

Report of the Directors

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Upbest Group Limited

The Directors have pleasure in presenting their report and the audited financial statements of Upbest Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended March 31, 2002.

Principal activities

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the provision of a wide range of financial services including securities broking, futures broking, margin financing, money lending, corporate finance advisory and assets management.

Subsidiaries

Details of the Company’s subsidiaries at March 31, 2002 are set out in note (15) to the financial statements.

Results

The results of the Group for the year ended March 31, 2002 are set out in the consolidated income statement on page 19.

Dividends

The Company paid an interim dividend of HK1.5 cents per ordinary share on January 25, 2002.

The Directors have resolved to recommend the payment of a final dividend of HK2.5 cents per ordinary share in respect of the year, to the shareholders whose name appear on the register of members of the Company on August 23, 2002.

Share capital

Details of movements in share capital of the Company are set out in note (25) to the financial statements.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended March 31				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Turnover	<u>51,245</u>	<u>64,338</u>	<u>60,527</u>	<u>36,868</u>	<u>52,917</u>
Profit before taxation	<u>29,433</u>	<u>63,571</u>	<u>45,521</u>	<u>18,507</u>	<u>36,023</u>
Taxation	<u>(4,845)</u>	<u>(6,879)</u>	<u>(6,339)</u>	<u>(2,332)</u>	<u>(5,955)</u>
Net profit for the year attributable to shareholders	<u>24,588</u>	<u>56,692</u>	<u>39,182</u>	<u>16,175</u>	<u>30,068</u>

ASSETS AND LIABILITIES

	March 31				
	2002 HK\$'000	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)	1998 HK\$'000
Total assets	<u>464,990</u>	<u>416,158</u>	<u>349,754</u>	<u>242,003</u>	<u>176,191</u>
Total liabilities	<u>(329,771)</u>	<u>(273,327)</u>	<u>(264,304)</u>	<u>(165,935)</u>	<u>(116,298)</u>
Net assets	<u>135,219</u>	<u>142,831</u>	<u>85,450</u>	<u>76,068</u>	<u>59,893</u>

Note:

The Company was incorporated in the Cayman Islands on July 28, 2000 and became the holding company of the companies comprising the Group as a result of a group reorganisation on September 21, 2000. The financial results of the Group for the three years ended March 31, 1998, 1999 and 2000 were prepared on the basis of merger accounting as if the Group structure had been in existence throughout the periods presented.

The comparative figures for the years from 1999 to 2001 have been adjusted as a result of the adoption of Statement of Standard Accounting Practice 9 (revised) "Events after the balance sheet date" issued by the Hong Kong Society of Accountants. Details of the effects of the adjustments and the accounting policies are set out in note (2) to the financial statements.

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Reserves

Movements in the reserves of the Group and the Company during the year are set out in note (26) to the financial statements.

The Company's reserves available for distribution represent the share premium, contributed surplus, retained profits and proposed final dividend under the Companies Law of the Cayman Islands. The share premium of the Company is available for paying dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium, contributed surplus, retained profits and proposed final dividend of the Company which in aggregate amounted to approximately HK\$71,066,000 as at March 31, 2002.

Donations

Donations made by the Group during the year for charitable purposes amounted to HK\$17,000.

Fixed assets

During the year, the Group spent approximately HK\$377,000 on plant and equipment.

Details of these and other movements during the year in the fixed assets are set out in note (13) to the financial statements.

Borrowings

Bank overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities. A repayment analysis of bank borrowings is set out in note (21) to the financial statements. No interest was capitalised by the Group during the year.

Major clients

For the year ended March 31, 2002, the Group's five largest clients accounted for in aggregate approximately 18% (2001: 17%) of the Group's turnover, of which the largest client accounted for approximately 7% (2001: 5%) of the Group's turnover.

None of the Directors or any of their associates or any shareholder of the Company which to the knowledge of the Directors of the Company owned more than 5% of the Company's issued share capital have an interest in the Group's five largest clients.

Purchase, sale or redemption of the Company's listed securities

Other than as an agent for clients of the Company or its subsidiaries, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.



Directors

The Directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Tsang Cheuk Lau (*Chairman*)

Mr. Wong Ching Hung, Thomas

(Appointed on February 4, 2002)

Mr. Cheng Kai Ming, Charles

Mr. Li Kwok Cheung, George

Mr. Choy Ye King

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Wong Wai Kwong, David

Dr. Fung Hung, Lewis

(Appointed on April 2, 2001)

Mr. Wong Ching Hung, Thomas

(Resigned on April 19, 2001)

In accordance with Article 116 of the Company's Articles of Association, Mr. Li Kwok Cheung, George and Dr. Fung Hung, Lewis shall retire by rotation from office and, being eligible, will offer themselves for re-election.

The term of office of each of the independent non-executive Directors lasts until his retirement by rotation as required by the Company's Articles of Association.

Directors' service contracts

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' interests in securities

As at March 31, 2002, the interests of the Directors, chief executive or their associates in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) were as follows:

Name of Director	Number of ordinary shares held as corporate interest
Mr. Cheng Kai Ming, Charles (<i>Note</i>)	210,000,000

Note: Mr. Cheng Kai Ming, Charles is one of the beneficiaries of a trust which assets include interests in the entire issued share capital of CCAA Group Limited ("CCAA"). CCAA holds 210,000,000 shares of the Company.

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Save as disclosed above, as at March 31, 2002, none of the Directors and chief executive or their associates had any personal, family, corporate or other interests in equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors and chief executive, nor their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' rights to acquire shares or debentures

At no time during the year was the Company, its ultimate holding company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial shareholders

As at March 31, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held	Percentage of issued shares
CCAA	210,000,000 (<i>Note</i>)	75%

Note: Identical to those disclosed above as "Directors' interests in securities".

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at March 31, 2002.

Connected transactions and directors' interests in contracts

Details of the connected transactions for the year are set out in note (30) to the financial statements under the section heading of "Related party transactions".

The independent non-executive Directors have reviewed the connected transactions and confirmed that the transactions were in the normal course of business of the Group and the agreements governing the transactions were entered into under normal commercial terms.

Save as disclosed in note (30) to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, its ultimate holding company or any of its subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Memorandum and Articles of Association and the Companies Laws of the Cayman Islands.

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.

The audit committee of the Group consists of two independent non-executive Directors, namely Mr. Wong Wai Kwong, David and Dr. Fung Hung, Lewis.

Corporate governance

The Company has complied throughout the year ended March 31, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on 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 provisions of the Company's Bye-laws.

Auditors

A resolution to re-appoint Messrs. Chu and Chu, Certified Public Accountants, as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Tsang Cheuk Lau

Chairman

Hong Kong, July 15, 2002