

On behalf of the board of directors (the "Directors") of Upbest Group Limited (the "Company") together with its subsidiaries (the "Group"), I have pleasure to present to you the annual report and the audited financial statements of the Group for the year ended March 31, 2002.

RESULTS

The Group recorded a net profit for the year attributable to shareholders of HK\$24,588,000, a decrease of 57% compared with 2001 profit of HK\$56,692,000. Earnings per share were HK8.8 cents (2001: HK23.1 cents).

DIVIDENDS AND DISTRIBUTION

The Directors have resolved to recommend the payment of a final dividend of HK2.5 cents per ordinary share for the year which together with the interim dividend of HK1.5 cents per ordinary share makes a total dividend of HK4 cents per ordinary share (2001: HK10 cents).

The Directors have further resolved to recommend a bonus issue of shares. The proposed bonus issue of shares will be made on the basis of three bonus shares for every one existing ordinary share held by the shareholders.

Subject to the approval of shareholders at the forthcoming annual general meeting, the proposed final dividend and bonus share certificates are expected to be paid and dispatched respectively on or about September 16, 2002.

A circular containing details of the bonus issue of shares will be sent to shareholders on or about July 29, 2002.

BUSINESS REVIEW

Overview

The operating environment during the financial year under review had been extremely difficult for the financial industry, as the global and our economy both experienced extreme slow down not seen in many decades which was further worsened by the terrorist attack in the USA on September 11, 2001. Fortunately under such a difficult environment, we are still able to maintain an operating profit of HK\$30 million (as shown in the segment result in note (4) to the financial statements) although this showed a decrease of approximately 30% when compared with previous year.

Broking

Under such a poor economic condition, the daily trading volume on the Stock Exchange had been adversely affected by a drop of over 30% during the year under review. Our commission and brokerage income decreased by 42% under such environment.

Financing

Margin financing and money lending interest income accounted for 57% of the Group's turnover. During the year under review, we experienced repetitive interest rate cuts of 9 times of a substantial reduction of nearly 4% in our prime lending rate. Due to the interest rates cuts, our total interest income from these two business lines decreased by approximately 22%.

Chairman's Statement

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Upbest Group Limited

Assets management

Our assets management service has expanded drastically during the year under review. As at year end, we were investment managers of a company listed on the main board of the Stock Exchange and six other private institutional clients, the total assets value of these private portfolios was over HK\$860 million. Subsequent to our year end, another company listed on the main board engaged us as its investment manager. Assets management fee income accounted for nearly 10% of our total turnover.

Corporate finance

The scope of operation of our corporate finance division has also been expanded. Fee income for corporate finance advisory accounted for over 5% of our total turnover.

PROSPECTS

With the initial public offering of the two renown large international banks and the inflow of funds from the Qualified Domestic Institutional Investors (QDII) scheme in the second half of 2002, together with the HKSAR government proactive measures to encourage and attract companies including mainland enterprises to be listed in Hong Kong, the market activity is anticipated to improve.

In addition to the reinforcement of the traditional securities brokerage business, we will continue to enhance and expand our asset management and corporate finance division. We will capitalize on our competitive advantage of being a fully integrated one stop financial services conglomerate.

FINANCIAL REVIEW

Liquidity and financial resources

As at March 31, 2002, the Group had cash and bank balances of approximately HK\$82 million (2001: HK\$82 million) of which approximately HK\$61 million (2001: HK\$62 million) were pledged to banks for facilities granted to the Group.

As at March 31, 2002 the Group had available aggregate banking facilities of HK\$84 million (2001: HK\$82 million) of which HK\$29 million (2001: HK\$14 million) was not utilised.

Gearing Ratio

As at March 31, 2002, the amount of total bank borrowings was approximately HK\$55 million (2001: HK\$68 million), being equal to approximately 41% (2001: 47%) of the net assets of approximately HK\$135 million (2001: HK\$143 million).

Capital structure

There was no change to the Group's capital structure for the year ended March 31, 2002.

EMPLOYEES

Salaries of employees are maintained at competitive levels. Promotion and salary increment are assessed on the basis of performance.

Chairman's Statement

APPRECIATION

I would like to take this opportunity to express my appreciation to the continued dedication of the management and staff and to all shareholders, customers and banker for their support of our Group.

On behalf of the Board
Tsang Cheuk Lau
Chairman

Hong Kong, July 15, 2002

