
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular you should consult your stockbroker, 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 and the accompanying Scrip Share Election Form to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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)

(Stock code: 335)

Non-executive Director:

Dr. Wong King Keung, Peter (*Chairman*)

Executive Directors:

Mr. Wong Ching Hung, Thomas

Mr. Cheng Kai Ming, Charles

Mr. Li Kwok Cheung, George

Independent Non-executive Directors:

Mr. Wong Wai Kwong, David

Mr. Pang Cheung Hing, Alex

Mr. Fuk Ho Kai

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

26th August, 2005

To the shareholders

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31ST MARCH, 2005

It was announced on 18th July, 2005 that the directors of the Company (the “Directors”) declared a final dividend for the year ended 31st March, 2005 (the “Final Dividend”) of HK2.5 cents per ordinary

share of HK\$0.01 each of the Company (“Share”) payable to shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company at the close of business on 15th August, 2005 (the “Record Date”). The Final Dividend is subject to the approval from Shareholders at the Annual General Meeting to be held on 29th August, 2005. The purpose of this circular is to set out the procedures which apply in relation to the scrip dividend scheme (the “Scheme”) and the action which should be taken by Shareholders in relation thereto.

PARTICULARS OF THE SCHEME

Under the Scheme, each Shareholder has the following choices in respect of the Final Dividend:

- (a) a cash dividend of HK2.5 cents per Share; or
- (b) an allotment of new ordinary shares of HK\$0.01 each of the Company (“New Shares”) credited as fully paid and having an aggregate market value (as defined below) equal to, save for adjustment for fractional entitlements, the total amount of Final Dividend which Shareholders would otherwise receive in cash; or
- (c) partly cash and partly New Shares.

For the purpose of calculating the number of New Shares to be allotted pursuant to the Scheme, the market value of a New Share has been calculated at HK\$1.01 per Share. The market value of HK\$1.01 per Share represents the average of the closing prices per Share for the five consecutive trading days on which the Shares were traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) up to and including 12th August, 2005.

Accordingly, the number of New Shares which each Shareholder will receive, in respect of Shares registered in his/her name on the Record Date and for which election to receive New Shares is made, will be calculated as follows:

$$\begin{array}{rcccl} \text{Number of New} & & \text{Number of Shares held on} & & \\ \text{Shares to be} & = & \text{Record Date, for which New} & \times & \frac{\text{HK\$0.025}}{\text{HK\$1.01}} \\ \text{received} & & \text{Shares election is made} & & \end{array}$$

The number of the New Shares to be issued to each Shareholder pursuant to the Scheme will be rounded down to the nearest whole number. Fractional entitlements to New Shares in respect of alternatives (b) and (c) above will be disregarded and the benefit thereof will accrue to the Company. The New Shares to be issued pursuant to the Scheme will rank *pari passu* in all respects with the existing Shares except that they shall not rank for the Final Dividend.

ADVANTAGES OF THE SCHEME

The Scheme will give Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The Scheme will also benefit the Company to the extent that such cash which would otherwise have been paid to Shareholders who elect to receive the New Shares in whole or in part in lieu of a cash dividend will be retained for use as working capital by the Company.

EFFECT OF THE SCHEME

It was announced on 18th July, 2005 that CCAA Group Limited, the substantial shareholder of the Company, committed to elect to receive the Final Dividend in the form of scrip.

As at the Record Date, CCAA Group Limited owns 841,380,000 shares (approximately 68.47% interest of the Company). If other than CCAA Group Limited, no elections for the New Shares were received, the total cash dividend payable by the Company would be HK\$9,684,350, on the basis of 1,228,754,000 Shares in issue as at the Record Date.

Shareholders should note that the New Shares to be issued pursuant to the Scheme may give rise to disclosure requirements under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Shareholders who are in any doubt as to how these provisions may affect them as a result of the New Shares arising from the Scheme are recommended to seek their own legal advice.

SCRIP SHARE ELECTION FORM

A Scrip Share Election Form is enclosed with this circular.

If you elect to receive the Final Dividend wholly in cash, you need not take any action.

If you elect to receive an allotment of New Shares, or partly cash and partly New Shares, you should complete the enclosed Scrip Share Election Form. If you have signed the **Scrip Share Election Form** but do not specify the number of Shares in respect of which you are entitled to receive an allotment of New Shares under the Scheme, or if you elect to receive New Shares in respect of a greater number of Shares than your registered holding on the Record Date, you will be deemed to have chosen to receive New Shares in respect of all the Shares then registered under your name.

The Scrip Share Election Form should be completed in accordance with the instructions printed thereon, signed and returned so that they are received by the registrars of the Company, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 23rd September, 2005, Friday. No election may, after the relevant Scrip Share Election Form is received by Standard Registrars Limited, be in any way withdrawn, revoked, superseded or altered. No acknowledgement of receipt of the Scrip Share Election Form will be issued. If you do not complete and return the Scrip Share Election Form before the time stated above, you will be deemed to have elected to receive the Final Dividend wholly in cash.

SHAREHOLDERS RESIDENT OUTSIDE HONG KONG

The Company, having checked with the records with the registrars, is not aware that there was any Shareholder registered his/her address outside Hong Kong as at the Record Date. Accordingly, there will not be any legal restriction and statutory requirement in allowing Shareholders to participate in the Scheme. This document and the Scrip Share Election Form will not be registered in Hong Kong or in any other jurisdiction.

The participation in the Scheme by overseas Shareholders may be affected by the laws of their relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable restrictions and should consult their professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to participate in the Scheme.

Overseas Shareholders receiving this circular and/or Scrip Share Election Form outside Hong Kong may not treat the same as an invitation to participate in the Scheme unless such invitation could lawfully be made to them without having to comply with any registration or other legal requirements in the relevant territory. In such circumstances, this circular and the Scrip Share Election Form will be deemed to have been sent for information purposes only.

This circular and the Scrip Share Election Form do not constitute or form part of an offer or solicitation of any offer to buy securities of the Company, and the Scrip Share Election Form is non transferable.

Overseas Shareholders who are in any doubt as to their position should consult their own appropriately authorised professional advisers without delay.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the New Shares to be issued pursuant to the Scheme. It is expected that definitive certificates for the New Shares and cheques for cash dividends will be despatched to the persons entitled thereto on 18th October, 2005 at their own risk. Dealings in the Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

The Company has its only listing on the Stock Exchange. The Shares are not listed or dealt in and no listing of or permission to deal in the Shares are being, or are proposed to be, sought on any other stock exchange and no debt securities of the Company are listed or dealt in, and no listing of or permission to deal in the debt securities of the Company is being, or is proposed to be, sought on any other stock exchange.

GENERAL

Whether or not it is to your advantage to receive New Shares or cash, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are your own responsibility.

Shareholders who are trustees are recommended to take professional advice as to whether the choice of New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

By order of the Board
LI Kwok Cheung, George
Executive Director