

# Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I have the pleasure to present to you our first report and the audited financial statements since the Group's listing on The Stock Exchange of Hong Kong Limited on October 18, 2000.

## FINANCIAL RESULTS ▶

The Group recorded a net profit attributable to shareholders of HK\$56,692,000 for the year, which is 45% higher than the previous year.

Following the successful initial public offering, our Group has an extremely strong and liquid financial position of net assets amounting to nearly HK\$115,000,000 without any long-term borrowings.

## DIVIDENDS ▶

The Directors have resolved to recommend the payment of a final dividend of HK\$0.1 per ordinary share in respect of the year, to the shareholders on the register of members on August 31, 2001.

## REVIEW OF OPERATION ▶

### Brokerage

Commission income for the year dropped by 38% due to a decline of the total market turnover by approximately 11% during that period.

### Securities margin financing

Interest income from securities margin financing business of the Upbest Investment Company Limited dropped slightly by 9%, due to the establishment of Upbest Finance Company Limited which takes up non-securities margin financing business from Upbest Investment Company Limited after the enactment of the Securities (Margin Financing) (Amendment) Ordinance in June 2000.

### Short-term financing

The non-securities financing business, which commenced in second half of 2000 and was significantly expanded after the Group's listing on the exchange, generated interest income amounted to nearly HK\$15,000,000.

### Asset management

After the Group is listed, the Group have been awarded an investment management contract for a listed company. The Group is also the investment manager for various private investment funds.

## PROSPECTS ▶

In the recent months, investment focus remained on the China-related counters where an influx of hot money from mainland China lifted trading volumes.

China has just completed the World Trade Organization entry talks which paths the way for ministers to approve its membership in November 2001. Beijing being voted the host city of the Olympic Games in 2008 will surely boost the economy of mainland China and provide a lot of new business opportunities for both China and Hong Kong enterprises. The recovery of Hong Kong's economy is expected to come sooner under such circumstances.

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With the implementation of the AMS/3 in February 2001, the Group has enrolled in the fifth batch of brokers using the Broker Supplied System ("BSS") connected to AMS/3 and is now performing various tests. Subject to the completion of the mandatory BSS practice sessions and satisfaction results of all tests, it is expected that the Group can roll out the internet dealing to the clients in late 2001.

The Group's website [www.upbest.com](http://www.upbest.com) include lots of financial information, timely market commentary and our research reports on various listed companies. The dealing platform will be included in our website. The Directors anticipate that the Group is able to attract more new clients and therefore enlarge the client base with these two high-tech services.

The Group has strengthened the corporate finance team recently and will have more active participation in acting as sponsor for companies seeking for listing on the main board, corporate advisory and structured corporate finance transactions. That unit is expected to report promising results in the coming years.

Any further interest rate cuts will inject liquidity into the stock market which will boost the trading volume. The Directors anticipate that the securities brokerage market will be very competitive after the liberalization of minimum brokerage commission in April 2002, and brokerage rates will be considerably lowered then. However, the Group's diversification of business into different financial services areas will provide us with sources of income which the Directors believe the Group's operating result will not be adversely affected by the lower commission rate. The Group's strategy of being a fully integrated one-stop service provider of brokerage and financial services has proved to be successful as the Group's turnover and net profit increased by 6% and 45% respectively in the financial year despite a decrease of commission and brokerage income by 38%. Although the market conditions in the first half of 2001 was difficult, the Directors hold a long-term positive view on the Hong Kong stock market. The Group's strategy to increase synergies between the services which the Group offers and improve the service quality will enable the Group to become a one-stop financial services conglomerate. When the investment environment improves, the Group will surely benefit.

## ACKNOWLEDGEMENT ►

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks and express appreciation to those who have supported us to our successful listing on the Stock Exchange. I would also like to express thanks to our staff for their valuable dedication to the Group.

By order of the Board  
**Tsang Cheuk Lau**  
*Chairman*

Hong Kong, July 18, 2001