

Report of the Directors

The board of directors (the “Board”) has pleasure in presenting its report and the audited financial statements of Upbest Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended March 31, 2004.

Principal activities

The principal activity of the Company was investment holding. Its subsidiaries are principally engaged in securities broking, futures broking, securities margin financing, money lending, corporate finance advisory and assets management.

Segment Information

Details of segment information are set out in note (4) to the financial statements.

Subsidiaries

Details of the Company’s subsidiaries at March 31, 2004 are set out in note (15) to the financial statements.

Results

The results of the Group for the year ended March 31, 2004 are set out in the consolidated income statement on page 18.

Dividends

The Board has resolved to recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year to the shareholders whose names appear on the register of members of the Company on August 30, 2004.

Share capital

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

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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				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	<u>74,185</u>	<u>50,790</u>	<u>51,245</u>	<u>64,338</u>	<u>60,527</u>
Profit before taxation	<u>46,441</u>	16,005	29,433	63,571	45,521
Taxation	<u>(8,297)</u>	<u>(2,882)</u>	<u>(4,845)</u>	<u>(6,879)</u>	<u>(6,339)</u>
Net profit for the year attributable to shareholders	<u>38,144</u>	<u>13,123</u>	<u>24,588</u>	<u>56,692</u>	<u>39,182</u>

ASSETS AND LIABILITIES

	March 31				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	<u>486,050</u>	<u>520,787</u>	<u>464,990</u>	<u>416,158</u>	<u>349,754</u>
Total liabilities	<u>(311,940)</u>	<u>(379,445)</u>	<u>(329,771)</u>	<u>(273,327)</u>	<u>(264,304)</u>
Net assets	<u>174,110</u>	<u>141,342</u>	<u>135,219</u>	<u>142,831</u>	<u>85,450</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 year ended March 31, 2000 were prepared on the basis of merger accounting as if the Group structure had been in existence throughout the period presented.

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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\$78,778,000 as at March 31, 2004.

Donation

Donation made by the Group during the year for charitable purposes amounted to HK\$24,000.

Property, plant and equipment

During the year, the Group spent approximately HK\$1,079,000 on property, plant and equipment.

Details of these and other movements during the year in the property, plant and equipment 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 (22) to the financial statements. No interest was capitalised by the Group during the year.

Major clients

For the year ended March 31, 2004, the Group's five largest clients accounted for in aggregate approximately 27% (2003: 21%) of the Group's turnover, of which the largest client accounted for approximately 12% (2003: 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.

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

For the year ended March 31, 2004, other than as an agent for clients of the Company or its subsidiaries, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the year.

Report of the Directors

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
Mr. Cheng Kai Ming, Charles
Mr. Li Kwok Cheung, George
Mr. Choy Ye King

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Wai Kwong, David
Mr. Pang Cheung Hing, Alex

In accordance with Articles 116 and 119 of the Company's Articles of Association, Mr. Tsang Cheuk Lau, Mr. Wong Ching Hung, Thomas, and Mr. Wong Wai Kwong, David 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.

The Company received confirmation of independence in respect of the year ended March 31, 2004 from each of the independent non-executive directors pursuant to Rule 3.13 of the Revised Listing Rules. Up to and as at the date of this report, the Company still considers the independent non-executive directors to be independent.

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 contracts

In the opinion of the Board, there were no contracts of significance in relation to the Group's business to which the 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.

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Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at March 31, 2004, the interests and short positions of each director, chief executive or their associate in the securities, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of director	Number of shares				Total	Percentage of issued share capital
	Person interests	Family interests	Corporate interests	Other interests		
Ordinary Shares of HK\$0.01 each in the Company						
Cheng Kai Ming, Charles (Note)	-	-	840,000,000	-	840,000,000	75%

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 840,000,000 shares of the Company.

At no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangements to enable the directors or executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition in shares or debentures of the Company or its associated corporations.

Save as disclosed above, as at March 31, 2004, none of the directors and chief executives or their associates, nor were they taken to or deemed to have under such provisions of the SFO, any interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.

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 executives 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.

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Substantial shareholder's interests and short positions in the shares, underlying shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that, as at March 31, 2004, the Company had been notified of the following substantial shareholders' interests and short position, being 5% or more of the Company's issued share capital.

Name of Shareholders	Number of shares held	Percentage of total number of shares in issued
Ordinary shares of HK\$0.01 each in the Company		
CCAA (Note)	840,000,000	75%

Note: Identical to those disclosed above as "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation".

Save as disclosed above, as at March 31, 2004, the Company was not notified by any persons who had an interest of 5% or more in the issued share capital of the company which is required to be recorded under section 336 of the SFO.

Connected transactions and directors' interests in contracts

Details of any significant related party transaction entered by the Group during the year ended March 31, 2004 which also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in note (27) to the financial statements under the section heading of "Related party disclosures".

The Board considers the connected transactions as disclosed in note (27) have been conducted in the ordinary and usual course of business of the Group on normal commercial terms and did not exceed the cap amount as prescribed in the waiver granted by the Stock Exchange. These connected transactions had been reviewed by the independent non-executive directors and the auditors of the Company and received approval from the Company's board of directors.

Save as disclosed in note (27) 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.

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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 Mr. Pang Cheung Hing, Alex. The audit committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended March 31, 2004.

Compliance with Code of Best Practice

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Revised Listing Rules throughout the year ended March 31, 2004, save and except that all independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Sufficiency of public float

According to the information that is publicly available to the Company and within the knowledge of the directors, the percentage of the Company's shares which are in the hands of the public is not less than 25% of the Company's total number of issued shares.

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 19, 2004