
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Upbest Group Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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.



UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

PROPOSALS RELATING TO GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES OF THE COMPANY

The notice convening an Annual General Meeting to be held on August 20, 2003, at which, among others, the above proposals will be considered, is set out on pages 3 to 5 of the Annual Report and Accounts for the year ended March 31, 2003 sent together with this circular.

Whether or not you propose to attend the Annual General Meeting, you are requested to complete and return the form of proxy enclosed with the Annual Report and Accounts in accordance with the instructions printed thereon as soon as possible.

July 21, 2003

LETTER FROM THE MANAGEMENT



UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Directors:

Tsang Cheuk Lau
Wong Ching Hung, Thomas
Cheng Kai Ming, Charles
Li Kwok Cheung, George
Choy Ye King, Andy
Wong Wai Kwong, David[#]
Pang Cheung Hing, Alex[#]

[#] *Independent Non-executive Directors*

Registered office:

Ugland House
South Church Street
P.O. Box 309
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 21, 2003

To the shareholders of the Company

Dear Sir or Madam,

PROPOSALS RELATING TO GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES OF THE COMPANY

INTRODUCTION

The purpose of this circular is to seek your approval of proposals to 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 of the Company to be held on August 20, 2003 (the "Annual General Meeting").

LETTER FROM THE MANAGEMENT

GENERAL MANDATE FOR REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

At the annual general meeting held on August 23, 2002, a general mandate was given to the board of directors of the Company (the “Board”) to exercise the powers of the Company to repurchase shares of HK\$0.01 each of the Company (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 4, 2003 contained in the 2003 Annual Report of the Company. Such ordinary resolution proposes to give a general mandate to the Board 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) regulating the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange, to provide the requisite information for your consideration of the Repurchase Mandate is set out in the Explanatory Statement hereto.

GENERAL MANDATE TO ISSUE NEW SECURITIES 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 August 20, 2003 for granting to the Board a general mandate to allot, issue and deal with new Shares and/or other securities 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.

As at July 14, 2003 (the latest practicable date prior to the printing of this circular), there were 1,120,000,000 Shares in issue and 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 New Issue Mandate could accordingly result in up to 224,000,000 Shares being issued by the Company during the course of the period prior to the next annual general meeting to be held in 2004.

LETTER FROM THE MANAGEMENT

RECOMMENDATION

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

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 securities on the Stock Exchange or on another stock exchange on which the securities 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 July 14, 2003 (the latest practicable date prior to the printing of this circular), there were 1,120,000,000 Shares in issue and 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 Shares being repurchased by the Company during the course of the period prior to the next annual general meeting to be held in 2004.

3. REASONS FOR REPURCHASES

The Board believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Board 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 Board 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 2003 Annual Report) in the event that the Repurchase Mandate is exercised in full at any time. However, the Board 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 Board determine that such repurchases are, taking account of all relevant factors, in the best interests of the Company.

5. GENERAL

The Board 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 Board 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 (the "Takeovers 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 and 32 of the Takeovers Code. As at July 14, 2003 (the latest practicable date prior to the printing of this circular), CCAA Group Limited ("CCAA") was interested in 840,000,000 Shares, representing 75 per cent. of the issued share capital of the Company. In the event that the Repurchase Mandate is exercised in full, CCAA's interest would be increased to approximately 83.33% per cent, of the issued share capital of the Company. The Board 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. The Board are not aware of any consequences which may arise under the Takeovers 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 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:

	The Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
July 2002	0.500	0.470
August 2002	0.500	0.460
September 2002	0.500	0.450
October 2002	0.485	0.450
November 2002	0.495	0.460
December 2002	0.500	0.445
January 2003	0.470	0.455
February 2003	0.460	0.440
March 2003	0.470	0.420
April 2003	0.475	0.430
May 2003	0.490	0.460
June 2003	0.500	0.460