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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Upbest, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited 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.

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### UPBEST GROUP LIMITED

美建集團有限公司\*

*(incorporated in Cayman Islands with limited liability)*

(Stock code: 335)

**Continuing Connected Transactions  
in Relation to  
Financial Assistance and Investment Management Agreement  
and  
Connected Transaction in Relation to Special Bonus**

**Independent financial adviser to the Independent Board Committee and the Independent Shareholders**



**Optima Capital Limited**

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A letter from the Independent Board Committee is set out on page 16 and 17 of this circular. A letter from Optima Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of Upbest is set out on pages 18 to 31 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Tuesday, 10th June, 2008 at 10:30 a.m. is set out on pages 37 to 39 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company principal place of business at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting if you so wish.

\* for identification purpose only

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:*

“associate”	has the meaning ascribed to it in the Listing Rules
“CCAA”	CCAA Group Limited, an investment holding company, holds approximately 71.82% interest in Upbest as at the Latest Practicable Date
“Cheng’s Family Trust”	is a trust of which the discretionary objects are members of Mr. Cheng’s family
“Company”	Upbest Group Limited
“Connected Person”	has the meaning ascribe to it in the Listing Rules
“EGM” or “Upbest EGM”	an extraordinary general meeting of Upbest to be convened and held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Tuesday, 10th June, 2008 at 10:30 a.m. to consider and, if thought fit, to approve the continuing connected transactions in relation to Financial Assistance and the Second Supplemental Investment Management Agreement, and the connected transaction in relation to Special Bonus
“Financial Assistance”	the loan advanced of securities margin and initial public offer financing and precious metal margin financing
“Financial Assistance Supplemental Agreements”	collectively, (i) the supplemental agreement dated 2nd May, 2008 entered into between UBA and UICL in relation to the provision of securities margin financing service; (ii) the supplemental agreement dated 2nd May, 2008 entered into between UBA Financial and UICL in relation to the provision of securities margin financing service; (iii) the supplemental agreement dated 2nd May, 2008 entered into between Super Idea and UICL in relation to the provision of securities margin financing service; and (iv) the supplemental agreement dated 2nd May, 2008 entered into between UBA Gold and UGL in relation to the provision of precious metal margin financing service
“Financial Assistance Transaction”	the transaction in relation to the provision of Financial Assistance by Upbest Group to UBA Group pursuant to the Financial Assistance Supplemental Agreements

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## DEFINITIONS

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“First Investment Management Agreement”	the investment management agreement entered into between UAML and UBA dated 6th November, 2000 in relation to the provisions of investment management services by UAML
“First Supplemental Investment Management Agreement”	the supplemental agreement entered into between UAML and UBA dated 31st March, 2006 in relation to the provisions of investment management services by UAML to UBA
“Fung Fai”	Fung Fai Growth Limited, an investment holding company, holds approximately 32.08% interest of UBA as at the Latest Practicable Date
“Financial Year”	financial year of Upbest, being the twelve (12) months from 1st April to 31st March in the next year
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investment Management Agreements”	collectively (i) the First Investment Management Agreement; (ii) the Second Investment Management Agreement; and (iii) the First Supplemental Investment Management Agreement
“Investment Management Transaction”	the provision of investment management service by UAML to UBA Group pursuant to the Second Supplemental Investment Management Agreement
“Latest Practicable Date”	21st May 2008, being the latest practicable date prior to printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fee”	the management fee payable by UBA to UAML under the Investment Management Agreements from time to time
“Mr. Andrew Cheng”	Mr. Cheng Wai Lun, Andrew
“Mr. Cheng”	Mr. Cheng Kai Ming, Charles
“Ms. Cheng”	Ms. Cheng Wai Ling, Annie
“Optima Capital”	Optima Capital Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Optima Capital Limited is the independent financial adviser to the Upbest Independent Board Committee and the Upbest Independent Shareholders

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## DEFINITIONS

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“Performance Fee”	the performance fee payable by UBA to UAML under the Second Supplemental Investment Management Agreement
“Second Investment Management Agreement”	the investment management agreement entered into by UAML and UBA dated 31st March, 2003 in relation to the provisions of investment management services by UAML to UBA
“Second Supplemental Investment Management Agreement”	the supplemental agreement entered into between UAML and UBA dated 2nd May, 2008 in relation to the provisions of investment management services by UAML to UBA
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Special Bonus”	the special bonus proposed to be paid by UBA Group to UAML and equivalent to 20% of UBA Group’s audited net profit before taxation and before deduction of Management fee for the Financial Year ended 31st March, 2008 and in any event not exceeding HK\$17,000,000
“Special Bonus Agreement”	the agreement dated 2nd May, 2008 entered into between UBA and UAML pursuant to which the Special Bonus will be paid to UAML
“Special Bonus Transaction”	the transaction contemplated under the Special Bonus Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Super Idea”	Super Idea International Limited, a company incorporated in British Virgin Islands with limited liability, is a wholly owned subsidiary of UBA
“UAML”	Upbest Assets Management Limited, a company incorporated in Hong Kong with limited liability, is registered as an investment adviser with the Securities and Futures Commission and is principally engaged in the provision of investment and asset management services for discretionary and non-discretionary funds. Upbest Assets Management Limited is a wholly owned subsidiary of Upbest
“UBA”	UBA Investments Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange
“UBA Board”	the board of directors, including the independent non-executive directors, of UBA

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## DEFINITIONS

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“UBA EGM”	an extraordinary general meeting of UBA to be convened to consider and, if thought fit, to approve the continuing connected transaction in relation to Financial Assistance and the Second Supplemental Investment Management Agreement, and the connected transaction in relation to Special Bonus
“UBA Financial”	UBA Financial Trading Limited, a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of UBA
“UBA Gold”	UBA Gold Investment Limited, a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of UBA
“UBA Group”	UBA and its subsidiaries
“UBA Independent Board Committee”	the independent board committee of UBA composing Dr. Lewis Hung Fung and Mr. Ip Man Tin, David and both of them are independent non-executive directors of UBA
“UBA Independent Shareholders”	UBA Shareholders other than Fung Fai together with its respective associates
“UBA Shareholders”	shareholders of UBA
“UGL”	Upbest Gold Limited, a company incorporated in Hong Kong with limited liability, is principally engaged in the provision of bullion dealing and precious metal margin financing service. Upbest Gold Limited is a 75% owned subsidiary of Upbest
“UICL”	Upbest Investment Company Limited, a company incorporated in Hong Kong with limited liability, is registered under SFO and is principally engaged in the provision of type 8 (securities margin financing) regulated activities and a wholly owned subsidiary of Upbest
“Upbest”	Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Upbest Board” or “Board”	the board of directors, including the independent non-executive directors, of Upbest
“Upbest EGM”	an extraordinary general meeting of Upbest to be convened to consider and, if thought fit, to approve the continuing connected transaction in relation to Financial Assistance and the Second Supplemental Investment Management Agreement, and the connected transaction in relation to Special Bonus

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## DEFINITIONS

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“Upbest Group”	Upbest and its subsidiaries
“Upbest Independent Board Committee” or “Independent Board Committee”	the independent board committee of Upbest comprising Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai and both of them are independent non-executive directors of Upbest
“Upbest Independent Financial Adviser” or “Independent Financial Adviser”	Optima Capital
“Upbest Independent Shareholders” or “Independent Shareholders”	Upbest Shareholders other than CCAA together with its respective associates
“Upbest Shareholders” or “Shareholders”	shareholders of Upbest
“Valuation Date”	the last dealing day on the Stock Exchange in each calendar month or such other dealing day as considered appropriate by the UBA Board for the purpose of calculating the net asset value

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## LETTER FROM THE BOARD

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### UPBEST GROUP LIMITED

美建集團有限公司\*

(incorporated in Cayman Islands with limited liability)

(Stock code: 335)

*Non-executive Directors:*

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

Mr. Wong Ching Hung, Thomas

*Executive Directors:*

Mr. Cheng Kai Ming, Charles

Mr. Suen Man Tak, Stephen

Mr. Li Kwok Cheung, George

Ms. Cheng Wai Ling, Annie

Mr. Cheng Wai Lun, Andrew

*Independent non-executive Directors:*

Mr. Chan Chung Yee, Alan

Mr. Pang Cheung Hing, Alex

Mr. Fuk Ho Kai

*Registered office:*

Ugland House

South Church Street

P.O. Box 309 Grand Cayman

Cayman Islands

British West Indies

*Head office and principal place of  
business in Hong Kong:*

2nd Floor, Wah Kit Commercial Centre

302 Des Voeux Road Central

Hong Kong

23rd May, 2008

*To the Shareholders*

Dear Sir or Madam,

**Continuing Connected Transactions  
in Relation to  
Financial Assistance and Investment Management Agreement  
and  
Connected Transaction in Relation to Special Bonus**

**I. INTRODUCTION**

Reference is made to the joint announcement dated 2nd May, 2008 by Upbest and UBA.

UAML, a wholly owned subsidiary of Upbest, is an investment adviser registered with the Securities and Futures Commission and has been retained by the UBA Group to provide investment advice on trading of Hong Kong stocks, initial public offerings subscriptions, futures contracts and precious metal trading since December 2000. In furtherance of such investment advice, UBA Group has

\* for identification purpose only



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## LETTER FROM THE BOARD

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entered into contracts for securities dealing, futures contracts dealing, margin financing and precious metal margin financing pursuant to which Upbest will provide Financial Assistance to UBA for carrying out trading of Hong Kong stocks, initial public offerings subscriptions, and precious metal trading.

On 2nd May, 2008, UBA Group and Upbest Group have entered into various supplemental agreements, inter alia, extending the terms of the provision of the investment services, securities margin financing service and precious metals margin financing services. In addition, on 2nd May, 2008, Upbest Group and UBA have also entered into an agreement in relation to the Special Bonus.

The purpose of this circular is to (1) provide the Shareholders with information on the said supplemental agreements and their annual caps for 2009 and 2010; (2) provide the Shareholders with information on the agreement in relation to Special Bonus; (3) set out the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as regards on voting on the approval of the Financial Assistance Transaction, the Investment Management Transaction and the Special Bonus Transaction; (4) set out the advice letter from Optima Capital which contains its recommendation to the Independent Board Committee and the Independent Shareholders on the annual caps for 2009 and 2010 of the Financial Assistance Transaction and Investment Management Transaction and on the terms of the Special Bonus Transaction; and (5) give a notice to the Shareholders on convening the EGM.

## II. THE FINANCIAL ASSISTANCE TRANSACTION

### (a) Securities margin financing service

Each of UBA, UBA Financial and Super Idea first entered into an agreement separately with UICL respectively on 15th November, 2002, 13th March, 2003 and 22nd June, 1999 in respect of the provision of securities margin financing services by UICL to the UBA Group at an interest rate of 4.25% above prime rate per annum inclusive of custodian fee and an interest rate from 0.2% to 1.25% per annum on the borrowing costs of UICL for initial public offering financing. Under the aforesaid agreements, UICL will make available to UBA, UBA Financial and Super Idea securities margin financing facilities upon request of UBA, UBA Financial or Super Idea and they will repay, upon demand of UICL, the margin financing facilities plus interest thereon to UICL. The aforesaid agreements have the same term. Since the aforesaid agreements are not on an exclusive basis, UBA Group may at its sole discretion use securities margin financing services provided by other financial institutions which offer a more competitive rate.

On 2nd May, 2008, each of UBA, UBA Financial and Super Idea had separately entered into a supplemental agreement with UICL in relation to the provision of securities margin financing service by UICL to UBA Group. According to the supplemental agreements, UICL and each of UBA, UBA Financial and Super Idea agreed that the respective relevant original agreement will be extended to 31st March, 2010 and is subject to renewal by written supplemental agreements between the contracting parties. Save as disclosed above, the relevant original agreements regarding the securities margin financing service shall in all respects remain and continue in full force and effect.

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## LETTER FROM THE BOARD

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### (b) Precious metal margin financing service

UBA Gold first entered into an agreement with UGL on 22nd February, 2007 in respect of the provision of precious metal margin financing services by UGL to UBA Gold. Under the said agreement for provision of precious metal margin financing services, UGL will make available to UBA Gold precious metal margin financing facilities upon request of UBA Gold and UBA Gold will repay, upon demand of UGL, the margin financing facilities plus interest thereon to UGL. Since the aforesaid agreement is not on an exclusive basis, UBA Group may at its sole discretion use precious metal margin financing services provided by other financial institutions which offer a more competitive rate.

On 2nd May, 2008, UGL entered into a supplemental agreement with UBA Gold in relation to the provision of precious metal margin financing service by UGL to UBA Gold. According to the supplemental agreement, UGL and UBA Gold agreed that the relevant original agreement will be extended to 31st March, 2010 and is subject to renewal by written supplemental agreement between the contracting parties. The supplemental agreement also provided that the interest rate for the precious metal margin financing service will be 1.05% per annum above the borrowing costs of UGL.

Save as disclosed above, the relevant original agreement regarding the precious metal margin financing service shall in all respects remain and continue in full force and effect.

The maximum amount of the precious metal margin provided by UGL to UBA Gold during the Financial Year ended 31st March, 2007 was HK\$10,054,980. There is no precious metal margin outstanding and payable by UBA Gold as at 31st March, 2007.

### (c) Cap Amount for Financial Assistance

The maximum amounts of margin loans advanced by Upbest Group to UBA Group during each of the three years ended 31st March, 2005, 31st March, 2006, 31st March, 2007 and the ten months ended 31st January, 2008 are shown below:

	<b>During the Financial Year ended 31st March, 2005 (HK\$)</b>	<b>During the Financial Year ended 31st March, 2006 (HK\$)</b>	<b>During the Financial Year ended 31st March, 2007 (HK\$)</b>	<b>During the ten months ended 31st January, 2008 (HK\$)</b>
Margin loans				
Maximum amounts (approximately)	4,129,104	8,168,815	17,906,303	18,101,230

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## LETTER FROM THE BOARD

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The amounts of margin loans advanced by Upbest Group to UBA Group as at 31st March, 2005, 31st March, 2006, 31st March, 2007 and 31st January, 2008 are shown below:

	<b>As at 31st March, 2005 (HK\$)</b>	<b>As at 31st March, 2006 (HK\$)</b>	<b>As at 31st March, 2007 (HK\$)</b>	<b>As at 31st January, 2008 (HK\$)</b>
Margin loans (approximately)	2,546,653	5,242,667	164,280	0

The maximum amounts of initial public offer financing advanced by Upbest Group to UBA Group during each of the three years ended 31st March, 2005, 31st March, 2006, 31st March, 2007 and the ten months ended 31st January, 2008 are shown below:

	<b>During the Financial Year ended 31st March, 2005 (HK\$)</b>	<b>During the Financial Year ended 31st March, 2006 (HK\$)</b>	<b>During the Financial Year ended 31st March, 2007 (HK\$)</b>	<b>During the ten months ended 31st January, 2008 (HK\$)</b>
Initial Public Offer Financing				
Maximum amounts (approximately)	0	19,997,892	143,726,306	119,453,643

Based on the above maximum amounts of margin loans during the period from 1st April, 2004 to 31st January, 2008, Upbest Board proposes that the cap for the Financial Assistance for each of the Financial Years ending 31st March 2009 and 31st March, 2010 should be set at HK\$150,000,000, which is an estimation based on the maximum amounts of the initial public offer financing during the Financial Year ended 31st March, 2007 as shown in the table above. The Upbest Broad considers the proposed cap for Financial Assistance to be fair and reasonable.

Save for the agreements in relation to the securities margin financing and precious metal margin financing as disclosed above, there is no other transactions involving provision and receipt of Financial Assistance between Upbest Group and UBA Group within the past 12 months.

### III. INVESTMENT MANAGEMENT TRANSACTION

#### (a) Background

On 6th November, 2000, UAML and UBA first entered into the First Investment Management Agreement pursuant to which UAML provided investment management services to UBA for a term of three years up to 30th November, 2003. Reference is made to the announcement of UBA dated 6th November, 2000.

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## LETTER FROM THE BOARD

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Prior to the expiration of the First Investment Management Agreement, the same parties entered into the Second Investment Management Agreement dated 31st March, 2003 for a term of three years up to 31st March, 2006. Reference is made to the announcement of UBA and Upbest dated 31st March, 2003 and 4th April, 2003 respectively.

Upon the expiration of the Second Investment Management Agreement, the same parties again on 31st March, 2006 entered into the First Supplemental Investment Agreement for the sole purpose of further extending the term of the Second Investment Management Agreement for another 3 years to 31st March, 2009. Reference is made to the joint announcement by Upbest and UBA dated 4th April, 2006.

As consideration for UAML's provisions of investment management service to UBA pursuant to the Investment Management Agreements, UAML is entitled to the Management Fee, which amounts to 1.5 per cent per annum of the net asset value of UBA Group as at the immediate preceding Valuation Date on the basis of the actual number of days in the relevant calendar month over a year of 365 days.

**(b) The Second Supplemental Investment Agreement dated 2nd May, 2008**

UAML and UBA have on 2nd May, 2008 entered into the Second Supplemental Investment Management Agreement whereby (i) the term of the Second Investment Management Agreement will be extended to 31st March, 2010; and (ii) in addition to the Management Fee, subject to the approval by their respective independent shareholders at UBA EGM and Upbest EGM respectively, the Performance Fee payable in Hong Kong dollars equivalent to 20% of net profit of UBA Group before taxation and before deduction of the Management Fee payable under the Investment Management Agreements shall be paid to UAML for each Financial Year. Save and except as amended by the Second Supplemental Investment Management Agreement dated 2nd May, 2008, the Second Investment Management Agreement, as extended by the First Supplemental Investment Management Agreement, will remain in full force and effect.

Upbest and UBA propose to commence charging the Performance Fee from the date of the approval by their respective independent shareholders at UBA EGM and Upbest EGM respectively, whichever is the later.

**(c) Cap Amount for Management Fee and Performance Fee**

The Management Fee paid by UBA to UAML pursuant to the Investment Management Agreements for the years ended 31st March, 2005, 31st March, 2006 and 31st March, 2007 are as follows:

	<b>For the Financial Year ending 31st March, 2005 (HK\$)</b>	<b>For the Financial Year ending 31st March, 2006 (HK\$)</b>	<b>For the Financial Year ending 31st March, 2007 (HK\$)</b>
Management Fee	1,387,324	1,444,865	1,878,957

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, UBA has paid a Management Fee in the sum of HK\$2,300,000 to the UMAL for the period from 1st April, 2007 to 31st March, 2008, which does not exceed the cap for the Management Fee as disclosed in the joint announcement of Upbest and UBA dated 4th April 2006.

To comply with Rule 14A.35(2) of the Listing Rules, it is required to specify an annual cap in respect of the Management Fee and Performance Fee payable by UBA to UAML under the Investment Management Agreements (as extended and supplemented by the Second Supplemental Investment Management Agreement), which is proposed as follows:

	<b>For the Financial Year ending 31st March</b>	
	<b>2009</b>	<b>2010</b>
	<b>(HK\$)</b>	<b>(HK\$)</b>
Management Fee & Performance Fee	20,400,000	24,480,000

The annual cap for the Management Fee for the Financial Year ending 31st March, 2009 was originally set as HK\$2,800,000 in the joint announcement of Upbest and UBA dated 4th April, 2006. Due to the introduction of Performance Fee for 2009 and 2010, Upbest Board, having taken into account the historical net profit before tax of UBA Group and the performance of the financial markets, proposes that the annual caps for the Management Fee plus the Performance Fee for the Financial Years ending 31st March, 2009 and 2010 be set at HK\$20,400,000 and HK\$24,480,000 respectively.

The proposed annual caps for Management Fee and Performance Fee are determined by reference to the annual average growth in UBA Group's net asset value from the Financial Year ended 31st March, 2003 to the Financial Year ended 31st March, 2007, during the four years time the audited consolidated net asset of UBA has increased from HK\$88,768,188 to HK\$150,378,822, representing an annual average growth of 17.35%. Based on the aforesaid figures, Upbest Board considers that the estimated annual average growth rate in UBA Group's net asset value for the Financial Years ending 31st March, 2009 to the Financial Years ending 31st March, 2010 will also be approximately 20% for the purpose of calculating the annual caps for the Management Fee plus the Performance Fee for the said years. The Upbest Board considers the basis of calculation and the annual caps for the aforesaid years to be fair and reasonable.

#### **IV. SPECIAL BONUS TRANSACTION**

##### **(a) Background**

The net asset value of UBA Group as at 30th September, 2007 had been increased by about HK\$90 million comparing with that in 2003, representing an average annual growth of 24% per annum due to the satisfactory performance of UAML.

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## LETTER FROM THE BOARD

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To reward UAML's outstanding performance in its investment management services provided to UBA during the past period, UBA and UAML have on 2nd May, 2008 entered into an agreement pursuant to which, subject to the approval of UBA Independent Shareholders at UBA EGM, the Special Bonus will be paid to UAML by UBA. The Special Bonus is 20% of UBA Group's audited net profit before taxation and before deduction of Management Fee for the Financial Year ending 31st March, 2008 or HK\$17,000,000, whichever is lower. The amount of the Special Bonus at 20% is with reference to the calculation mechanism of performance fee of similar nature payable to investment manager in the asset management industry. Having regard to the net profit of UBA for the six months ended 30th September, 2007, both UBA and Upbest agree that the Special Bonus shall not exceed HK\$17,000,000 after arm's length negotiation between Upbest and UBA. The cap of HK\$17,000,000 is not an estimate of or an estimate of certain percentage of the net profit before tax of UBA for the Financial Year ended 31st March, 2008 but is merely a cap arrived at after arm's length negotiation between Upbest and UBA with reference to the above net profit for the six months ended 30th September 2007. The Special Bonus is payable only after the audited account of UBA Group is issued by its auditors.

### V. REASONS FOR THE TRANSACTIONS

Upbest Group has been providing investment management services to UBA Group since November 2000. Upbest Group also provides securities margin financing services since the commencement of business of UBA Group. UBA has been a client of good credit standing and Upbest Group face a minimal risk of default. In view of the long term business relationship, the Upbest Board considers the entering into of the supplemental agreement in relation to securities and precious metal margin financing services and the Investment Management Agreements will benefit Upbest Shareholders as a whole.

The Upbest Board (including the independent non-executive directors) is of the view that terms of the supplement agreements are on normal commercial terms and are fair and reasonable and that entering into these transactions are in the interests of both Upbest and Upbest Shareholders as a whole and in the ordinary and usual course of business of Upbest Group.

### VI. LISTING RULES IMPLICATIONS

The transactions contemplated under the Financial Assistance Supplemental Agreements and the Second Supplemental Investment Management Agreement are considered as continuing connected transactions under Listing Rules. Since the annual caps of the (i) Financial Assistance provided by Upbest Group to UBA Group and (ii) Management Fee plus Performance Fee payable by UBA Group to Upbest Group will exceed HK\$10 million and the percentage ratio will exceed 2.5% in respect of each of the proposed annual caps, according to Rules 14A.35 of the Listing Rules, such transactions are subject to the approval by the Upbest Independent Shareholders and UBA Independent Shareholders at Upbest EGM and UBA EGM respectively.

Also, the Special Bonus Transaction constitutes a connected transaction between UBA and Upbest, the maximum payable exceeds HK\$10 million and the applicable percentage ratios will exceed 2.5% for Upbest, the Special Bonus Transaction is subject to the approval by the Upbest Independent Shareholders and UBA Independent Shareholders at Upbest EGM and UBA EGM respectively.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, CCAA held approximately 71.82% interest in Upbest. Fung Fai held approximately 32.08% of UBA. The ultimate beneficial owner of CCAA and Fung Fai is Cheng's Family Trust. Interest beneficiaries of the Cheng's Family Trust include Mr. Cheng, Ms. Cheng and Mr. Andrew Cheng and each of them is a director of Upbest. Mr. Andrew Cheng is also a director of UBA. Moreover, UAML, the investment manager of UBA, is regarded as a connected person of UBA under Rule 21.13 of the Listing Rules. CCAA and its associates, being connected persons of Upbest and have a material interests in the aforesaid transactions, will abstain from voting in the Upbest EGM to be convened for the approval of, inter alia, the transactions.

Mr. Chan Chung Yee, Alan, an independent non-executive director of both Upbest and UBA, is considered to have a conflict of interest in these transactions for his dual role and therefore is not appointed a member of the Upbest Independent Board Committee and is also required to be abstained from voting at the Upbest EGM and the UBA EGM respectively.

### VII. THE INDEPENDENT BOARD COMMITTEE

Upbest Independent Board Committee, comprising of two independent non-executive directors of Upbest having no material interest in these transactions, namely, Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai, has been formed to advise the Upbest Independent Shareholders in respect of fairness and reasonableness of the terms in relation to Financial Assistance, Performance Fee, Management Fee and Special Bonus transactions. Optima Capital has been appointed as the independent financial adviser to the Upbest Independent Board Committee and the Upbest Independent Shareholders on the terms in relation to Financial Assistance, Performance Fee, Management Fee and Special Bonus transactions.

### VIII. EGM

Set out on pages 37 to 39 is a notice convening the EGM to be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Tuesday, 10th June, 2008 at 10:30 a.m. at which relevant resolutions will be proposed to the shareholders to consider and, if thought fit, approve the continuing connected transactions of the Financial Assistance Transaction and the Investment Management Transaction, and the connected transaction of the Special Bonus Transaction. The voting on the resolutions will be taken by way of poll. The Company will announce the results of the polls on the same date after the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.



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## LETTER FROM THE BOARD

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### IX. PROCEDURES FOR THE DEMAND BY POLL

The following sets out the procedures by which the shareholders may demand a poll at the EGM.

Pursuant to Article 80, at any general meeting a resolution put to the vote at the meeting shall be determined in the first instance by a show of hands of the members present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative and entitled to vote unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands) is duly demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five members present in person or by proxy or (in case of a member being a corporation) by its duly authorised representative for the time being entitled to vote at the meeting; or
- (c) any member or members present in person or by proxy or (in case of a member being a corporation) by its duly authorised representative and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) a member or members present in person or in case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all shares conferring that right.

Unless a poll is duly required or demanded in accordance with the foregoing provisions, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by any particular majority, or lost, and an entry to that effect in the book containing the minutes of proceedings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

### X. RECOMMENDATION

The Upbest Board considers that the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Upbest Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 16 and 17 of this circular which contains its views in relation to the Financial Assistance Transaction, the Investment Management Transaction, and Special Bonus Transaction; and (ii) the letter from Optima Capital, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Financial Assistance Transaction, the Investment Management Transaction, and Special Bonus Transaction and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from Optima Capital is set out on pages 18 to 31 of this circular.



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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice of Optima Capital, considers that the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Upbest Group Limited**  
**Suen Man Tak, Stephen**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### UPBEST GROUP LIMITED

美建集團有限公司\*

(incorporated in Cayman Islands with limited liability)

(Stock code: 335)

23rd May, 2008

*To the Independent Shareholders*

Dear Sir or Madam,

**Continuing Connected Transactions  
in Relation to  
Financial Assistance and Investment Management Agreement  
and  
Connected Transaction in Relation to Special Bonus**

We refer to the circular of the Company dated 23rd May, 2008 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you whether the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Optima Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 18 to 31 of the Circular.

Your attention is also drawn to the letter from the Upbest Board set out on pages 6 to 15 of the Circular and the additional information set out in the appendix to the Circular.

\* for identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the continuing connected transactions in relation to the Financial Assistance Transaction and the Investment Management Transaction, and the connected transaction in relation to Special Bonus and the advice of Optima Capital, we are of the opinion that (i) the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders vote in favour of the ordinary resolutions enclosed in the circular regarding the approval of the Financial Assistance Supplemental Agreements and its annual caps for the Financial Year ending 31st March, 2009 and 31st March, 2010; the Second Supplemental Investment Management Agreement and its annual caps for the Financial Year ending 31st March, 2009 and 31st March, 2010; and the Special Bonus Agreement as set out in the notice of EGM contained in the circular.

Yours faithfully,  
Independent Board Committee of  
**Upbest Group Limited**

**Mr. Pang Cheung Hing, Alex**  
*Independent non-executive director*

**Mr. Fuk Ho Kai**  
*Independent non-executive director*

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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*The following is the letter of advice from Optima Capital to the Upbest Independent Board Committee and the Upbest Independent Shareholders in respect of the Financial Assistance Supplemental Agreements, the Second Supplemental Investment Management Agreement and the Special Bonus Agreement which has been prepared for the purpose of inclusion in this circular.*



Unit 3618, 36th Floor,  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

23rd May, 2008

*To: the Upbest Independent Board Committee and  
the Upbest Independent Shareholders*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
FINANCIAL ASSISTANCE AND  
INVESTMENT MANAGEMENT AGREEMENT  
AND  
CONNECTED TRANSACTION IN RELATION TO  
THE SPECIAL BONUS**

### INTRODUCTION

We refer to our appointment to advise the Upbest Independent Board Committee and the Upbest Independent Shareholders on (i) the terms of the Financial Assistance Supplemental Agreements in respect of the provision of securities margin financing and precious metal margin financing to the UBA Group; (ii) the terms of the Second Supplemental Investment Management Agreement in respect of the investment management service to the UBA Group; (iii) the relevant cap amounts for the aforesaid transactions; and (iv) the terms of the Special Bonus Agreement. The transactions contemplated under the Financial Assistance Supplemental Agreements and the Second Supplemental Investment Management Agreement constitute continuing connected transactions for the Company and the proposed receipt of the Special Bonus constitutes a connected transaction for the Company. Details of the aforesaid transactions are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 23rd May, 2008 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 2nd May, 2008, the Group and UBA Group entered into various supplemental agreements in relation to the Financial Assistance and the Second Supplemental Investment Management Agreement to revise certain terms of the relevant transactions. The Group and UBA Group agreed to extend the service period for the provision of securities margin financing and precious metal margin financing to 31st March, 2010 which is subject to renewal by written supplemental agreements between the contracting

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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parties. In respect of the precious metal margin financing service, it was further agreed that UGL will charge UBA at an interest rate of 1.05% per annum above the borrowing costs of UGL for the financing facilities provided. Other terms remain unchanged.

In addition, the Group and UBA Group has on 2nd May, 2008 entered into the Second Supplemental Investment Management Agreement whereby (i) the term of the Second Investment Management Agreement will be extended to 31st March, 2010; and (ii) in addition to the Management Fee, the Performance Fee payable in Hong Kong dollars equivalent to 20% of net profit of UBA Group before taxation and before deduction of the Management Fee shall be paid to UAML for each Financial Year. Other terms remain unchanged.

In order to reward UAML's outstanding performance in providing investment management services to UBA Group in the past, and having carefully considered UBA performance for current period, UBA and UAML have on 2nd May, 2008 entered into the Special Bonus Agreement pursuant to which the Special Bonus will be paid by UBA to UAML. The Special Bonus is 20% of UBA Group's audited net profit before taxation and before deduction of Management Fee for the Financial Year ended 31st March, 2008 or HK\$17,000,000, whichever is the lower. The Special Bonus is subject to the approval by both Upbest Independent Shareholders and UBA Independent Shareholders and is payable only after the audited accounts of UBA Group are issued by its auditors.

As at the Latest Practicable Date, CCAA held approximately 71.82% interest in the Company. Fung Fai held approximately 32.08% interest in UBA. The ultimate beneficial owner of CCAA and Fung Fai is Cheng's Family Trust. Interest beneficiaries of the Cheng's Family Trust include Mr. Cheng, Ms. Cheng and Mr. Andrew Cheng and all of them are Directors. Mr. Andrew Cheng is also a director of UBA. Moreover, UAML, the investment manager of UBA, is regarded as a connected person of UBA under Rule 21.13 of the Listing Rules. Since the annual caps of (i) the Financial Assistance; and (ii) the Management Fee plus the Performance Fee will each exceed HK\$10 million and the applicable percentage ratios will exceed 2.5%, such transactions are subject to the approval by the Upbest Independent Shareholders in accordance with the Listing Rules. Since the Special Bonus exceeds HK\$10 million and the applicable percentage ratio exceeds 2.5%, the Special Bonus is also subject to the approval by the Upbest Independent Shareholders. CCAA and its associates, who are connected persons of the Company and with material interests in the aforesaid transactions, will abstain from voting in the EGM to be convened for the approval of the transactions.

The Upbest Independent Board Committee comprising Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai, the independent non-executive Directors, has been established by the Company to advise the Upbest Independent Shareholders in relation to the Financial Assistance, the Second Supplemental Investment Management Agreement and the relevant cap amounts, and the Special Bonus. Mr. Chan Chung Yee, Alan, an independent non-executive director of both the Company and UBA, is considered to have a conflict of interest in these transactions for his dual role and therefore is not appointed as a member of the Upbest Independent Board Committee.

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Financial Assistance Supplemental Agreements, the Second Supplemental Investment Management Agreement and the Special Bonus Agreement, we have taken the following principal factors and reasons into consideration:

#### **1. Background of Financial Assistance and the Second Supplemental Investment Management Agreement**

The Group is principally engaged in securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, asset management, and precious metal trading and property investment. UAML, a wholly owned subsidiary of the Company, is an investment adviser retained by the UBA Group to provide investment advice on trading of Hong Kong stocks, initial public offerings (“IPO”) subscriptions, futures contracts and precious metal trading since December 2000. The Group has also entered into agreements with UBA Group for provision of Financial Assistance to UBA in relation to trading of Hong Kong stocks, IPO subscriptions, and precious metal trading.

As such, the Group has been providing investment management services to UBA since November 2000 and has been providing securities margin financing services to UBA Group since the commencement of business of the latter. The Directors consider UBA as a client of good credit standing. In view of the well-established long term business relationship, the Directors consider that the entering into of the Financial Assistance Supplemental Agreements, the Investment Management Agreements and the Second Supplemental Investment Management Agreement will further enhance relationship between the groups and benefit the Company and Shareholders as a whole.

Details of the Financial Assistance Supplemental Agreements, Investment Management Agreements and the Second Supplemental Investment Management Agreement, together with their proposed caps are set out as below.

#### **2. Principal terms of the Financial Assistance**

Financing, comprising securities margin financing and money lending, is one of the seven business segments of the Group and contributed significantly to the Group’s results. According to the annual report of the Group for the Financial Year ended 31st March, 2007, financing division generated profits of approximately HK\$41.6 million, representing a growth rate of approximately 3.8% from the previous

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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year. For the year ended 31st March, 2007, the profit from financing division represents approximately 22% of the total net profit of the Group of HK\$214.6 million. Based on the above, we consider that financing is an important source of revenue and income and is in the ordinary and usual course of business of the Group.

*(a) Provision of securities margin financing service*

Each of UBA, UBA Financial and Super Idea first entered into an agreement separately with UICL respectively on 15th November, 2002, 13th March, 2003 and 22nd June, 1999 in respect of (i) the provision of securities margin financing services by UICL to the UBA Group at an interest rate of 4.25% above prime rate per annum inclusive of custodian fee; and (ii) the provision of IPO financing at an interest rate from 0.2% to 1.25% per annum on the borrowing costs of UICL. With the same terms, the aforesaid agreements provide that UICL will make available to UBA, UBA Financial and Super Idea securities margin financing facilities upon request of UBA, UBA Financial or Super Idea and that they will repay, upon demand of UICL, the margin financing facilities plus interest thereon to UICL. Since the aforesaid agreements are not on an exclusive basis, UBA Group may at its sole discretion use securities margin financing services provided by other financial institutions offering a more competitive rate.

On 2nd May, 2008, each of UBA, UBA Financial and Super Idea had separately entered into a supplemental agreement with UICL in relation to the provision of securities margin financing service by UICL to UBA Group. According to the supplemental agreements, UICL and each of UBA, UBA Financial and Super Idea agreed that the respective relevant original agreement will be extended to 31st March, 2010 and is subject to renewal by written supplemental agreements between the contracting parties. Save as disclosed above, the terms of the relevant original agreements shall in all respects remain unchanged and continue in full force and effect.

*(b) Provision of precious metal margin financing service*

UBA Gold first entered into an agreement with UGL on 22nd February, 2007 in respect of the provision of precious metal margin financing services by UGL to the UBA Gold. Under such agreement, UGL will make available to UBA Gold precious metal margin financing facilities upon request of UBA Gold and UBA Gold will repay, upon demand of UGL, the margin financing facilities plus interest thereon to UGL.

On 2nd May, 2008, UGL entered into a supplemental agreement with UBA Gold in relation to the provision of precious metal margin financing service by UGL to UBA Gold. According to the supplemental agreement, UGL and UBA Gold agreed that the relevant original agreement will be extended to 31st March, 2010 and is subject to renewal by written supplemental agreement between the contracting parties. The supplemental agreement also provided that the interest rate for the precious metal margin financing service will be 1.05% per annum above the borrowing costs of UGL. Save as disclosed above, the terms of the relevant original agreement shall in all respects remain unchanged and continue in full force and effect.

The maximum amount of the precious metal margin provided by UGL to UBA Gold during the financial year ended 31st March, 2007 was HK\$10,054,980. There is no precious metal margin outstanding and payable by UBA Gold as at 31st March, 2007.

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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To assess whether the terms of the Financial Assistance Supplemental Agreements are fair and reasonable, we have discussed with the management of the Group and reviewed other margin financing agreements of the Company. According to the management of the Group, the facilities to be granted to UBA are based on existing internal policies and procedures of the Company. In general, the grant of facilities is based on internal credit assessment of the clients with reference to their repayment records, volume of the trading activities, underlying securities and availability of collateral. We note that the terms and conditions of the Financial Assistance Supplemental Agreements are no more favourable than that of other existing clients of the Company taking into account the aforesaid factors. We have also reviewed some of the documents in relation to the margin financing agreements entered into between the Group and its clients and note that the facilities provided under the Financial Assistance Supplemental Agreements are on normal commercial terms and at commercial rates which are similar to that offered to other independent clients. Therefore, we are of the view that the terms of the Financial Assistance Supplemental Agreements are fair and reasonable so far as the Upbest Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

*(c) Annual cap for Financial Assistance*

The Group had previously provided financing services to UBA Group including (i) securities margin financing service; (ii) precious metal margin financing service; and (iii) IPO financings pursuant to the original agreements for securities margin financing service and precious metal margin financing service.

The maximum amount of margin loans advanced by the Group to UBA Group during the three years ended 31st March, 2007 and the ten months ended 31st January, 2008:

	During the Financial Year ended 31st March, 2005 (HK\$)	During the Financial Year ended 31st March, 2006 (HK\$)	During the Financial Year ended 31st March, 2007 (HK\$)	During the ten months ended 31st January, 2008 (HK\$)
Margin loans				
Maximum amounts (approximately)	4,129,104	8,168,815	17,906,303	18,101,230

The amount of margin loans advanced by the Group to UBA Group as at 31st March, 2005, 31st March, 2006, 31st March, 2007 and 31st January, 2008:

	As at 31st March, 2005 (HK\$)	As at 31st March, 2006 (HK\$)	As at 31st March, 2007 (HK\$)	As at 31st January, 2008 (HK\$)
Margin loans (approximately)	2,546,653	5,242,667	164,280	0



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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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The maximum amounts of IPO financing advanced by the Group to UBA Group during the three years ended 31st March, 2007 and the ten months ended 31st January, 2008:

	During the Financial Year ended 31st March, 2005 (HK\$)	During the Financial Year ended 31st March, 2006 (HK\$)	During the Financial Year ended 31st March, 2007 (HK\$)	During the ten months ended 31st January, 2008 (HK\$)
IPO financing Maximum amounts (approximately)	0	19,997,892	143,726,306	119,453,643

Based on the historical maximum amounts of margin loans advanced by the Group to UBA Group during the previous Financial Years, the Board and UBA Board proposed that the annual cap for the Financial Assistance for each of the Financial Year up to 31st March, 2010 should be set at HK\$150,000,000. The proposed cap is mainly based on the maximum amount of the IPO financing of HK\$143,726,306 during the Financial Year ended 31st March, 2007. The margin loan and IPO financing business depends very much on the overall stock market sentiment and the volume of the stock trading in the market. We note that the stock market and IPO were very active in Hong Kong in 2006 and 2007, resulting in margin loans and IPO financing to reach the highest in the same periods. Some downward adjustments are noted in terms of stock market volume and IPO activities in the past few months principally driven by the subprime crisis in the United States. However, we consider the revised cap of HK\$150,000,000 for the Financial Assistance provides a reasonable buffer to cater for the market upturn, allowing the Group to benefit from any potential opportunities to strengthen its performance. Based on the above, we concur with the Directors that the proposed annual cap of HK\$150,000,000 for Financial Assistance for the year ending 31st March, 2009 and 2010 is fair and reasonable.

### 3. Principal terms in relation to Investment Management Agreements and the Second Supplemental Investment Management Agreement

#### (a) *Investment Management Agreements*

On 6th November, 2000, UAML and UBA first entered into the First Investment Management Agreement pursuant to which UAML provided investment management services to UBA for a term of three years up to 30th November, 2003.

Prior to the expiration of the First Investment Management Agreement, the same parties entered into the Second Investment Management Agreement on 31st March 2003 for a term of three years up to 31st March, 2006. Upon the expiration of the Second Investment Management Agreement, the same parties again on 31st March, 2006 entered into the First Supplemental Investment Management Agreement for the sole purpose of further extending the term of the Second Investment Management Agreement for another 3 years to 31st March, 2009.

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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As consideration for UAML's provisions of investment management service to UBA pursuant to the Investment Management Agreements, UAML is entitled to the Management Fee, which amounts to 1.5 per cent per annum of the net asset value of UBA Group as at the immediately preceding Valuation Date on the basis of the actual number of days in the relevant calendar month over a year of 365 days.

The Investment Management Agreements principally set out the responsibilities and remuneration of UAML as the investment manager, and the term of engagement. Pursuant to the Investment Management Agreements, UAML has been appointed as the investment manager to provide investment management services to the UBA, which includes identifying and analyzing investment opportunities, structuring and monitoring and supervising investments. The investment manager is rewarded by way of a management fee determined on basis described above.

*(b) The Second Supplemental Investment Management Agreement*

UAML and UBA have on 2nd May, 2008 entered the Second Supplemental Investment Management Agreement whereby (i) the term of the Second Investment Management Agreement will be extended to 31st March, 2010; and (ii) in addition to the Management Fee, the Performance Fee payable in Hong Kong dollars equivalent to 20% of net profit of UBA Group before taxation and before deduction of the Management Fee payable under the Investment Management Agreements shall be paid to UAML for each Financial Year. Other terms of the Second Investment Management Agreement remain unchanged.

The Company and UBA propose to commence charging the Performance Fee from the date of the approval by the respective independent shareholders at the EGM and UBA EGM, whichever is the later.

#### **4. Market comparables**

To assess the fairness and reasonableness of the fee structures under the Investment Management Agreements and the Second Supplemental Investment Management Agreement and for comparison purposes, we have reviewed the fee structures of other investment companies listed under Chapter 21 of the Listing Rules whose principal activities include investments in both listed and unlisted shares, being similar to the UBA Group.

To the best of our knowledge, we have identified 18 investment companies (including the UBA) listed on the Stock Exchange under Chapter 21 of the Listing Rules. All of aforesaid investment companies have engaged investment managers to advise them, among others, on investment related matters and/or to identify and manage investments for them. In this light, it can be seen that it is common

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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industry practice for investment companies listed on the Stock Exchange under Chapter 21 of the Listing Rules to appoint professional investment managers to assist them in managing and monitoring their investments and to advise them on related matters. A summary is as follows:

Company	Management Fee	Incentive/Performance Fee
Harmony Asset Limited (stock code: 428)	1.5% per annum (based on a 360-day year) of the net asset value of the Company	10% of the audited net profit of the Company in the financial year before the accrual of the incentive fee
Apex Capital Limited (stock code: 905)	Calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK\$150,000 per quarter of the year	N/A
New Capital International Investment Limited (stock code: 1062)	Fixed fee for HK\$400,000 per annum, payable quarterly in advance	N/A
Earnest Investments Holdings Limited (stock code: 339)	HK\$360,000 per annum	N/A
Unity Investments Holdings Limited (stock code: 913)	HK\$70,000 per month	N/A
Temujin International Investments Limited (stock code: 204)	HK\$200,000 per annum	N/A
Garron International Limited (stock code: 1226)	2% per annum of the net asset value	10% of net asset value as at the last valuation date in a financial year less the net asset value as at the last valuation date of the preceding financial year after adjusted for dividend distribution and equity raised during the year with a cap of HK\$440,000 per annum

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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Company	Management Fee	Incentive/Performance Fee
China Innovation Investment Limited (stock code: 1217)	0.25% per annum of the net asset value	10% of audited profit before tax
Op Financial Investments Limited (stock code: 1140)	A monthly management fee at 1.5% per annum of net asset value	10% of the surplus of net asset value
Shanghai International Shanghai Growth Investment Limited (stock code: 770)	0.5% of net asset value of previous quarter, payable quarterly. (i.e. 2% per annum)	15% of the amount by which the net asset value at the end of each accounting period exceeds 115% of the net asset value for the immediately proceeding accounting period
Prime Investments Holdings Limited (stock code: 721)	Payable quarterly in arrears at 1% per annum of the market value of the portfolio	10% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum
Prosperity Investment Holdings Limited (stock code: 310)	1.9% per annum of the net asset value	N/A
China Financial Leasing Group Limited (stock code: 2312)	Fixed sum of HK\$50,000 per month	Fixed sum of HK\$50,000 per month
Yu Ming Investments Limited (stock code: 666)	1.5% per annum of the net asset value, calculated and payable in arrears on a quarterly basis	20% of the amount by which the audited consolidated profit before tax for each year ending 31/12, exceeds the agreed high watermark
China Assets (Holdings) Limited (stock code: 170)	<p>Management fees at the rates of</p> <p>(i) 2.75% per annum on the aggregate cost of investments (less any provisions in respect thereof); and</p> <p>(ii) 1% per annum on the value of the uninvested net assets</p>	<p>Calculated with reference to the return on net assets:</p> <p>on 1st 10%: nil;</p> <p>on the next 10%: 15% x (net profit after tax minus 10% of its net assets); and</p> <p>on the excess over 20%: 20% x (net profit after tax minus 20% of its net assets).</p>

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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Company	Management Fee	Incentive/Performance Fee
		If net asset value as at such quarter day would be equal to or greater than 10% of the aggregate of the original subscription price of all shares in China Assets (Holdings) Limited which then remain outstanding, manager is entitled to an additional performance bonus amounting to 20% of the net capital gains.
Opes Asia Development Limited (stock code: 810)	Fixed fee at HK\$360,000 per annum	N/A
Radford Capital Investment Limited (stock code: 901)	Fixed fee at HK\$50,000 per month	N/A
<b>UBA Investments Limited (stock code: 768)</b>	<b>1.5% per annum of the net asset value</b>	<b>20% of net profit before taxation and deduction of management fee</b>

*Note:*

The above information was based on the relevant latest annual/interim reports and announcements of the listed issuers.

*(a) The Management Fee*

The basis of the calculation of the Management Fee shall remain unchanged and is on the same basis as the one provided under the Investment Management Agreements, i.e. equivalent to 1.5% per annum on the net asset value of UBA Group as at the immediately preceding Valuation Date on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The management fee serves as the remuneration to UAML as the investment manager for UBA. From the table above, we note that the determination of the management fee is largely based on the net asset value of the investment companies except for a few of the investment companies whose management fee is based on a fixed fee per annum. The basis of Management Fee by reference to the net asset value is in line with the market comparables. In addition, management fee is normally calculated by reference to the size of the assets portfolio managed by an investment manager, as the larger the investment portfolio is, the more the management work will be. Given the nature of the management fee, we consider the determination of the Management Fee as a percentage of the net asset value of the UBA Group, which is in line with the market comparables, is fair and reasonable.

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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We also note that, in respect of the market comparables with the same basis of determination for the management fees, the fees range between 0.25% and 2.0% per annum of the net asset value of the investment companies. The Management Fee, which amounts to 1.5% per annum of the net asset value of the UBA Group, is within the range of the market comparables and therefore in line with the market. Based on the above, we are of the view that, in addition to the fee structure, the rate of the Management Fee is also fair and reasonable.

*(b) The Performance Fee*

As suggested by its item, the Performance Fee serves as an incentive bonus to the investment manager for its contribution to the betterment of the financial performance of its client. We note that the basis of determination of incentive fee/performance fee of the market comparables varies, with calculations either by reference to profit or net asset value. We are of the view that whether the performance fee measuring against an improvement in net asset value or against audited profit is in either way acceptable because both calculations are able to reflect the growth in shareholders' value and accordingly the contribution of the investment manager. Thus, we consider that the Performance Fee under the Second Supplemental Investment Management Agreement, which is based on audited profit of UBA Group, is in line with the market. Based on the above, we concur with the Directors that the fee structure of the Performance Fee is fair and reasonable.

We also note that, in respect of the market comparables with same basis of determination for the Performance Fee, the fees range between 10% and 20% of the audited profit before tax of the investment companies. The Performance Fee, which is equivalent to 20% of net profit of the UBA Group, is within the range and therefore in line with the market. Based on the above, we are of the view that, in addition to the fee structure, the rate of the Performance Fee itself is also fair and reasonable.

### 5. Annual caps

*(a) Historical Management Fee*

The Management Fees paid by UBA pursuant to the Investment Management Agreements for the years ended 31st March, 2005, 2006, 2007 and 2008 are as follows:

	<b>For the Financial Year ended 31st March, 2005 (HK\$)</b>	<b>For the Financial Year ended 31st March, 2006 (HK\$)</b>	<b>For the Financial Year ended 31st March, 2007 (HK\$)</b>	<b>For the Financial Year ended 31st March, 2008 (HK\$)</b>
Management Fee	1,387,324	1,444,865	1,878,957	2,300,000

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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(b) *Net profit and net asset value*

The net profit/(net loss) of UBA Group for the years ended 31st March, 2005, 2006 and 2007 and six months ended 30th September, 2007 are as follows:

	For the Financial Year ended 31st March, 2005 (HK\$)	For the Financial Year ended 31st March, 2006 (HK\$)	For the Financial Year ended 31st March, 2007 (HK\$)	For the 6 months period ended 30th September, 2007 (HK\$)
Net Profit/(Net Loss)	(6,686,420)	3,481,803	23,231,390	32,046,394

The consolidated net assets of UBA Group as at 31st March, 2005, 2006 and 2007 and 30th September, 2007 are as follows:

	As at 31st March, 2005 (HK\$)	As at 31st March, 2006 (HK\$)	As at 31st March, 2007 (HK\$)	As at 30th September, 2007 (HK\$)
Net asset value	93,672,006	106,676,235	150,378,822	184,612,000

(c) *Revised annual caps*

The proposed annual caps in respect of both the Management Fee and Performance Fee payable by UBA under the Investment Management Agreements (as extended and supplemented by the Second Supplemental Investment Management Agreement) are as follows:

	For the Financial Year ended	
	31st March, 2009 (HK\$)	31st March, 2010 (HK\$)
<b>Revised annual cap-</b>		
Management Fee & Performance Fee	20,400,000	24,480,000
<b>Original annual cap-</b>		
Management Fee	2,800,000	n/a

The annual cap for the Management Fee for the Financial Year ending 31st March, 2009 was originally set as HK\$2,800,000 in the joint announcement of the Company and UBA dated 4th April, 2006. Due to the introduction of Performance Fee for 2009 and 2010, the Board, having taken into account the historical net profit before tax of UBA Group and the performance of the

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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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financial markets, proposed that the annual caps for the Management Fee plus the Performance Fee for the Financial Years ending 31st March, 2009 and 2010 be set at HK\$20,400,000 and HK\$24,480,000 respectively.

In determining the above annual caps, we note that the Company has taken into account that (a) the net asset value of the UBA Group has increased from HK\$88,768,188 as at 31st March, 2003 to HK\$150,378,822 as at 31st March, 2007, representing an annual growth of 17.35%; and (b) the estimated annual average growth rate of 20% in the net asset value of the UBA Group for the two Financial Years ending 31st March, 2009 and 2010.

As set out in the above tables, we note that the results of the UBA Group recorded significant growth in the past years. For the Financial Year ended 31st March, 2007, the net profit of UBA Group is approximately HK\$23.2 million, representing over 6 times of the net profit of approximately HK\$3.5 million for 2006. For the six months ended 30th September, 2007, the UBA Group recorded a net profit of approximately HK\$32.0 million, representing approximately 138% of the full year for the Financial Year ended 31st March, 2007 as mentioned above. The UBA Group has demonstrated a growing trend of earnings during the above years and the Management Fee paid to the Company was in line with the growth of the net profit of UBA Group. The performance of the UBA Group mainly depends on the performance of the underlying assets under its management, which is highly subject to the market conditions. However, taking into account the historical growth of the UBA Group and the volatility of the market conditions, we consider it is reasonable to determine the annual cap amount for the Management Fee and Performance Fee with reference to the historical trend and with a buffer which can provide certain flexibility.

In light of the fact that (i) the basis is made with reference to the historical performance of the UBA Group and with a buffer to cater for any unanticipated growth of the UBA Group; and (ii) the basis is based on the agreed terms for the Management Fee and the Performance Fee as set out in the Second Supplemental Investment Management Agreement, we are of the view that the basis for determining the cap for the Management Fee and Performance Fee is fair and reasonable so far as the Upbest Independent Shareholders are concerned.

### **6. Special Bonus**

In order to reward UAML's outstanding performance in providing investment management services to UBA Group in the past, and having carefully considered UBA performance for current period, it is proposed that the Special Bonus will be paid by UBA to UAML. The Special Bonus is set as 20% of UBA Group's audited net profit before taxation and before deduction of Management Fee for the Financial Year ended 31st March, 2008 or HK\$17,000,000, whichever is lower. As the Special Bonus is not provided in the Investment Management Agreements, it can be regarded as an additional reward to UAML for its outstanding performance in managing the investment portfolio of the UBA Group during the past Financial Year. The consolidated net assets of UBA Group as at 30th September, 2007 had been increased by about HK\$90 million compared with that in 2003, representing an average annual growth of 24% per annum. Taking into account the promising results of the UBA Group for the past Financial Year, we consider that an additional reward to UAML in the form of bonus is encouraging and reasonable as far as the Company is concerned. The basis of determination for the Special Bonus, which is based on 20% of UBA Group's audited net profit before taxation and before deduction of Management Fee, is equal to that



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## LETTER OF ADVICE FROM OPTIMA CAPITAL

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of the Performance Fee and is also in line with the market based on our analysis in the above section. We note that the Special Bonus is capped at HK\$17,000,000 which was determined with reference to net profit of the UBA Group for the six months ended 30th September, 2007. We consider the basis for determining such cap amount fair and reasonable. Further, the Special Bonus is an extra reward to UAML and was not stipulated under the Investment Management Agreements. We consider that the proposed Special Bonus payable by UBA Group to UAML is in the interests of the Company and the Shareholders as a whole.

### **7. Annual review by independent non-executive Directors and auditors**

The Directors confirm that the continuing connected transactions contemplated under the Financial Assistance Supplemental Agreements and the Second Supplemental Investment Management Agreement will continue to be subject to compliance conditions required under the Listing Rules, including, inter alia, that the independent non-executive Directors shall review annually and confirm in the Company's next and successive annual reports that they are in compliance with the relevant governing conditions. The auditors of the Company shall also review the transactions annually during the relevant tenure and provide the Board with a letter in respect of each relevant Financial Year during which the transactions were conducted and confirm that they are in compliance with certain governing conditions. We are of the view that the aforesaid conditions would ensure that appropriate measures will be taken by the Company to govern itself in conducting the transactions, thereby, safeguarding the interests of the Upbest Independent Shareholders.

### **RECOMMENDATION**

Taking into consideration of the above principal factors and reasons, we are of the view that the terms of the Financial Assistance Supplemental Agreements, the Second Supplemental Investment Management Agreement and the Special Bonus Agreement are on normal commercial terms and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group. Further, we are of the view that the Financial Assistance Supplemental Agreements, the Second Supplemental Investment Management Agreement and the respective proposed annual caps, and the Special Bonus Agreement are fair and reasonable so far as the Upbest Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Upbest Independent Board Committee to advise the Upbest Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,  
for and on behalf of  
**OPTIMA CAPITAL LIMITED**  
**Mei H. Leung**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Nature of Interest	Number of Shares	Approximate percentage or attributable percentage of shareholding
Mr. Cheng Kai Ming, Charles (Note)	Corporate/Long position	930,475,657	71.82%
Ms. Cheng Wai Ling, Annie (Note)	Corporate/Long position	930,475,657	71.82%
Mr. Cheng Wai Lun, Andrew (Note)	Corporate/Long position	930,475,657	71.82%
Mr. Suen Man Tak, Stephen	Beneficial Owner/ Long position	754,000	0.06%

*Note:* These Shares are held by CCAA Group Limited ("CCAA"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, Mr. Cheng Kai Ming, Charles, Ms. Cheng Wai Ling, Annie, Mr. Cheng Wai Lun, Andrew and family members are the beneficiaries of the trust which assets include interests in the entire issued share capital of CCAA and accordingly, they are deemed to be interested in 930,475,657 Shares, and the entire issued share capital of CCAA under SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

**Substantial shareholders' and other persons' interests and short position in shares and underlying shares**

As at the Latest Practicable Date, the following persons or entities had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of PART XV of the SFO or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of Upbest Group:

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage or attributable percentage of shareholding
CCAA (Note)	Beneficial Owner/ Long Position	930,475,657	71.82%

*Note:* CCAA is an associated corporation (within the meaning of Part XV of the SFO) of the Company and the ultimate beneficial owner of CCAA is the Cheng's Family Trust.

Save as disclosed above, so far as is known to the directors, as at the Latest Practicable Date, no person had an interest or a short position in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of the Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of the Upbest Group.

**3. DIRECTORS' SERVICE CONTRACTS**

None of the directors has any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

**4. QUALIFICATION AND CONSENT OF EXPERT**

The qualification of the expert who has provided its advice as contained in this circular is as follows:

<b>Name</b>	<b>Qualification</b>
Optima Capital	a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Optima Capital was not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 23rd May, 2008 for incorporation in this circular and reference to its name in the form and context in which they appear.

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the directors are aware of, none of themselves or their respective associates had any interests in a business which competes or may compete with the business of the Group or any other conflicts of interests with the Group.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the directors to be pending or threatened against any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

The directors are not aware of any material adverse change in the financial position or trading position of the Group since 31st March, 2007, being the date to which the latest published audited financial statements of the Group was made up.

**8. MISCELLANEOUS**

- (a) No contract or arrangement 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 of the directors had a material interest, whether directly or indirectly, subsisted at the Latest Practicable Date.
- (b) None of Optima Capital and the directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31st March, 2007, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.
- (c) The registered office of the Company is at Ugland House, South Church Street, P.O. Box 309 Grand Cayman, Cayman Islands, British West Indies and the head office and principal place of business of the Company in Hong Kong is at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong.
- (d) The principal share registrar in the Cayman Islands of the Company is Bank of Butterfield International (Cayman) Ltd., Butterfield House, P.O. Box 705, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The company secretary of the Company is Mr. Li Kwok Cheung, George.
- (g) The qualified accountant of the Company is Ms. Tang Mei King.
- (h) The English text of this circular and the proxy form shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this circular up to and including 10th June 2008:

- (a) the memorandum and articles of association of the Company;
- (b) the supplemental agreement dated 2nd May, 2008 entered into between UBA and UICL in relation to the provision of securities margin financing service;
- (c) the supplemental agreement dated 2nd May, 2008 entered into between UBA Financial and UICL in relation to the provision of securities margin financing service;
- (d) the supplemental agreement dated 2nd May, 2008 entered into between Super Idea and UICL in relation to the provision of securities margin financing service;
- (e) the supplemental agreement dated 2nd May, 2008 entered into between UGL with UBA Gold in relation to the provision of precious metal margin financing services by UGL to UBA Gold;
- (f) the agreement dated 2nd May, 2008 entered into between UBA and UAML pursuant to which the Special Bonus will be paid to UAML;
- (g) the Second Supplemental Investment Management Agreement;
- (h) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular;
- (i) the written consent from the expert referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (j) the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 31 in this circular.

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## NOTICE OF EGM

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### UPBEST GROUP LIMITED

美建集團有限公司\*

(incorporated in Cayman Islands with limited liability)

(Stock code: 335)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Upbest Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Tuesday, 10th June, 2008 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

#### ORDINARY RESOLUTION

1. “**THAT**

- (i) the agreement dated 2nd May, 2008 entered into between UBA Financial and UICL in relation to the provision of securities margin financing service by UICL to UBA Financial (copy of which have been produced at the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;
- (ii) the agreement dated 2nd May, 2008 entered into between Super Idea and UICL in relation to the provision of securities margin financing service by UICL to Super Idea (copy of which have been produced at the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;
- (iii) the agreement dated 2nd May, 2008 entered into between UBA and UICL in relation to the provision of securities margin financing service by UICL to UBA (copy of which have been produced at the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved;
- (iv) the agreement dated 2nd May, 2008 entered into between UGL with UBA Gold in relation to the provision of precious metal margin financing services by UGL to UBA Gold (a copy of which has been produced at the Meeting marked “D” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved; and
- (v) the annual caps for the Financial Assistance (as defined in the Company’s circular to the Shareholders dated 23rd May, 2008) for the financial years ending 31st March, 2009 and 31st March, 2010 be and are hereby approved.”

\* for identification purpose only

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## NOTICE OF EGM

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2. “**THAT**

- (i) the Second Supplemental Management Agreement dated 2nd May, 2008 entered into between UAML and the UBA in relation to the provision of investment management services by UAML to UBA (a copy of which has been produced at the Meeting marked “E” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved; and
- (ii) the annual caps for the Management Fee and Performance Fee (as defined in the Company’s circular to the Shareholders dated 23rd May, 2008) for the financial years ending 31st March, 2009 and 31st March, 2010 be and are hereby approved.”

3. “**THAT**

the agreement dated 2nd May, 2008 entered into between UBA and UAML in relation to the Special Bonus (a copy of which has been produced at the Meeting marked “F” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved.”

4. “**THAT**

the directors (the “**Directors**”) of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the aforesaid agreements and transactions contemplated thereunder.”

By order of the Board  
**Upbest Group Limited**  
**Suen Man Tak, Stephen**  
*Executive Director*

Hong Kong, 23rd May, 2008

*Registered office:*

Ugland House,  
South Church Street,  
P.O. Box 309 Grand Cayman,  
Cayman Islands,  
British West Indies

*Head office and principal place*

of business in Hong Kong:  
2nd Floor  
Wah Kit Commercial Centre  
302 Des Voeux Road Central  
Hong Kong



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## NOTICE OF EGM

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*Notes:*

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the principal place of business of the Company at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.
3. In the case of joint holders of shares, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.