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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)**

**DISCLOSEABLE TRANSACTION:  
FORMATION OF JOINT VENTURE  
AND  
PROPOSED INVESTMENT IN A PRC PROPERTY PROJECT**

On 7 June 2011, Peals, a wholly owned subsidiary of the Company entered into the JV Agreement to form the Project Company with the Hong Kong Partner and the PRC Partners, which will carry out the Property Project. The Property Project is located in Quanzhou, Fujian Province, the PRC. Details of the Property Project have been disclosed herein.

As the relevant percentage ratios exceed 5% but less than 25%, the formation of the Project Company and the investment in the Property Project will in aggregate constitute a discloseable transaction on the part of the Company under the Listing Rules

**FORMATION OF JOINT VENTURE AND INVESTMENT IN A PRC PROPERTY PROJECT**

On 7 June 2011, Peals, a wholly owned subsidiary of the Company, through Cheng Wai Ling, Annie as trustee entered into a JV Agreement with the Hong Kong Partner and two PRC Partners to form the Project Company to carry out the Property Project. The principal terms of the JV Agreement are summarized below:

**THE JV AGREEMENT**

**Date:**

On 7 June 2011

**Parties:**

- (i) Peals (through Cheng Wai Ling, Annie holding the interests in the Project Company on trust for the benefits of Peals);
- (ii) the Hong Kong Partner, Cheung Chi Wai, Vidy, a Hong Kong citizen and a merchant;
- (iii) the PRC Partner A, a PRC citizen and a merchant ; and
- (iv) the PRC Partner B, a PRC citizen and a merchant.

The Project Company will be formed such that as to 30% equity interests beneficially owned by Peals, as to 5% by the Hong Kong Partner, as to 55% interests owned by the PRC Partner A and as to the remaining 10% equity interests owned by the PRC Partner B.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Hong Kong Partner and the PRC Partners are Independent Third Parties and as at the date of this announcement, each of the Hong Kong Partner, the PRC Partners and their respective associates do not hold any other Shares or other securities in the Company.

In order to expedite the formation of the Project Company, Cheng Wai Ling, Annie will act as the trustee for Peals and as the legal shareholder of the Project Company. Cheng Wai Ling, Annie has executed relevant Trust Agreement on 7 June 2011 to confirm that she is holding the equity interests in the Project Company on behalf of Peals and Peals is the beneficial owner of the 30% equity interests in the Project Company. Cheng Wai Ling, Annie is an Executive Director of the Company and no consideration will be payable by the Group to Cheng Wai Ling, Annie under the Trust Agreement.

**Formation of the Project Company and Capital Commitment**

The Project Company will be a Chinese-foreign joint venture established in the PRC with limited liability to carry out the Property Project.

Pursuant to the JV Agreement, it is expected that the registered capital of the Project Company will be RMB200 million, whereas Peals will be responsible to contribute RMB60 million in cash, the Hong Kong Partner will be responsible to contribute RMB10 million in cash, the PRC Partner A will be responsible to contribute RMB110 million in cash and the PRC Partner B will be responsible to contribute the remaining RMB20 million in cash. The contribution is in proportion to the respective shareholdings of Peals, the Hong Kong Partner and the PRC Partners in the Project Company.

The registered capital amount is determined at arm's length negotiations between the relevant parties after taking into consideration of the Land and development costs of the Property Project. It is expected that the land cost with other pre-development expenses will

amount to approximately RMB250 million, and the relevant development and construction costs amount to approximately RMB250 million. It is also expected that the Project Company will seek external bank financing for the development and construction costs.

The Directors (including the independent non-executive Directors) consider that the capital contribution amount is fair and reasonable taking into consideration of the size and prospects of the Property Project.

It is intended to finance the capital contribution of the Group to the Project Company from the Group's internal resources.

The Project Company will acquire the Land located in Quanzhou, Fujian Province, the PRC from the PRC Partner A for the Property Project. Please refer to the section headed "Information of the Property Project" below for details of the Land and the Property Project.

### **Board of directors of the Project Company**

The board of directors of the Project Company will comprise 5 directors, of which 1 will be appointed by Peals, 1 will be appointed by the Hong Kong Partner, 2 will be appointed by the PRC Partner A and 1 will be appointed by the PRC Partner B.

The resolutions regarding amendments of the articles of association, dissolution, revision of the registered capital and the amalgamation of the Project Company require the approval by all the directors of Project Company.

### **Information of the Property Project**

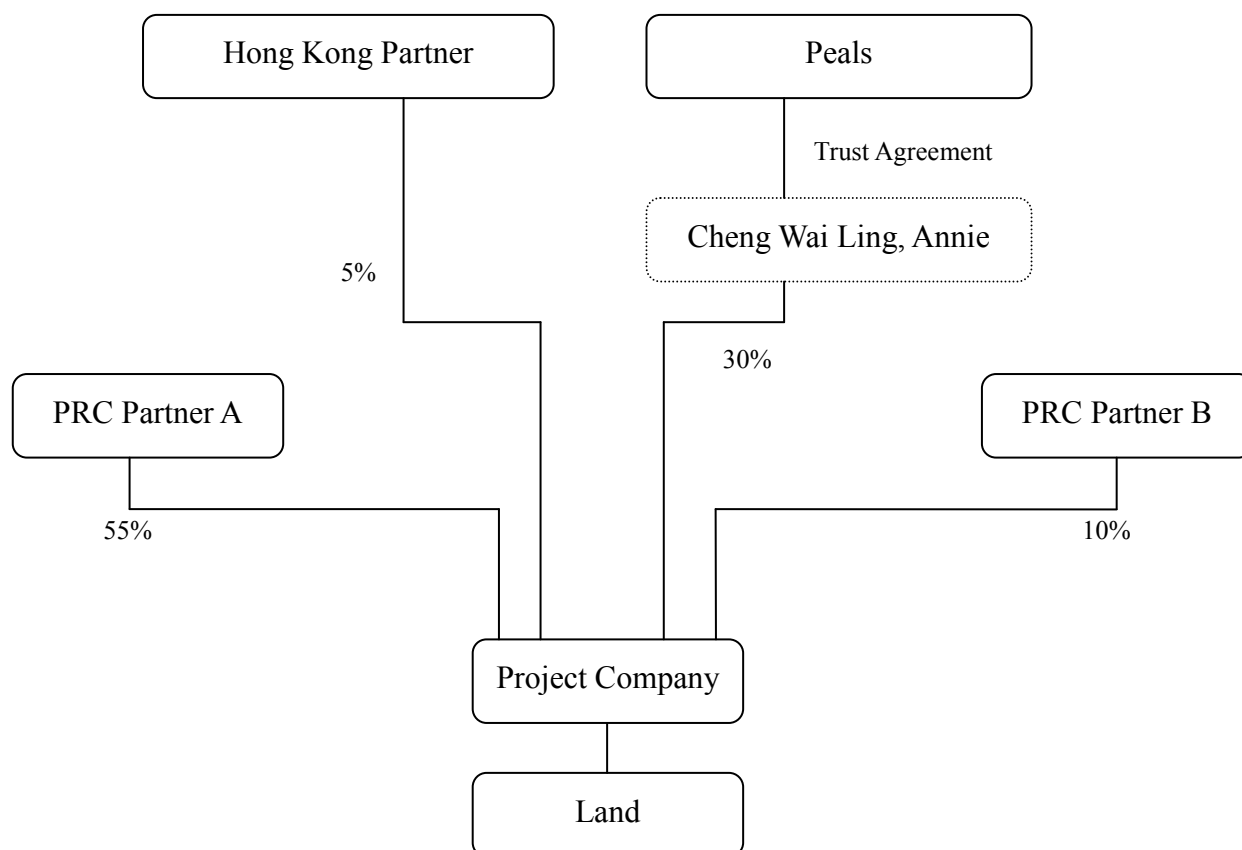
The piece of Land acquired by the Project Company is located in Quanzhou, Fujian Province, the PRC. The Land is located in the Loujiang District of Quanzhou and is next to a public highway in Quanzhou. The area of the Land is approximately 80,000 square meters. The Land is in a vacant status and the development has not been commenced yet. The planned development of the Property Project will consist of several phases and will primarily consists of residential, commercial complex with hotel with gross floor area of approximately 120,000 square meters. The auction cost of the Land amounts to approximately RMB149,500,000.

The PRC Partner A has acquired the rights in the Land from the relevant PRC authorities through the normal tender, auction and listing-for-sale procedures in accordance with the PRC laws and regulations. The PRC Partner A will transfer all the rights in the Land to the Project Company upon its establishment. After transfer of the Land by the PRC Partner A to the Project Company, the Project Company will be responsible for the payment of auction costs of the Land.

It is expected that the Project Company will finance the Property Project from its internal resources and also by way of external bank borrowings.

### Group Structure of the Project Company

Set out below is the expected group structure of the Project Company:



The Group will recognize the Project Company as an associate and its interests in the Project Company as an investment in the financial statements of the Group. The results of the Project Company shall not be consolidated into the financial statements of the Group.

### REASONS FOR THE INVESTMENT IN THE PRC PROPERTY PROJECT

The Group is principally engaged in provision of a wide range of financial services including securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, assets management, precious metal trading and also property investment.

The Directors have been actively exploring suitable business opportunities to broaden the revenue base and to diversify the business scope of the Company. The Property Project represents an opportunity for the Group to tap into the PRC property development market and the Board is of the view that such opportunity would enhance the Shareholders' value in the long run.

In light of the growing potential of the PRC property market, the Directors (including the independent non-executive Directors) consider that the formation of the Project Company and the participation in the Property Project are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole to invest in the Property Project in order to achieve better return for its Shareholders.

The Directors (including the independent non-executive Directors) consider that the Property Project represents a good opportunity for the Group to tap into the PRC property development market, in light of the expertise and experiences of the PRC Partners in the PRC property market, the Company considers that it is in the interests of the Group to form alliance with the PRC Partners and the Hong Kong Partner to jointly develop the Property Project and the formation of Project Company together with the entering into of the JV Agreement will further reinforce the strategic cooperation relationship among the Hong Kong Partner, the PRC Partners and the Group.

Furthermore, given the existing property investment portfolio of the Group in Macau and Hong Kong, the Board considers the formation of the Project Company in the PRC will spread the Group's geographical risks in property developments in the region.

As such, the Directors (including the independent non-executive Directors) consider the formation of the Project Company and the terms and conditions of the JV Agreement be on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As the relevant percentage ratios exceed 5% but less than 25%, the formation of the Project Company and the investment in the Property Project will in aggregate constitute a discloseable transaction on the part of the Company under the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

<b>“associate(s)”</b>	has the meaning ascribed to this term under the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Cheng Wai Ling, Annie”</b>	Cheng Wai Ling, Annie, an executive Director who is holding the equity interests in the Project Company on trust for the benefits of Peals
<b>“Company”</b>	Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
<b>“connected person(s)”</b>	has the meaning ascribed to this term under the Listing Rules
<b>“Directors”</b>	directors (including the independent non-executive directors) of the Company

<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong Partner”</b>	Cheung Chi Wai, Vidy, an Independent Third Party and a proposed 5% shareholder of the Project Company
<b>“Independent Third Party(ies)”</b>	third party/ies and their ultimate beneficial owner(s) which is/are independent of the Company and its connected persons
<b>“JV Agreement”</b>	the joint venture agreement to be signed among Peals, the Hong Kong Partner and the PRC Partners in respect of the establishment of the Project Company
<b>“Land”</b>	the land located in Loujiang District of Quanzhou, Fujian Province, the PRC for the Property Project
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Peals”</b>	Peals International Limited, incorporated in British Virgin Islands, a wholly owned subsidiary of the Company
<b>“PRC”</b>	The People’s Republic of China
<b>“PRC Partner A”</b>	Wu Zhi Hong, a PRC citizen and a proposed 55% shareholder of the Project Company
<b>“PRC Partner B”</b>	Zheng Ya Sheng, a PRC citizen and a proposed 10% shareholder of the Project Company
<b>“PRC Partners”</b>	together with the PRC Partner A and PRC Partner B
<b>“Project Company”</b>	Quanzhou Meiyu Limited, the project company to be established in the PRC among Hong Kong Partner, Peals and the PRC Partners to carry out the Property Project

<b>“Property Project”</b>	the property project in Quanzhou, Fujian Province, the PRC in order to develop the Land into a residential, commercial complex with hotel.
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of the issued Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Trust Agreement”</b>	the trust agreement dated 7 June 2011 between Cheng Wai Ling, Annie and Peals confirming the beneficial interests of Peals in the Project Company
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“%”</b>	per cent.

By order of the Board  
IP Man Tin, David  
*Chairman*

Hong Kong, 7 June 2011

*As at the date of this announcement, the Board of the Company consists of Mr. IP Man Tin, David as chairman and non-executive director, Mr. WONG Ching Hung, Thomas and Dr. SZE Ping Fat as non-executive directors, Mr. SUEN Man Tak, Stephen, Ms. CHENG Wai Ling, Annie and Mr. CHENG Wai Lun, Andrew as executive directors and Mr. PANG Cheung Hing, Alex, Mr. CHAN Chung Yee, Alan and Mr. FUK Ho Kai as independent non-executive directors.*

*\* For identification purpose only*