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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any losses 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 the Cayman Islands with limited liability)*

(Stock code: 335)

### CONTINUING CONNECTED TRANSACTIONS

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



**RaffAello Capital Limited**

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A letter from the Independent Board Committee is set out on page 18 of this circular. A letter from RaffAello 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 19 to 29 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 26th March 2013 at 4:00 p.m. is set out on pages 35 to 36 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed.

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's 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 otherwise requires, 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 73.65% interest in Upbest as at the Latest Practicable Date
“Cheng’s Family Trust”	a trust of which the discretionary objects are family members of Ms. Cheng and Mr. Cheng
“Company” or “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
“Continuing Connected Transactions”	the continuing connected transactions as contemplated under the Supplemental Agreements
“EGM” or “Upbest EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve the Continuing Connected Transactions, details of which are set out in this circular
“Financial Assistance”	the loan advanced of securities margin and initial public offer financing and precious metal margin financing
“Financial Assistance Supplemental Agreements”	the supplemental agreements entered into between each of UBA, UBA Financial and Super Idea dated 28th January 2013 with UICL and the supplemental agreement dated 28th January 2013 between UBA Gold and UGL in relation to the provision of Financial Assistance by Upbest Group to UBA Group
“Financial Year”	financial year of the Upbest and UBA, both being the twelve (12) months from 1st April to 31st March in the next year
“First Investment Management Agreement”	the investment management agreement entered into between UAML and UBA dated 6th November 2000 in relation to the provisions of assets management services by UAML to UBA
“First Supplemental Investment Management Agreement”	the supplemental agreement entered into between UAML and UBA dated 31st March 2006 in relation to the provisions of assets management services by UAML to UBA
“Fourth Supplemental Investment Management Agreement”	the supplemental agreement entered into between UAML and UBA dated 28th January 2013 in relation to the provisions of assets management services by UAML to UBA

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## DEFINITIONS

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“Fung Fai”	Fung Fai Growth Limited, an investment holding company, holds approximately 32.08% interest of UBA as at the Latest Practicable Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investment Management Agreements”	collectively the Second Investment Management Agreement and the supplemental agreements to it from time to time (including the First Supplemental Investment Management Agreement, the Second Supplemental Investment Management Agreement, the Third Supplemental Investment Management Agreement and the Fourth Supplemental Investment Management Agreement)
“Latest Practicable Date”	19th February 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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. Cheng”	Mr. CHENG Wai Lun, Andrew
“Ms. Cheng”	Ms. CHENG Wai Ling, Annie
“Performance Fee”	the performance fee payable by UBA to UAML under the Investment Management Agreements
“RaffAello” or “Upbest Independent Financial Adviser” or “Independent Financial Adviser”	RaffAello Capital Limited, a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions
“Second Investment Management Agreement”	the investment management agreement entered into by UAML and UBA dated 31st March 2003 in relation to the provisions of assets 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 assets management services by UAML to UBA

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## DEFINITIONS

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“Securities Brokerage Commission”	the securities brokerage commission payable by each of UBA, UBA Financial and Super Idea to USCL under the Securities Brokerage Agreement
“Securities Brokerage Supplemental Agreements”	the supplemental agreements entered into by each of UBA, UBA Financial and Super Idea with USCL dated 28th January 2013 in relation to the securities brokerage services provided by USCL to UBA Group
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“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
“Supplemental Agreements”	together the Financial Assistance Supplemental Agreements, the Fourth Supplemental Investment Management Agreement but excluded the Securities Brokerage Supplemental Agreements
“Third Supplemental Investment Management Agreement”	the supplemental agreement entered into between UAML and UBA dated 11th February 2010 in relation to the provisions of assets management services by UAML to UBA
“UAML”	Upbest Assets Management Limited, a company incorporated in Hong Kong with limited liability, is registered under the Securities and Futures Ordinance and is principally engaged in the provision of type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities. 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
“UBA EGM”	the extraordinary general meeting of UBA to be convened and held to consider the continuing connected transactions

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## DEFINITIONS

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“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 Samoa 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. FUNG Lewis Hung and Mr. TANG Hon Bui, Ronald and both of them are independent non-executive directors of UBA
“UBA Independent Financial Adviser”	SinoPac Securities (Asia) Limited, the independent financial adviser to advise the UBA Independent Board Committee
“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 the Securities and Futures Ordinance and is principally engaged in the provision of type 8 (securities margin financing) regulated activities. Upbest Investment Company Limited is a wholly owned subsidiary of Upbest
“USCL”	Upbest Securities Company Limited, a company incorporated in Hong Kong with limited liability, is registered under the Securities and Futures Ordinance and is principally engaged in the provision of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities. Upbest Securities Company Limited is a wholly owned subsidiary of Upbest
“Upbest Board” or “Board”	the board of directors, including the independent non-executive directors, of Upbest
“Upbest Group” or “Group”	Upbest and its subsidiaries

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## DEFINITIONS

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“Upbest Independent Board Committee” or “Independent Board Committee”	the independent board committee of Upbest composing Mr. POON Kai Tik and Mr. HUI Man Ho, Ivan and both of them are independent non-executive directors of Upbest
“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
“%”	per cent

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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 the Cayman Islands with limited liability)

(Stock code: 335)

*Chairman and Non-executive Directors:*

Mr. IP Man Tin, David

*Executive Directors:*

Mr. MOK Kwai Hang

Ms. CHENG Wai Ling, Annie

Mr. CHENG Wai Lun, Andrew

*Non-executive Directors*

Mr. SUEN Man Tak, Stephen

Dr. SZE Ping Fat

*Independent non-executive Directors:*

Mr. CHAN Chung Yee, Alan

Mr. POON Kai Tik

Mr. HUI Man Ho, Ivan

*Registered office:*

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Principal place of business*

*in Hong Kong:*

2nd Floor, Wah Kit Commercial Centre

302 Des Voeux Road Central

Hong Kong

21st February 2013

*To the Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### I. INTRODUCTION

Reference is made to the joint announcement of the Company and UBA dated 28th January 2013 in relation to, among others, the entering into of the Supplemental Agreements on 28th January 2013 by various members of the Upbest Group and the UBA Group.

\* For identification purpose only



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## LETTER FROM THE BOARD

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The entering into of the Supplemental Agreements constitutes continuing connected transactions on the part of both the Company and UBA under Chapter 14A of the 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 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.

The Securities Brokerage Supplemental Agreements are not subject to independent shareholders' approval under Rule 14A.34 of the Listing Rules.

The purpose of this circular is to (1) provide the Shareholders with information on the said Supplemental Agreements and their respective annual caps for the three Financial Years ending 31 March 2014, 2015 and 2016 respectively; (2) 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 Continuing Connected Transactions; (3) set out the advice letter from RaffAello which contains its recommendation to the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Continuing Connected Transactions; and (4) give a notice to the Shareholders on convening the EGM.

## II. BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the joint announcements by Upbest and UBA dated 11th February 2010 and 21st October 2010 respectively and the circular of each of Upbest and UBA dated 8th March 2010 and 15th March 2010 respectively, in relation to, among others, the continuing connected transactions on the part of Upbest Group with UBA Group.

As disclosed in the above mentioned announcements and the circular, UAML, a wholly owned subsidiary of Upbest, has been retained by UBA Group to provide investment advices on investments in listed and unlisted securities and initial public offerings subscriptions since December 2000. UBA Group has entered into contracts for securities dealing, futures contracts dealing, securities margin financing and precious metal margin financing pursuant to which Upbest Group will provide Financial Assistance to UBA Group for carrying out trading of Hong Kong listed securities, initial public offerings subscriptions, and precious metal trading. USCL, a wholly owned subsidiary of Upbest, has also provided securities brokerage services to UBA Group under various agreements as disclosed in the joint announcement made by Upbest and UBA dated 11th February 2010.

Various agreements have been entered into between Upbest Group and UBA Group relating to the provision of assets management services, securities margin financing services, precious metals margin financing services and securities brokerage services.

As disclosed in the joint announcements mentioned above, on 11th February 2010, Upbest Group and UBA Group have entered into various supplemental agreements, inter alia, extending the terms of the provision of the assets management services, securities margin financing service and precious metals margin financing services. The entering into of those supplemental agreements constituted continuing connected transactions on the part of the Upbest Group and UBA Group and had been duly approved by each of the Upbest Independent Shareholders and the UBA Independent Shareholders at each of the respective extraordinary general meeting of Upbest and UBA held on 30th March 2010.

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## LETTER FROM THE BOARD

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UAML and UBA have entered into the Fourth Supplemental Investment Management Agreement on 28th January 2013 to extend the engagement of UAML for provision of assets management services. The Financial Assistance Supplemental Agreements are also entered into between members of the Upbest Group and members of the UBA Group on 28th January 2013 relating to the extension of the term for provision of securities margin financing services and precious metals margin financing services.

USCL, a wholly owned subsidiary of Upbest, has also entered into the Securities Brokerage Supplemental Agreements on 28th January 2013 with members of the UBA Group to renew the service period for provision of securities brokerage services to the UBA Group. The Securities Brokerage Supplemental Agreements are not subject to independent shareholders' approval under Rule 14A.34 of the Listing Rules.

Further details of the Supplemental Agreements and the Securities Brokerage Supplemental Agreements are set out below.

### **III. SUPPLEMENTAL AGREEMENTS IN RELATION TO SECURITIES AND PRECIOUS METAL MARGIN FINANCING SERVICES**

#### **(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 (as supplemented by the first supplemental agreements dated 2nd May 2008 as disclosed in the announcement dated 2nd May 2008 and the second supplemental agreement dated 11th February 2010 as disclosed in the announcement dated 11th February 2010) in respect of the provision of (i) securities margin financing services by UICL to the UBA Group at an interest rate of 4.25% above prime rate per annum, and (ii) IPO financing at an interest rate with a spread from a range of 0.25% to 1.5% over the borrowing costs of UICL.

On 28th January 2013, each of UBA, UBA Financial and Super Idea had separately entered into the Financial Assistance Supplemental Agreements with UICL in relation to the provision of securities margin financing services 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 for a period commencing from 1st April 2013 to 31st March 2016 and is subject to renewal by written supplemental agreements between the contract parties. Save as disclosed above, the relevant original agreements regarding the securities margin financing services shall in all respects remain and continue in full force and effect.

#### **(b) Precious metal margin financing service**

UBA Gold first entered into an agreement with UGL on 22nd February 2007 (as supplemented by the first supplemental agreement dated 2nd May 2008 as disclosed in the announcement dated 2nd May 2008 and the second supplemental agreement dated 11th February 2010 as disclosed in the announcement dated 11th February 2010) in respect of the provision of precious metal margin financing services by UGL to UBA Gold.

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## LETTER FROM THE BOARD

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On 28th January 2013, UGL had entered into a Financial Assistance Supplemental Agreement with UBA Gold in relation to the provision of precious metal margin financing service by UGL to UBA Gold. According to the Financial Assistance Supplemental Agreement, UGL and UBA Gold agreed that the relevant original agreement will be extended for a period commencing from 1st April 2013 to 31st March 2016 and is subject to renewal by written supplemental agreement between the contract parties. The supplemental agreement also provided that the interest rate for the precious metal margin financing service will be from the range of 0.25% to 1% per annum above the borrowing costs and 0.25% to 1% less from the borrowing cost of UGL for call position and put position respectively. 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.

### Historical Data

Upbest Group had previously provided financing services to UBA Group including (i) securities margin financing services, (ii) precious metal margin financing service, and (iii) initial public offer financings pursuant to the relevant original agreements for securities margin financing service and precious metal margin financing service.

### Financial Assistance provided by Upbest Group to UBA Group

The maximum amounts of margin loans advanced by Upbest Group to UBA Group during each of the three years ended 31st March 2010, 31st March 2011, 31st March 2012 and the nine months ended 31st December 2012 are shown below:

	<b>During the Financial Year ended 31st March 2010 (HK\$)</b>	<b>During the Financial Year ended 31st March 2011 (HK\$)</b>	<b>During the Financial Year ended 31st March 2012 (HK\$)</b>	<b>During the nine months ended 31st December 2012 (HK\$)</b>
Margin loans				
Maximum amounts				
(approximately)	6,011,467	16,322,760	6,028,754	4,655,215

The amounts of margin loans advanced by Upbest Group to UBA Group as at 31st March 2010, 31st March 2011, 31st March 2012 and 31st December 2012 are shown below:

	<b>As at the Financial Year ended 31st March 2010 (HK\$)</b>	<b>As at the Financial Year ended 31st March 2011 (HK\$)</b>	<b>As at the Financial Year ended 31st March 2012 (HK\$)</b>	<b>As at 31st December 2012 (HK\$)</b>
Margin loans				
(approximately)	—	—	—	—

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## LETTER FROM THE BOARD

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The maximum amounts of initial public offer financing advanced by Upbest Group to UBA Group during the last 6 years and each of the three years ended 31st March 2010, 31st March 2011, 31st March 2012 and the nine months ended 31st December 2012 are shown below:

	Maximum in last 6 years (HK\$)	During the Financial Year ended 31st March 2010 (HK\$)	During the Financial Year ended 31st March 2011 (HK\$)	During the Financial Year ended 31st March 2012 (HK\$)	During the nine months ended 31st December 2012 (HK\$)
Initial Public Offer Financing Maximum amounts (approximately)	143,726,306	54,935,965	22,181,557	-	-

### Cap amount for the Financial Assistance

The Upbest Board and UBA Board respectively proposed that the annual cap for the Financial Assistance for each of the Financial Year up to 31st March 2016 should be set at HK\$150,000,000 per annum. The above annual cap was determined by reference to the historical figures and the increase in new listing in the 4th quarter of year 2012.

The payment term of the Financial Assistance shall be as follows:

#### Precious Metal Margin Financing

Payment term	:	Payment on demand
Collateral term	:	Cash deposits of initial margin and maintenance margin
Interest	:	0.25% to 1% per annum above the borrowing costs and 0.25% to 1% less from the borrowing cost of UGL for call position and put position respectively. Such consideration was determined with reference to the same terms and conditions offered to other majority of independent customers

#### Securities Margin Financing

Payment term	:	Payment on demand
Collateral term	:	Pledge of any acceptable security interest by way of security for loans or advances
Interest	:	Interest rate of 4.25% above prime rate per annum and calculated on daily balances with monthly interest. Such consideration was determined with reference to the same terms and conditions offered to other majority of independent customers

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## LETTER FROM THE BOARD

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### IV. FOURTH SUPPLEMENTAL INVESTMENT MANAGEMENT AGREEMENT

#### (a) Background

On 6th November 2000 UAML and UBA first entered into the First Investment Management Agreement pursuant to which UAML provided assets 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.

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 further extending the term of the Second Investment Management Agreement for another 3 years to 31st March 2009. Reference is made to the joint announcements by Upbest and UBA dated 4th April 2006.

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, subject to the approval by their respective independent shareholders at Upbest EGM and UBA 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. Please refer to the joint announcement by Upbest and UBA dated 2nd May 2008 for further details of the Second Supplemental Investment Management Agreement. The Second Supplemental Investment Management had been approved by the respective independent shareholders at the extraordinary general meetings of Upbest and UBA respectively held on 10th June 2008.

The same parties again on 11th February 2010 entered into the Third Supplemental Investment Management Agreement whereby the term of the Second Investment Management Agreement together with the First Supplemental Investment Agreement and Second Supplemental Investment Agreement will be extended for a period commencing from 1st April 2010 to 31st March 2013. Reference is made to the joint announcements by Upbest and UBA dated 11th February 2010.

As consideration for UAML's provisions of assets management services 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.

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## LETTER FROM THE BOARD

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### (b) The Fourth Supplemental Investment Agreement dated 28th January 2013

UAML and UBA have on 28th January 2013 entered the Fourth Supplemental Investment Management Agreement whereby the term of the Second Investment Management Agreement will be extended for a period commencing from 1st April 2013 to 31st March 2016. Save and except as amended by the Fourth Supplemental Investment Management Agreement dated 28th January 2013, the Second Investment Management Agreement, as extended by the First Supplemental Investment Management Agreement, Second Supplemental Investment Management Agreement and Third Supplemental Investment Management Agreement, will remain in full force and effect.

### Historical Data

#### Management Fee and Performance Fee payable by UBA to UAML

The amounts of Management Fee and Performance Fee paid by UBA to UAML during each of the three years ended 31st March 2010, 31st March 2011, 31st March 2012 and the nine months ended 31st December 2012 are shown below:

	<b>During the Financial Year ended 31st March 2010 (HK\$)</b>	<b>During the Financial Year ended 31st March 2011 (HK\$)</b>	<b>During the Financial Year ended 31st March 2012 (HK\$)</b>	<b>During the nine months ended 31st December 2012 (HK\$)</b>
Management Fee & Performance Fee (approximately)	6,665,267	5,940,531	1,740,218	1,190,015

#### Cap amount of Management Fee and Performance Fee

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 Fourth Supplemental Investment Management Agreement), which is proposed as follows:

	<b>For the Financial Year ended 31st March 2014 (HK\$)</b>	<b>For the Financial Year ended 31st March 2015 (HK\$)</b>	<b>For the Financial Year ended 31st March 2016 (HK\$)</b>
Management Fee & Performance Fee	8,700,000	10,900,000	13,600,000

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## LETTER FROM THE BOARD

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The proposed annual caps for Management Fee and Performance Fee are determined by reference to an annualized Management Fee and Performance Fee based on unaudited result for three months ended 31st December 2012 with an estimated annual growth rate of 25%, which both the Upbest Board and UBA Board consider to be reasonable.

The payment term for the Management Fee and Performance Fee shall be as follows:

### **Management Fee**

Payment term	:	Monthly payment
Management Fee	:	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. Such consideration was determined with reference to other independent companies

### **Performance Fee**

Payment term	:	Yearly payment
Performance Fee	:	20% of net profit of UBA Group before taxation and before deduction of the Management Fee payable under the Investment Management Agreements. Such consideration was determined with reference to other independent companies

## **V. SECURITIES BROKERAGE SUPPLEMENTAL AGREEMENTS**

USCL, a wholly owned subsidiary of Upbest, has also provided securities brokerage services to the UBA Group under various agreements.

<b>Service Provider</b>	<b>Service Receiver</b>	<b>Date of original agreement</b>
USCL	UBA	12th July 2000
USCL	UBA Financial	18th July 2001
USCL	Super Idea	22nd June 1999

The above agreements have the same principal terms as follows:

Payment term	:	Cash payment on the settlement date (the second business day after the transaction)
Commission	:	Commission charged at 0.25% on each securities transaction value

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## LETTER FROM THE BOARD

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Each of UBA, UBA Financial and Super Idea had entered into supplemental agreement with USCL dated 1st November 2007 in relation to extend the period to 31st March 2010 and the Second Supplemental Agreement dated 11th February 2010 in relation to extend the period to 31st March 2013 for the securities brokerage services provided by USCL to UBA Group.

In order to comply with the requirement set out in Rule 14A.35(1) of the Listing Rules, on 28th January 2013, each of UBA, UBA Financial and Super Idea had entered into the Securities Brokerage Supplemental Agreements with USCL in relation to the securities brokerage services provided by USCL to UBA Group. According to the Securities Brokerage Supplemental Agreements entered into on 28th January 2013, USCL and each of the UBA, UBA Financial and Super Idea agreed that the original agreement will be extended from the period of 1st April 2013 to 31st March 2016 and is subject to renewal by written supplemental agreement between the contract parties. Save as disclosed above, the original agreements regarding the securities brokerage services shall in all respects remain and continue in full force and effect.

### Historical Data

#### Securities Brokerage Commission charged by USCL to UBA Group

The amounts of Securities Brokerage Commission charged by USCL to UBA Group during each of the three years ended 31st March 2010, 31st March 2011, 31st March 2012 and the nine months ended 31st December 2012 are shown below:

	<b>During the Financial Year ended 31st March 2010 (HK\$)</b>	<b>During the Financial Year ended 31st March 2011 (HK\$)</b>	<b>During the Financial Year ended 31st March 2012 (HK\$)</b>	<b>During the nine months ended 31st December 2012 (HK\$)</b>
Securities Brokerage Commission (approximately)	543,214	1,417,784	344,462	268,485

In the ordinary and usual course of business, USCL provides securities brokerage service, which charges brokerage commission rate at 0.25%, the prevailing market rate, on the value of the transactions. The securities brokerage commission is charged when transaction is concluded.

#### Cap amount for the Securities Brokerage Commission

The Upbest Board and UBA Board respectively proposed that the annual cap for the Securities Brokerage Commission for each of the Financial Year up to 31st March 2016 should be set at HK\$2,000,000 per annum. The above annual cap was determined by reference to the historical figures and the increase in turnover of the Hong Kong stock market.



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## LETTER FROM THE BOARD

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The Securities Brokerage Commission is only subject to the reporting and announcement requirement and is exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rule.

### VI. INFORMATION OF UPBEST GROUP AND UBA GROUP

The principal activity of Upbest is investment holding. Its subsidiaries are principally engaged in securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, asset management, and precious metal trading and property investment.

Each of UAML, USCL and UICL is a wholly owned subsidiary of Upbest and UGL is a 75% owned subsidiary of Upbest.

UBA is an investment company listed under Chapter 21 of the Listing Rules and its principal activities are investment in listed securities and unlisted securities for their potential earnings growth and capital appreciation. Each of Super Idea and UBA Financial is principally engaged in investment holding and trading of securities. UBA Gold is principally engaged in bullion trading.

### VII. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

Upbest Group has been providing assets management services to UBA since December 2000. Upbest Group also provides securities margin financing services since the commencement of business of UBA Group in year 2000. Upbest Group also provides precious metal dealing service since year 2007. In view of the long term business relationship and the good performance of UBA during the past financial years, the Upbest Board and the UBA Board consider the entering into of the supplemental agreement in relation to securities and precious margin financing services and the Investment Management Agreements will benefit Upbest Shareholders and UBA Shareholders as a whole. In view of the long term business relationship since then and operational convenience brought to Upbest Group and UBA Group, each of the Upbest Board and UBA Board considers them to be in the best interests of Upbest Shareholders and UBA Shareholders to continue to engage Upbest Group to provide aforesaid services to UBA Group.

The Upbest Board and the UBA Board are of the view that terms of the Supplemental Agreements are on normal commercial terms and are fair and reasonable and that the entering into of the transactions are in the interests of both Upbest, UBA, Upbest Shareholders and UBA Shareholders as a whole and in the ordinary and usual course of business of Upbest Group and UBA Group.

### VIII. LISTING RULES IMPLICATION

As disclosed above, the Continuing Connected Transactions are considered as continuing connected transactions on the part of the Company 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 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. Securities Brokerage Commission is only subject to the reporting and announcement requirement and is exempt from the independent shareholders' approval requirement.

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## LETTER FROM THE BOARD

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CCAA and its associates will abstain from voting in Upbest EGM to be convened for the approval of, inter alia, the Continuing Connected Transactions. Fung Fai and its associates, having control over the voting rights, will abstain from voting in the EGM to be convened for the approval of, inter alia, the Continuing Connected Transactions.

As at the Latest Practicable Date, CCAA holds approximately 73.65% interest in Upbest. Fung Fai holds approximately 32.08% of UBA. The ultimate beneficial owner of CCAA and Fung Fai is Cheng's Family Trust. Interested beneficiaries of the Cheng's Family Trust include Ms. Cheng and Mr. Cheng. Ms. Cheng and Mr. Cheng are directors of Upbest. Mr. 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, having control over the voting rights, being connected persons of Upbest and have a material interest in the Continuing Connected Transactions, will abstain from voting in the Upbest EGM and also on the relevant board resolutions approving the same.

Although Mr. Chan Chung Yee, Alan, an independent non-executive director of both Upbest and UBA, has no shareholding of both Upbest and UBA, is considered to have a conflict of interest in these Continuing Connected Transactions for his dual role and therefore is not appointed as a member of the Upbest Independent Board Committee and is required to be abstained from voting at the Upbest EGM and the UBA EGM respectively and also on the relevant board resolutions approving the same.

### **IX. THE INDEPENDENT BOARD COMMITTEE**

Upbest Independent Board Committee, comprising of two independent non-executive directors of Upbest having no material interest in these Continuing Connected Transactions, namely, Mr. POON Kai Tik and Mr. HUI Man Ho, Ivan, has been formed to advise the Upbest Independent Shareholders in relation to Financial Assistance, Performance Fee and Management Fee. RaffAello 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 the Continuing Connected Transactions.

### **X. EGM**

Set out on pages 35 to 36 is a notice convening the EGM to be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on 26th March 2013 at 4:00 p.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and if thought fit, approve the Continuing Connected Transactions. The voting on the resolution(s) will be taken by way of poll.

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 in Hong Kong 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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### **XI. RECOMMENDATION**

The Board considers that the terms of the Continuing Connected Transactions and theirs respective annual cap are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on page 18 of this circular; and (ii) the letter of advice from RaffAello set out on pages 19 to 29 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions.

The Independent Board Committee, having taken into account the advice of RaffAello, considers that the terms of the Continuing Connected Transactions 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.

### **XII. ADDITIONAL INFORMATION**

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

By order of the Board  
**Upbest Group Limited**  
**IP Man Tin, David**  
*Chairman and Non-executive Director*

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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### UPBEST GROUP LIMITED

美建集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 335)

21st February 2013

*To the Independent Shareholders*

Dear Sir or Madam,

#### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 21st February 2013 (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 the terms of the Continuing Connected Transactions and the respective annual caps, whether such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RaffAello Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms 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 19 to 29 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 17 of the Circular and the additional information set out in the appendix of the Circular.

Having considered the terms of the Continuing Connected Transactions and the advice of RaffAello, we are of the opinion that the Continuing Connected Transactions and the annual caps are on normal commercial terms and the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions and the annual caps.

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

**Mr. POON Kai Tik**  
*Independent non-executive Director*

**Mr. HUI Man Ho, Ivan**  
*Independent non-executive Director*

\* For identification purpose only

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## LETTER OF ADVICE FROM RAFFAELLO

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**CAPITAL LIMITED**

Rm 1302, Tower One, Lippo Centre,  
89 Queensway, Admiralty, Hong Kong

21st February 2013

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

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial advisers to advise the Upbest Independent Board Committee and the Upbest Independent Shareholders in respect of the terms of the Continuing Connected Transactions, details of which are contained in the Letter from the Board (the "Letter") in the circular dated 21st February 2013 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context requires otherwise.

On 28th January 2013, the Upbest Board announced that various members of the Upbest Group and the UBA Group have entered into the Supplemental Agreements to extend the engagement of the Upbest Group to provide, among others, (i) assets management services, (ii) securities and precious metals margin financing service, and (iii) securities brokerage services.

As at the date of the Announcement, CCAA holds approximately 73.65% interest in Upbest. Fung Fai holds approximately 32.08% of UBA. The ultimate beneficial owner of CCAA and Fung Fai is Cheng's Family Trust. Interested beneficiaries of the Cheng's Family Trust include Mr. Cheng and Ms. Cheng. Each of them is a director of Upbest. Mr. 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. Therefore, the entering into of the Supplemental Agreements constitutes continuing connected transactions on the part of both the Upbest Group and the UBA Group under Chapter 14A of the 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 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. CCAA and its associates will abstain from voting in Upbest EGM to be convened for the approval of, inter alia, the Continuing Connected Transaction and the relevant cap amounts.

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## LETTER OF ADVICE FROM RAFFAELLO

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We have been retained by the Company to advise the Upbest Independent Board Committee and the Upbest Independent Shareholders as to the terms of the Supplemental Agreements and the relevant cap amounts in respect of the Continuing Connected Transactions and how the Upbest Independent Shareholders should vote in respect of the relevant resolutions to approve the Supplemental Agreements and the relevant cap amounts at the Upbest EGM.

The Upbest Independent Board Committee comprising two independent non-executive Directors having no material interest in these transactions, namely Mr. POON Kai Tik and Mr. HUI Man Ho, Ivan, has been established for the purpose of advising the Upbest Independent Shareholders on the terms of the Continuing Connected Transactions and the relevant cap amounts.

### **BASIS OF OPINION**

In formulating our advice and recommendation to the Upbest Independent Board Committee and the Upbest Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and senior management of the Company. We have assumed that all information and representations that have been provided by the Directors and senior management of the Company, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular are reasonably made after due enquiries and careful considerations.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Upbest Group or the Upbest Shareholders as a result of the Continuing Connected Transactions.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation to the Upbest Independent Board Committee and the Upbest Independent Shareholders, we have taken into consideration, inter alia, the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

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## LETTER OF ADVICE FROM RAFFAELLO

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### **1. Background and reasons for the Continuing Connected Transactions**

The principal activity of the Upbest Group are securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, asset management, and precious metal trading and property investment.

As set out in the Letter, Upbest Group has been providing assets management services to UBA Group since December 2000. Upbest Group also provides securities margin financing services since the commencement of business of UBA Group in year 2000. Upbest Group also provides the securities brokerage services since the commencement of business of UBA Group and precious metal dealing service since year 2007. The Directors consider UBA as a client of good credit standing and long established corporate client.

In view of the long term business relationship and the good performance of UBA during the past financial years, the Upbest Board considers the entering into of the supplemental agreement in relation to securities and precious margin financing services and the Investment Management Agreements will benefit Upbest and its Shareholders as a whole.

We are of the opinion that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Upbest Group and considering the long term relationship with and good credit standing of UBA, we concur with the Upbest Board that the entering into of the supplemental agreement in relation to securities and precious margin financing services and the Investment Management Agreements will benefit Upbest and its Shareholders as a whole.

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

#### *(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, as supplemented by the supplemental agreements dated 2nd May, 2008 as disclosed in the announcement dated 2nd May, 2008 and the second supplemental agreement dated 11th February 2010 as disclosed in the announcement dated 11th February 2010, in respect of the provision of (i) securities margin financing services by UICL to the UBA Group at an interest rate of 4.25% above prime rate per annum, and (ii) IPO financing at an interest rate with a spread over the borrowing costs of UICL.

On 28th January, 2013, each of UBA, UBA Financial and Super Idea had separately entered into the Financial Assistance Supplemental Agreements with UICL in relation to the provision of securities margin financing services 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 for a period commencing from 1st April, 2013 to 31st March, 2016 and is subject to renewal by written supplemental agreements between the contract parties. Save as disclosed above, the relevant original agreements regarding the securities margin financing services shall in all respects remain and continue in full force and effect.

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## LETTER OF ADVICE FROM RAFFAELLO

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

UBA Gold first entered into an agreement with UGL on 22nd February, 2007, as supplemented by the supplemental agreement dated 2nd May, 2008 as disclosed in the announcement dated 2nd May, 2008, and the second supplemental agreement dated 11th February 2010 as disclosed in the announcement dated 11th February 2010 in respect of the provision of precious metal margin financing services by UGL to UBA Gold.

On 28th January, 2013, UGL had entered into a Financial Assistance Supplemental Agreement with UBA Gold in relation to the provision of precious metal margin financing service by UGL to UBA Gold. According to the Financial Assistance Supplemental Agreement, UGL and UBA Gold agreed that the relevant original agreement will be extended for a period commencing from 1st April, 2013 to 31st March, 2016 and is subject to renewal by written supplemental agreement between the contract parties. The supplemental agreement also provided that the interest rate for the precious metal margin financing service will be from the range of 0.25% to 1% per annum above the borrowing costs and 0.25% to 1% less from the borrowing cost of UGL for call position and put position respectively 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.

*(c) Our works and analysis*

To assess whether the terms of the Financial Assistance Supplemental Agreements are fair and reasonable, we have discussed with the management of the Upbest Group, reviewed the Financial Assistance Supplemental Agreements (together with the original financial assistance agreements and relevant supplemental agreements) and reviewed other margin financing agreements with independent clients of the Company. We note that the terms and conditions of the Financial Assistance Supplemental Agreements are no more favourable than that of other independent clients of the Upbest Group. We have also reviewed some of the documents in relation to the margin financing agreements entered into between the Upbest Group and other independent 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. We have also reviewed the existing internal policies and procedures of the Company in relation to granting of facilities to its clients (including UBA). We understand that the grant of facilities to all clients (including UBA) 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. The Directors have confirmed that there is no preferential treatment towards UBA in relationship to granting of facilities as compared with other independent clients of the Upbest Group.

Taking into account the aforesaid factors, 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.



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## LETTER OF ADVICE FROM RAFFAELLO

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### 3. Proposed annual cap amount for the securities and precious metal margin financing services

(a) *Proposed annual cap amount*

The maximum amounts of financing assistance by Upbest Group to UBA Group during the last 6 years and each of the three years ended 31st March, 2010, 31st March, 2011, 31st March, 2012 and the nine months ended 31st December, 2012 are shown below:

Max. amount	Maximum in last 6 Years (HK\$)	Year ended 31st March,			Period ended 31st December 2012 (HK\$)
		2010 (HK\$)	2011 (HK\$)	2012 (HK\$)	
Securities and precious metal margin financing	17,906,303	6,011,467	16,322,760	6,028,754	4,655,215
Initial public offer financing	143,726,306	54,935,965	22,181,557	–	–
Total	<u>161,632,609</u>	<u>60,947,432</u>	<u>38,504,317</u>	<u>6,028,754</u>	<u>4,655,215</u>

It is stated in the Letter that based on the above maximum amounts of margin loans during the period from 1st April, 2006 to 31st December, 2012, the Upbest Board proposed that the annual cap for the Financial Assistance for each of the Financial Year up to 31st March, 2016 should be set at HK\$150,000,000 per annum.

(b) *Our Analysis*

The transaction volume of margin loan and IPO financing depends very much on the overall stock market sentiment and the volume of the stock trading in the market. Based on the performance and volume of stock market and IPO activities in recent years, we understand that the maximum amounts of margin loans and IPO financing as stated above is largely in line with the trend of the capital market. We also consider that although the proposed annual cap of HK\$150,000,000 is well above the latest maximum amount of margin loans and IPO financing, it actually provides a reasonable buffer to cater for the market upturn in 2013 and subsequently, allowing the Upbest 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, 2014, 2015 and 2016 is fair and reasonable.

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## LETTER OF ADVICE FROM RAFFAELLO

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### 4. The Fourth Supplemental Investment Management Agreement

(a) *The original Investment Management Agreement and the Fourth Supplemental Investment Management Agreement*

On 6th November, 2000 UAML and UBA first entered into the First Investment Management Agreement pursuant to which UAML provided assets 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 dated 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 Agreement for further extending the term of the Second Investment Management Agreement for another 3 years to 31st March, 2009.

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.

The same parties again on 11th February 2010 entered into the Third Supplemental Investment Management Agreement whereby the term of the Second Investment Management Agreement together with the First Supplemental Investment Agreement and Second Supplemental Investment Agreement will be extended for a period commencing from 1st April 2010 to 31st March 2013.

As consideration for UAML's provisions of assets management services 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.

UAML and UBA have on 28th January, 2013 entered the Fourth Supplemental Investment Management Agreement whereby the term of the Second Investment Management Agreement will be extended for a period commencing from 1st April, 2013 to 31st March, 2016. Save and except as amended by the Fourth Supplemental Investment Management Agreement dated 28th January, 2013, the Second Investment Management Agreement, as extended by First Supplemental Investment Management Agreement, the Second Supplemental Investment Management Agreement and Third Supplemental Investment Management Agreement, will remain in full force and effect.

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## LETTER OF ADVICE FROM RAFFAELLO

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*(b) Our works and analysis*

To assess the fairness and reasonableness of the fee structures under the Investment Management Agreements and the Fourth Supplemental Investment Management Agreement and 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 15 investment companies listed on the Stock Exchange under Chapter 21 of the Listing Rules, excluding the UBA. 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. Therefore, it can be seen that it is common 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:

<b>Company name (Stock Code)</b>	<b>Management fee</b>	<b>Performance fee</b>
Harmony Asset Limited (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
Mastermind Capital Limited (0905)	Fixed fee for HK\$500,000 per annum	Nil
New Capital International Investment Limited (1062)	Fixed fee for HK\$400,000 per annum, payable quarterly in advance	Nil
Earnest Investments Holdings Limited (339)	HK\$360,000 per annum	Nil
Unity Investments Holdings Limited (913)	HK\$100,000 per month	Nil
Capital VC Limited (2324)	HK\$40,000 per month	Nil
Temujin International Investments Limited (204)	HK\$720,000 per annum	Nil
Prosperity Investment Holdings Limited (310)	1.9% per annum of the net asset value	Nil
China Investment and Finance Group Limited (1226)	HK\$250,000 per annum by monthly payment	10% of the surplus net asset value
China Innovation Investment Limited (1217)	HK\$300,000 per annum by monthly payment	10% of the profit before tax

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## LETTER OF ADVICE FROM RAFFAELLO

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<b>Company name (Stock Code)</b>	<b>Management fee</b>	<b>Performance fee</b>
OP Financial Investments Limited (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 (0770)	0.5% per quarter of the net asset value of the group	15% of the excess amount by which 115% of the net asset value of the group as at the immediate preceding year
Sunshine Capital Investments Group Limited (721)	Payable quarterly in arrears at 0.75% per annum of the market value of the portfolio	5% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum
SHK Hong Kong Industries Limited (666)	0.375% of the Gross NAV for each quarter, calculated as the arithmetical average of the published Gross NAV	20% of the amount by which the audited consolidated net asset value of the Company (calculated as at the end of each respective Financial Year) exceeds the audited net asset value of the latest financial year
China Assets (Holdings) Limited (170)	<p>(1) 2.75% per annum on the aggregate cost of investments (less any provisions in respect thereof); and</p> <p>(2) 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; on the next 10%: 15% x (net profit after tax minus 10% of its net assets); and on the excess over 20%: 20% x (net profit after tax minus 20% of its net assets).</p> <p>If net asset value as at such quarter day would be equal to or greater than 100% 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.</p>

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## LETTER OF ADVICE FROM RAFFAELLO

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(c) *The Management Fee*

The management fee represents the remuneration to UAML in providing investment advice to UBA. The Management Fee is calculated at 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.

From the table above, we note that the determination of the management fee by certain investment companies is based on the net asset value of the investment companies whilst for some 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.

We also note that, in respect of the market comparables with the same basis of determination for the management fees, the fees range between 1.0% 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.

(d) *The Performance Fee*

The Performance Fee represents an incentive bonus to the investment manager for its contribution to the financial performance of its client.

From the table above, 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 against the net profit, the fees maintain at 10% of the audited profit before tax of the investment companies. We note the long term investment management service relationship since 2000 and repetitive renewed management agreements between the Upbest Group and UBA Group. The Upbest Group further manages for UBA Group its "available-for-sale financial assets", approximately one third the entire portfolio besides the "financial assets at fair value through profit

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## LETTER OF ADVICE FROM RAFFAELLO

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or loss”. The Performance Fee, which is equivalent to 20% of net profit of the UBA Group, is therefore in line with the market in term of services. 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. Proposed annual cap amount for Management and Performance Fee

#### (a) Proposed annual cap amount

Annual cap amount	Year ended 31st March,		
	2014 (HK\$)	2015 (HK\$)	2016 (HK\$)
Management and Performance Fee	8,700,000	10,900,000	13,600,000

The proposed annual caps for Management Fee and Performance Fee are determined by reference to an annualized Management Fee and Performance Fee based on the interim result of 2012 with an estimated annual growth rate of 25%, which both the Upbest Board and UBA Broad consider to be reasonable.

#### (b) Our works and analysis

In determining whether the proposed annual caps amount for the Management Fee and Performance Fee are fair or reasonable, we have obtained and reviewed the calculation of Management Fee and Performance Fee as prepared by the management of the Upbest Group which is prepared based on the interim result of UBA Group as follows:

	4 months result as at 31st January 2013	Annualized result for the year ending 31st March 2013
Profits before taxation and Management Fee	11,096,000	33,288,000
Performance Fee thereon	2,219,000	6,657,000
Management Fee	548,000	1,644,000
Annualized Performance and Management Fees		8,301,000

Based on an annual growth rate of 25%, the proposed cap amounts for Performance and Management Fees are calculated as follows:

2014	8,700,000
2015	10,900,000
2016	13,600,000

Observing the high volatility of the Hang Seng Index during the past 12 months and the 1-Year Hang Seng Index performance in 2012 resulting in a growth between 8.06% to 42.88% in different sectors, as fee income grows correspondingly with Hang Seng Index, we believe that the estimated growth rate of 25% is a prudent and reasonable rate for the purpose of calculating the annual cap amounts.

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## LETTER OF ADVICE FROM RAFFAELLO

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In light of the fact that (i) the basis is made with reference to the latest net asset value and net profits figure of 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 Fourth 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.

### 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 and the Fourth Supplemental Investment Management Agreement are on normal commercial terms and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Upbest Group.

Further, we are of the view that the Financial Assistance Supplemental Agreements, the Fourth Supplemental Investment Management Agreement and the respective proposed annual caps 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 Upbest EGM.

Yours faithfully,

For and on behalf of

**RaffAello Capital Limited**

**Sam Lum**

*Director*

**Ricky Tsang**

*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular 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
Ms. Cheng Wai Ling, Annie (Note)	Corporate/Long position	987,720,748	73.65%
Mr. Cheng Wai Lun, Andrew (Note)	Corporate/Long position	987,720,748	73.65%
Mr. MOK Kwai Hang	Beneficial Owner and interest of spouse/Long position	2,379,095	0.18%
Mr. Suen Man Tak	Beneficial Owner/Long position	1,000,000	0.07%

*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, 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 987,720,748 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 ( <i>Note</i> )	Beneficial Owner/Long Position	987,720,748	73.65%

*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>
RaffAello	RaffAello Capital Limited, a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activities, being the independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions

As at the Latest Practicable Date, RaffAello 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.

RaffAello has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 21st February 2013 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**

On 5th February 2013, Gold-Face Finance Limited, a wholly owned subsidiary of the Upbest, was served with a Writ of Summons in High Court Action 200/2012 issued by Winland Finance Limited (“Winland”) as Plaintiff against Gold-Face Finance Limited as one of the Defendants.

Winland’s claim is for a declaration to be made by the Court to confirm that it has the legal title of a residential flat in an estate “Casa De Coro” in Yuen Long.

The matter concerns a mortgage loan given by Gold-Face Finance Limited to the purchaser of the said flat in 1999 which Gold-Face Finance Limited then assigned to Winland by a sub-mortgage in 2000. Winland should thereby have been entitled to request for the legal title to be transferred to it, the purchaser having paid the purchase price in full.

However, the matter was not attended to in 2000. The developer of the flat, Lipson Enterprises Limited (“Lipson”), has now been wound up. As the oversight was recently revealed, and as Lipson has now been wound up, Winland sees that it now needs the Court to assist it to get the legal title properly vested in it.

The relief sought by Winland, being a declaration to confirm legal title vested in it, is basically against Lipson. Winland joins in Gold-Face Finance Limited to facilitate any execution of the declaration and ancillary arrangement.

Save as mentioned above, as at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Upbest.

## **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 2012, 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 RaffAello 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 2012, 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 P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands 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 Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Island.
- (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. YUE Fuk Tak.
- (g) 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 21st February 2013:

- (a) the memorandum and articles of association of the Company;
- (b) the First Investment Management Agreement and the First Supplemental Investment Management Agreement;
- (c) the Second Investment Management Agreement, the Second Supplemental Investment Management Agreement and the Third Supplemental Investment Management Agreement;
- (d) the agreements entered into between UBA, UBA Financial and Super Idea and UICL respectively date 15th November 2002, 13th March 2003 and 22nd June 1999 respectively in relation to the Financial Assistance;
- (e) the agreements between UGL and UBA Gold dated 11th February 2010, 22nd February 2007 and 2nd May 2008 relation to the Financial Assistance;
- (f) the securities brokerage agreements between USCL as service provided and UBA, UBA Financial and Super Idea respectively dated 12th July 2000, 18th July 2001 and 22nd June 1999 respectively;
- (g) the Supplemental Agreements;
- (h) the Securities Brokerage Supplemental Agreements dated 28th January 2013;
- (i) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (j) the written consent from the expert referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (k) the letter of advice from RaffAello to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 29 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 the 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**”) will be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on 26th March 2013 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT**

- (a) the supplemental agreement dated 28th January 2013 entered into between UICL and UBA Financial 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 terms thereof and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (b) the supplemental agreement dated 28th January 2013 entered into between UICL and Super Idea 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 terms thereof and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (c) the supplemental agreement dated 28th January 2013 entered into between UICL and UBA 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 terms thereof and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (d) the supplemental agreement dated 28th January 2013 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 terms thereof and the transactions contemplated thereunder be and are hereby approved and confirmed;

\* For identification purpose only

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## NOTICE OF EGM

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- (e) the Fourth Supplemental Management Agreement (as defined in the circular of the Company dated 21st February 2013 (the “**Circular**”)) dated 28th January 2013 entered into between Upbest Group and UBA Group 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 terms thereof and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (f) the annual caps for the Financial Assistance (as defined in Circular) for the financial years ending 31st March 2014, 31st March 2015 and 31st March 2016 be and are hereby approved;
- (g) the annual caps for the Management Fee and Performance Fee (as defined in Circular) for the financial years ending 31st March 2014, 31st March 2015 and 31st March 2016 be and are hereby approved; and
- (h) any one director of the Company be and is hereby authorised to do all such things and acts as he may in his discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Supplemental Agreements and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Continuing Connected Transactions and transactions contemplated thereunder.”

By order of the Board  
**Upbest Group Limited**  
**IP Man Tin, David**  
*Chairman and Non-executive Director*

Hong Kong, 21st February 2013

*Registered office:*

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

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

2nd Floor, Wah Kit Commercial Centre  
302 Des Voeux Road Central  
Hong Kong

*Notes:*

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.
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 not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. 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, and in such event, the form of proxy shall be deemed to be revoked.