do not have any problem in meeting the proposed figure, if small market players are being forced out of business, the market turnover will be significantly affected. This may cause a decrease in our brokerage and margin financing income.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

As at March 31, 2003, the Group had cash and bank balances of approximately HK\$71 million (2002: HK\$82 million) of which approximately HK\$62 million (2002: HK\$61 million) were pledged to banks for facilities granted to the Group. The Company has provided corporate guarantees to the extent of HK\$153 million (2002: HK\$113 million) to secure the general banking facilities granted to subsidiaries.

As at March 31, 2003, the Group had available aggregate banking facilities of approximately HK\$263 million (2002: HK\$84 million) of which approximately HK\$96 (2002: HK\$29 million) was not utilized.

### **Capital structure**

There was no change to the Group's capital structure for the year ended March 31, 2003.

### **Gearing ratio**

As at March 31, 2003, the amount of total bank borrowings was approximately HK\$167 million (March 31, 2002: HK\$55 million), being equal to approximately 118% (March 31, 2002: 41%) of the net assets of approximately HK\$141 million (March 31, 2002: HK\$135 million).

### **Foreign currency fluctuation**

The Board believes that the foreign exchange risk is minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

### **Employment**

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

### **Share options**

The Company does not have share option scheme.

### **Code of best practice**

The Company has complied throughout the year ended March 31, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except that independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provision of the Company's bye-laws.

### **Audit committee**

The Company has established an audit committee according to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

### **Repurchase, sale or redemption of the company's listed securities**

During the year ended March 31, 2003, other than as an agent for clients of the Group, there was no repurchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

### **Publication of results on the Stock Exchange's website**

All the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board  
**Tsang Cheuk Lau**  
*Chairman*

Hong Kong, July 4, 2003

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Upbest Group Limited (the “Company”) will be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on August 20, 2003 at 9:30 a.m. for the following purposes:

1. To receive and consider the financial statements and the reports of the directors and auditors for the year ended March 31, 2003;
2. To declare a final dividend;
3. To re-elect directors and to authorise the directors to fix their remuneration;
4. To re-appoint auditors for the ensuing year and to authorise the directors to fix their remuneration;
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

(A) **“THAT:**

- (a) subject to paragraph (c) of this resolution and without prejudice to resolution 5(B) set out in the notice of this meeting, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) of this resolution) of all powers of the Company to issue, allot and deal in the Shares and to issue, allot or grant securities convertible into Shares or options, warrants or similar rights to subscribe for any shares in the Company or such convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to:
  - (i) a Rights Issue (as defined in paragraph (d) of this resolution);
  - (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Articles of Association of the Company; or
  - (iii) an issue of Shares under the share option scheme of the Company or any similar arrangements for the time being adopted by the Company for the grant or issue to employees or directors of the Company and/or any of its subsidiaries of Shares or right to acquire Shares; or
  - (iv) the exercise of the rights of subscription or conversion under the terms of any securities or notes for the time being in force which are convertible into any shares in the Company;

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly;

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory).”

(B) **“THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined in resolution 5(A)(d) set out in the notice of this meeting) of all the powers of the Company to repurchase the Shares on the Stock Exchange or on any other exchange on which the Shares may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange (the “Recognised Stock Exchange”) subject to and in accordance with all applicable laws, and in accordance with the provisions of, and in the manner specified in, the Rules Governing the Listing of Securities on the Stock Exchange or the rules of any other Recognised Stock Exchange, be and is hereby generally and unconditionally approved; and
- (b) the aggregate nominal amount of the Shares to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly.”

- (C) **“THAT** conditional upon the passing of resolutions 5(A) and 5(B) set out in the notice of this meeting, the aggregate nominal amount of Shares which shall have been repurchased by the Company pursuant to and in accordance with resolution 5(B) set out in the notice of this meeting shall be added to the aggregate nominal amount of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to and in accordance with resolution 5(A) set out in the notice of this meeting, provided that such additional amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution.”

By Order of the Board  
**Li Kwok Cheung, George**  
*Executive Director and Company Secretary*

Hong Kong, July 4, 2003

*Notes:*

1. Any member entitled to attend and vote may appoint one or more proxies to attend the meeting instead of him and to vote on a poll. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority shall be deposited at the principal place of business of the Company at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong not less than 48 hours before the time for holding the meeting (or adjourned meeting, as the case may be).
3. The register of members of the Company will be closed from August 14, 2003 to August 20, 2003, both days inclusive, for the purpose of establishing entitlements of the shareholders of the Company to attend the Company's annual general meeting. During such period, no transfer of Shares will be registered. In order to qualify for the proposed final dividend and voting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on August 13, 2003.
4. A circular containing further details regarding resolutions 4 and 5 above will be sent to shareholders on July 21, 2003.

Please also refer to the published version of this announcement in China Daily.