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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 UBA Investments 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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**UBA INVESTMENTS LIMITED****開明投資有限公司\****(incorporated in Cayman Islands with limited liability)***(Stock code: 768)****CONTINUING CONNECTED TRANSACTIONS**

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



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

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A letter from the Independent Board Committee is set out on page 25 to 26 of this circular. A letter from Messis Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of UBA is set out on pages 27 to 54 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 16th Floor, Wah Kit Commercial Centre, 300 Des Voeux Road Central, Hong Kong on 24th August 2016 at 3:30 p.m. is set out on page 60 to 62 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 Flat B, 16th Floor, Wah Kit Commercial Centre, 300 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

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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 74.29% 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 “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
“Continuing Connected Transactions”	the continuing connected transactions as contemplated under the Supplemental Agreements, the Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement
“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 26th January 2016 with UICL in relation to the provision of Financial Assistance by Upbest Group to UBA Group
“Financial Year”	financial year of 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
“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) and the Third Investment Management Agreement
“Latest Practicable Date”	28th July 2016, 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
“Precious Metal Financial Assistance Agreement”	the agreement dated 26th January 2016 and entered into between UGS and UBA Gold in relation to the provision of precious metal margin financing by UGS to UBA Gold
“Securities Brokerage Supplemental Agreements”	the supplemental agreements entered into by each of UBA, UBA Financial and Super Idea with USCL dated 26th January 2016 in relation to the securities brokerage services provided by USCL to UBA Group
“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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“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 and 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
“Third Investment Management Agreement”	the investment management agreement entered into between UAML and UBA dated 26th January 2016 in relation to the provision 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 SFO 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 principally engaged in the provision of assets management service and is a wholly owned subsidiary of Upbest
“UBA Board” or “Board”	the board of directors, including the independent non-executive directors, of UBA
“UBA EGM” or “EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve the relevant Continuing Connected Transactions, details of which are set out herein
“UBA Financial”	UBA Financial Trading Limited, a company incorporated in Hong Kong with limited liability, is principally engaged in investment holding and trading of securities and is a wholly owned subsidiary of UBA
“UBA Gold”	UBA Gold Investment Limited, a company incorporated in Samoa with limited liability, is principally engaged in bullion trading and is a wholly owned subsidiary of UBA

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## DEFINITIONS

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“UBA Group”	UBA and its subsidiaries
“UBA Independent Board Committee” or “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” or “Messis Capital” or “Independent Financial Adviser”	Messis Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO, being the independent financial adviser to advise the UBA Independent Board Committee and UBA Independent Shareholders in respect of the Continuing Connected Transactions
“UBA Independent Shareholders” or “Independent Shareholders”	UBA Shareholders other than Fung Fai together with its respective associates
“UBA Shareholders” or “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
“UGS”	Upbest Gold and Silver Trading 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 and Silver Trading Limited is a wholly owned subsidiary of Upbest
“UICL”	Upbest Investment Company Limited, a company incorporated in Hong Kong with limited liability, is registered under the SFO 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 SFO 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

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## DEFINITIONS

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“Upbest”	Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Upbest Board”	the board of directors, including the independent non-executive directors, of Upbest
“Upbest EGM”	the extraordinary general meeting of Upbest to be convened and held to consider the relevant Continuing Connected Transactions
“Upbest Group” or “Group”	Upbest and its subsidiaries
“Upbest 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 Financial Adviser”	Alliance Capital Partners Limited, the independent financial adviser to advise the Upbest Independent Board Committee and Upbest Independent Shareholders
“Upbest Independent Shareholders”	Upbest Shareholders other than CCAA together with its respective associates
“Upbest 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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### UBA INVESTMENTS LIMITED

### 開明投資有限公司\*

*(incorporated in Cayman Islands with limited liability)*

**(Stock code: 768)**

*Executive Directors:*

Dr. WONG Yun Kuen (*Chairman*)

Mr. CHENG Wai Lun, Andrew

*Independent non-executive Directors:*

Mr. CHAN Chung Yee, Alan

Dr. FUNG Lewis Hung

Mr. TANG Hon Bui, Ronald

*Registered office:*

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Principal place of business in*

*Hong Kong:*

Flat B, 16th Floor

Wah Kit Commercial Centre

300 Des Voeux Road Central

Hong Kong

2nd August 2016

*To the Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### I. INTRODUCTION

Reference is made to the joint announcement of the Company and Upbest dated 26th January 2016 in relation to, among others, the entering into of the Supplemental Agreements, Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement on 26th January 2016 by various members of the Upbest Group and the UBA Group.

The entering into of the Supplemental Agreements, the Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement constitutes continuing connected transactions on the part of both Upbest and the Company 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.54 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.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The purpose of this circular is to (1) provide the Shareholders with information on the said Supplemental Agreements, the Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement and their respective annual caps for the three Financial Years ending 31st March 2017, 2018 and 2019 respectively (if applicable); (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 relevant Continuing Connected Transactions; (3) set out the advice letter from Messis Capital 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 28th January 2013 and 29th September 2014 and the circulars of each of Upbest and UBA dated 21st February 2013 and 4th March 2013 respectively, in relation to, among others, the continuing connected transactions on the part of the Upbest Group with the UBA Group.

As disclosed in the above announcements and circulars, UAML, a wholly owned subsidiary of Upbest, has been retained by the 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, 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 the UBA Group under various agreements as disclosed in the joint announcement made by Upbest and UBA dated 28th January 2013.

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 28th January 2013, UBA Group and Upbest 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 the respective extraordinary general meeting of Upbest and UBA held on 26th March 2013.

On 26th January 2016, various members of the Upbest Group and UBA Group entered into the following agreements:

- (a) each of UBA, UBA Financial and Super Idea entered into the Financial Assistance Supplemental Agreements with UICL in relation to the extension of the term for provision of securities margin and initial public offer financing services by Upbest Group to UBA Group for a period commencing from 1st April 2016 to 31st March 2019;

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## LETTER FROM THE BOARD

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- (b) UGS and UBA Gold entered into the Precious Metal Financial Assistance Agreement in relation to the provision of precious metals margin financing services by UGS to UBA Gold for a period commencing from 1st April 2016 to 31st March 2019;
- (c) UAML and UBA entered into the Third Investment Management Agreement to continue the engagement of UAML for provision of assets management services for a period commencing from 1st April 2016 to 31st March 2019; and
- (d) each of UBA, UBA Financial and Super Idea entered into the Securities Brokerage Supplemental Agreements with USCL in relation to the extension of the term for provision of securities brokerage services by USCL to UBA Group for the period commencing from 1st April 2016 to 31st March 2019.

As at the Latest Practicable Date, CCAA holds approximately 74.29% 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 14A.08 of the Listing Rules.

Further details of the Supplemental Agreements, Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement are set out below.

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

#### **(a) Securities margin financing service and initial public offer financing services**

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, the second supplemental agreement dated 11th February 2010 as disclosed in the announcement dated 11th February 2010 and the third supplemental agreement dated 28th January 2013 as disclosed in the announcement dated 28th January 2013) in respect of the provision of securities margin financing services by UICL to the UBA Group at an interest rate of 4.25% above prime rate per annum and the provision of initial public offer financing services by UICL to the UBA Group at 0.20% to 1.50% above prime rate per annum.

On 26th January 2016, 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 and initial public offer financing services by UICL to UBA Group. According to the Financial Assistance 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 2016 to 31st March 2019 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 FROM THE BOARD

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### (b) Precious metal margin financing service

UBA Gold first entered into an agreement with UGL on 22nd February 2007 (as supplemented by the first supplemental agreement dated 2nd May 2008 as disclosed in the announcement dated 2nd May 2008, the second supplemental agreement dated 11th February 2010 as disclosed in the announcement dated 11th February 2010 and the third supplemental agreement dated 28th January 2013 as disclosed in the announcement dated 28th January 2013) in respect of the provision of precious metal margin financing services by UGL to the UBA Gold.

As part of the internal group restructuring of the Upbest Group, UGL has ceased its business in the provision of bullion trading and precious metal margin financing service and UGS, a subsidiary of Upbest has taken up the business of UGL. On 29th September 2014, each of UGL, UGS and UBA Gold entered into a deed of novation (the “**Deed of Novation**”) pursuant to which UGS will assume all the obligations and liabilities of UGL under the relevant Financial Assistance Supplemental Agreement and the corresponding original agreement effective from the date of the Deed of Novation and UGS observes and performs all the terms, conditions and covenants of the relevant Financial Assistance Supplemental Agreement and the corresponding original agreement on the part of UGL in substitution.

On 26th January 2016, UGS had entered into the Precious Metal Financial Assistance Agreement with UBA Gold in relation to the provision of precious metal margin financing service by UGS to UBA Gold. According to the Precious Metal Financial Assistance Agreement, UGS and UBA Gold agreed that the term for the Precious Metal Financial Assistance Agreement shall be for a period commencing from 1st April 2016 to 31st March 2019 and is subject to renewal by written supplemental agreement between the contract parties. The Precious Metal Financial Assistance Agreement provided that the interest rate for the precious metal margin financing service will be from the range of 0.25% to 0.5% per annum above the borrowing costs for call position. In respect of put position, the interest rate would be 0.25% to 0.5% per annum on top of the borrowing cost of UGS (if any) provided that if UGS would receive any interest from its supplier(s), UBA Gold may set off such financing fee against the interest received by UGS from its supplier(s). For the avoidance of doubt, any remaining interest received by UGS from its supplier(s) after such set-off in respect of such put position will be paid to UBA Gold. Save as disclosed above, the relevant original agreement regarding the precious metal margin financing service shall in all respects remain and continue in full force and effect.

The Precious Metal Financial Assistance Agreement shall be conditional upon (1) the passing of necessary resolution(s) approving the Precious Metal Financial Assistance Agreement by the UBA Independent Shareholders at the UBA EGM; and (2) the passing of necessary resolution(s) approving the Precious Metal Financial Assistance Agreement by the Upbest Independent Shareholders at the Upbest EGM.

### 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.

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## LETTER FROM THE BOARD

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### 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 2013, 31st March 2014, 31st March 2015 and the nine months ended 31st December 2015 are shown below:

	During the Financial Year ended 31st March 2013 (HK\$)	During the Financial Year ended 31st March 2014 (HK\$)	During the Financial Year ended 31st March 2015 (HK\$)	During the nine months ended 31st December 2015 (HK\$)
Margin loans				
Maximum amounts (approximately)	4,655,215	14,788,531	8,200,657	10,451,088

The amounts of margin loans advanced by Upbest Group to UBA Group as at 31st March 2013, 31st March 2014, 31st March 2015 and 31st December 2015 are shown below:

	As at the Financial Year ended 31st March 2013 (HK\$)	As at the Financial Year ended 31st March 2014 (HK\$)	As at the Financial Year ended 31st March 2015 (HK\$)	As at 31st December 2015 (HK\$)
Margin loans (approximately)	-	-	-	-

The maximum amounts of initial public offer financing advanced by Upbest Group to UBA Group during each of the three years ended 31st March 2013, 31st March 2014, 31st March 2015 and the nine months ended 31st December 2015 are shown below:

	During the Financial Year ended 31st March 2013 (HK\$)	During the Financial Year ended 31st March 2014 (HK\$)	During the Financial Year ended 31st March 2015 (HK\$)	During the nine months ended 31st December 2015 (HK\$)
Initial Public Offer Financing				
Maximum amounts (approximately)	-	-	-	-

### Cap amount for the Financial Assistance

The UBA Board claimed that no utilization of the initial public offering financing since 2013 was due to the Company has maintained sufficient cashflow and apply less initial public offering during this period. As the UBA Board believed the return from securities trading was better than subscription of initial public offering and therefore higher utilization in margin loan for securities trading. The securities margin financing provided by the Upbest Group is allowed to invest in a majority of shares listed on the Stock Exchange, which is more preferable as more shares can be chosen by the UBA Group when compared to other financial institutions that only provide securities margin financing for a limited list of investable shares. In addition, the Upbest Group has been providing securities margin financing services to the UBA Group since 2000, they has developed a reliable partnership and communication which enhancing a prompt response and timely funding approval process by the Upbest Group for seizing the investment opportunities which may arise.

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## LETTER FROM THE BOARD

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The UBA Board also explained that the change of interest rate for Precious Metal Margin Financing from cost of funding of UGS plus or minus 0.25% to 1% (exact interest rate to be determined by UGL according to the market trend) to cost of funding of UGS (i.e. the borrowing costs of UGS) plus or minus 0.25% to 0.5% (exact interest rate to be determined by UGS according to the market trend) as compared with the previous supplemental agreement with UGL and the new agreement with UGS was based on the market rate in precious metal financing, with reference to the rates from other precious metal trading houses as follow as identified by the Company on a best effort basis in the public domain:

	<b>Call Interest Rate</b>	<b>Put Interest Rate</b>
Wing Fung Financial Group Limited	1.5%-1.75%	0.75%-1%
Haitong International Securities Group Limited	2%	1%
Emperor Financial Service Group	2.25%-3%	0%-0.75%
State Silver Bullion (Hong Kong) Limited	1.5%	1.5%
Phillip Securities Group	2%	0.5%
Acetop Precious Metals Limited	1.25%	0.75%
Tanrich (Aisa) Financial Limited	2.25%-3%	0%-0.75%
Bacera Bullion Limited	2%-2.25%	0.75%-1%

The UBA Board noted that the market norm for interest of call position range was from 1.25% to 3% and the interest of put position range from 0 % to 1.5%. After the change of interest rate, Upbest Group will charge UBA for call position range from 2.75% to 3% and for put position, UBA will be charged for the range from 0.25% to 0.5%. The borrowing cost of UGS is based on its supplier in which that supplier offered better interest rate to UGS for their mass transaction and best payment record. The Board expects that UGS can obtain better interest rate than UBA which is more favorable to the Company. In addition, UGS only charge the aforesaid interest to the Company for margin borrowing without any other administration expenses which other precious metal trading houses may apply.

The UBA Board noted that the market norm of interest rate for call position range from 1.25% to 3% and for put position range from 0 % to 1.5% based on its research from the public domain on a best effort basis. The interest rate of 2.75% to 3% for call position and 0.25% to 0.5% for the put position of precious metal trading under the Precious Metal Financial Assistance Agreement are both within the range of the market comparables. Furthermore, the Company is of the view that the UBA Group is also benefited from a higher margin call buffer for the precious metal margin financing offered by the Upbest Group which offering more flexibility when compared to other precious metal trading houses and a prompt response and timely funding approval process as a result of long-term partnership and communication established. As such, the Board considered under the above circumstances, the interest of call and put position ranges are fair and reasonable and within the market norm. In addition, it also allows greater flexibility for the change in interest rate in the future due to the fluctuation of the market rate.

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 2019 should be set at HK\$60,000,000. The above annual cap was determined by reference to the historical figures and the assumption of UBA subscribing two initial public offerings at the same time, which is a commercial assumption made by the Board with referencing to the Big 4 accounting firm's anticipations on the IPO trends, subject to the limit of having the value of the investments not exceeding 20% of the net asset value of UBA as required under Chapter 21 of the Listing Rules.

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## LETTER FROM THE BOARD

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The above annual cap was also determined by reference to the expectation on the higher usage of financial assistance as UBA Board would like to maintain sufficient cashflow for more unlisted equity investments in the coming years. While the maximum amount of margin loans advanced by Upbest Group to UBA Group during the three years ended 31st March 2015 was approximately 14.8 million, the Company has started to invest in more pre-IPO projects since 2015 and expected that more margin financing will be used for securities transaction in the coming three years. Given that all the Big 4 accounting firms anticipated that the number of IPOs will remain stable or increase in 2016, the Board expects that more margin financing will be used for IPO financing and considers it important to maintain higher annual caps in order to capitalise on these investment opportunities in the future. Based on the foregoing, the Board considers that the basis for determining the annual caps for the Financial Assistance for each of the three years ended 31st March 2019 is fair and reasonable.

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

### **Precious Metal Margin Financing**

Payment term:	Payment on demand
Collecteral term:	Cash deposits of initial margin and maintenance margin
Interest:	0.25% to 0.5% per annum above the borrowing costs for call position. In respect of put position, the interest rate would be 0.25% to 0.5% per annum on top of the borrowing cost of UGS (if any) provided that if UGS would receive any interest from its supplier(s), UBA Gold may set off such financing fee against the interest received by UGS from its supplier(s). For the avoidance of doubt, any remaining interest received by UGS from its supplier(s) after such set-off in respect of such put position will be paid to UBA Gold. Such interest rate was determined with reference to interest rates offered by other precious metal trading houses in the market and is the same as that being offered to other majority independent customers of UGS

### **Securities Margin Financing and Initial Public Offer Financing**

Payment term:	Payment on demand
Collecteral 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 (i) the terms and conditions offered by UICL to other majority of independent customers of UICL and (ii) the terms and conditions offered by other independent service providers to the UBA Group in the market

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## LETTER FROM THE BOARD

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In order to ensure that the interest rate of 4.25% charged by UICL is fair and reasonable, the Board has also adopted internal control measures as set out in the paragraph headed “Internal Control Procedures” below. As such, having considered that the interest rate was determined with reference to (i) the terms and conditions offered by UICL to other majority of independent customers of UICL and (ii) that offered by other independent service providers to the UBA Group, the Board considers that the interest rate charged by UICL is fair and reasonable and no less favourable than those offered by independent third parties.

### **Internal Control Procedures**

In order to ensure that the interest rates offered under each of the Financial Assistance Supplemental Agreements, Precious Metal Financial Assistance Agreement and Securities Brokerage Supplemental Agreements are fair and reasonable, on normal commercial terms and are no less favourable than those offered by independent third parties, the financial controller of the Company will gather and compare the interest rates for each of the precious metal margin financing, securities margin and initial public offering financing offered by Upbest Group to UBA Group against those offered by at least two independent service providers on a regular half-year basis so as to determine if the prices charged by Upbest Group are on normal commercial terms and on terms which are no less favourable to UBA Group than those offered by other independent service providers. The financial controller of the Company will then summarise the relevant findings and report to the management immediately in case of any irregularity.

Also, the financial controller of the Company will review the transaction amounts under the relevant continuing connected transactions on a monthly basis so as to ensure that the annual cap for the Financial Assistance approved by the Independent Shareholders will not be exceeded.

Furthermore, the auditors of the Company will conduct annual review of the relevant continuing connected transactions to confirm, among others, that such transactions are carried out in accordance with the terms of the relevant agreements governing the transactions in accordance with Rule 14A.56 of the Listing Rules.

For the avoidance of doubt, UBA is not obligated to use the services provided by the Upbest Group under each of the Financial Assistance Supplemental Agreements, Precious Metal Financial Assistance Agreement and Securities Brokerage Supplemental Agreements and UBA can engage other service provider(s) in the event that the other service provider(s) would provide better services and terms.

Based on the above, the Directors consider that the Company has adopted sufficient internal control measures to ensure that the interest rates offered under each of the Financial Assistance Supplemental Agreements, Precious Metal Financial Assistance Agreement and Securities Brokerage Supplemental Agreements are fair and reasonable, on normal commercial terms and are no less favourable than those offered by independent third parties for each of the transactions under the Financial Assistance.

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## LETTER FROM THE BOARD

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### IV. THIRD 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 Management 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 UBA EGM and Upbest EGM respectively, the Performance Fee payable in Hong Kong dollars equivalent to 20% of net profit of UBA Group before taxation and before deduction of the Management Fee payable under the Investment Management Agreements shall be paid to UAML for each Financial Year. 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 Management Agreement and Second Supplemental Investment Management 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.

The same parties again on 28th January 2013 entered into the Fourth Supplemental Investment Management Agreement whereby the term of the Second Investment Management Agreement together with the First Supplemental Investment Management Agreement, Second Supplemental Investment Management Agreement and Third Supplemental Investment Management Agreement will be extended for a period commencing from 1st April 2013 to 31st March 2016. Reference is made to the joint announcements by Upbest and UBA dated 28th January 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.

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## LETTER FROM THE BOARD

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### (b) The Third Investment Management Agreement dated 26th January 2016

UAML and UBA have on 26th January 2016 entered into the Third Investment Management Agreement for a period commencing from 1st April 2016 to 31st March 2019. For the avoidance of doubt, the Second Investment Management Agreement, as extended by the First Supplemental Investment Management Agreement, Second Supplemental Investment Management Agreement, Third Supplemental Investment Management Agreement and Fourth Supplemental Investment Management Agreement, will remain in full force and effect until and upon the Third Investment Management Agreement becoming effective.

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.

In addition to the Management Fee, subject to the approval by their respective independent shareholders at UBA EGM and Upbest EGM respectively, the Performance Fee payable in Hong Kong dollars equivalent to 20% of net profit of UBA Group before taxation and before deduction of the Management Fee payable under the Investment Management Agreements shall be paid to UAML for each Financial Year.

### Historical Data

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

The amount of the Management Fee and Performance Fee paid by UBA to UAML during each of the three years ended 31st March 2013, 31st March 2014, 31st March 2015 and the nine months ended 31st December 2015 are shown below:

	During the Financial Year ended 31st March 2013 (HK\$)	During the Financial Year ended 31st March 2014 (HK\$)	During the Financial Year ended 31st March 2015 (HK\$)	During the nine months ended 31st December 2015 (HK\$)
Management Fee	1,621,444	1,739,144	2,123,428	2,121,130
Performance Fee	—	—	8,776,572	—
Total management & performance fee (approximately)	<u>1,621,444</u>	<u>1,739,144</u>	<u>10,900,000</u>	<u>2,121,130</u>

The Board claimed that the listed securities accounted for not less than 67% net asset value of the Company from 2013 to 2015 with the highest of 88% in 2014. The net asset value of the Company was seriously affected by the share price of listed securities and Hang Seng Index. The Hang Seng Index was volatile during the years 2013 to 2015 with the range from around 19,400 to 28,600 and lead to the fluctuation in the Management Fee for the year ended 2013 to 2015.

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## LETTER FROM THE BOARD

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In addition, the performance fee is calculated on the net profit before taxation and before deduction of the Management fee. The performance is positive related to the Hang Seng Index. The Company recorded a loss in 2013 and 2014 due to impairment loss but recorded an excellent profit during the financial year ended 31st March 2015, which the Company required to pay performance fee up to limit of the Cap.

The historical annual caps for the Management Fee and Performance Fee payable by UBA to UAML for each of the four years ended 31st March 2013, 31st March 2014, 31st March 2015 and 31st March 2016 are shown below:

	<b>During the Financial Year ended 31st March 2013 (HK\$)</b>	<b>During the Financial Year ended 31st March 2014 (HK\$)</b>	<b>During the Financial Year ended 31st March 2015 (HK\$)</b>	<b>During the Financial Year ended 31st March 2016 (HK\$)</b>
Management Fee & Performance Fee	<u>16,054,000</u>	<u>8,700,000</u>	<u>10,900,000</u>	<u>13,600,000</u>

### CAP AMOUNT FOR MANAGEMENT FEE AND PERFORMANCE FEE

To comply with Rule 14A.53 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 the UAML under the Third Investment Management Agreements, which is proposed as follows:

	<b>For the Financial Year ended 31st March 2017 (HK\$)</b>	<b>For the Financial Year ended 31st March 2018 (HK\$)</b>	<b>For the Financial Year ended 31st March 2019 (HK\$)</b>
Management Fee & Performance Fee	<u>10,100,000</u>	<u>11,600,000</u>	<u>13,300,000</u>

The Board claimed that the stock market was fluctuated during the year 2015 and the economic started downturn in last quarter of 2015. Hang Seng Index dropped from the highest of 28,600 to 20,400 in April 2015 to September 2015. However, the Net Asset Value of the Company increased around 62% whereas the Hang Seng Index only had an increase of 13% for the year end 31st March 2015 when compared with last financial year. The historical annual growth rate of the UBA Group changed widely between -22.89% and 62.48% for the financial years ended 31st March 2010 to 31st March 2015. From the standpoint of UBA Group as payer of service fees, a wide range of annual growth rate indicates high deviation on year to year basis while using historical average annual growth rate for the assessment of cap growth rate represents a prudent approach. In addition, the Company paid the performance fee up to limit of the Cap in 2015 and therefore the Board expected that the Company will generate higher profit and require to pay more performance fee to UAML in the coming years, so that the Board set a higher proposed annual cap amount as above.

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## LETTER FROM THE BOARD

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As the performance of the Company heavily rely on the Hang Seng Index and the Board expected that the Hang Seng Index will have similar growth trend with year 2013 to 2015 with around 12% increment, the Board estimated an annual growth rate of 15% in the coming years.

Having considered that (i) the total management and performance fee reached the cap of HK\$10.90 million for the financial year ended 31st March 2015; (ii) the estimated total management and performance fee for the year ended 31st March 2017 would possibly be approximately HK\$7.9 million; and (iii) the growth rate in respect of the Management Fee and Performance Fee Cap of 15% is close to the average annual growth rate of the Group's net assets and slightly higher than the average annual growth rate of Hang Seng Index, the Company considers that the proposed annual caps for the Management Fee and Performance Fee is fair and reasonable.

The Management Fee to be paid by UBA is on the low end and in line with the market comparables. It is noted that (i) the mechanism for setting the performance fee (the "**Performance Fee Mechanism**") has been established since 2008; (ii) all the investment decisions made by the UBA Group has been discussed with and based on the UAML's advices, such consistent Performance Fee Mechanism will provide incentives for the UAML's investment managers to assure their endeavor to provide the advices; and (iii) the Performance Fee, together with the Management Fee, are subject to an annual cap which has imposed restriction on the Performance Fee to be paid to the investment manager as evidenced by the fact that for the year ended 31st March 2015, the investment manager received approximately HK\$8.7 million as a result of the annual cap amount set for 2015, representing an amount of approximately HK\$5 million lesser when compared to the amount which should have been paid to the investment manager without the annual cap for 2015 amount.

Whilst the Performance Fee Mechanism is usually used to provide incentive an investment manager to achieve an optimum return for a portfolio, the overall performance of the Group is not solely affected by the performance of an investment manager but also the market fluctuations such as fluctuations of the Hang Seng Index. A watermark provision is based on the assumption that the performance of the Group is solely linked with the performance of the investment manager but ignore the fact that the performance of the Group could be affected by the economic environment and market fluctuations.

**The Company noted that it is not uncommon for inclusion of a high watermark provision amongst Chapter 21 listed issuer. The inclusion of a high watermark provision (which is the highest peak in value that the Company's investment has reached under the management of the investment manager) is intended to ensure the investment manager would not get paid the performance bonus for poor fund performance. If the investment manager loses money over the first year, it must get the fund value above the high watermark before it could receive performance bonus in the second or the third year.**

**As such, as a result of the lack of watermark provision in the current proposed Performance Fee Mechanism under the Investment Management Agreements, it can be arguable that there is a possibility that the investment manager would get the performance bonus even though the Company would record a reduction in its net asset value after the expiry of the term of the Investment Management Agreements.**

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## LETTER FROM THE BOARD

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**Shareholders are therefore advised to consider such possibility in approving the Investment Management Agreements at the EGM.**

While the Board realises such possibility, the Company is of the view that the investment manager should not be penalised as long as the Company would record an audited net profit for a particular financial year since there could be numerous factors, such as the economic environment and market fluctuations, which could affect the profit level of the Company.

In the event that a decrease in net profits was due to market fluctuations but not the sub-standard performance of the investment manager in assisting the Company to increase its profit level, the investment manager would be penalised by a high watermark and that would defeat the purpose of Performance Fee mechanism.

In light of the numerous factors which could affect the performance of the Company, it will involve complicated analysis to identify and determine whether the increase or decrease in performance of the Group was primarily attributable to the performance of the investment manager or not. Instead of spending unnecessary costs and expenses in analysing the performance of the Group and setting a complicated high watermark mechanism, the Directors are of the view that the simplicity of the current Performance Fee Mechanism will allow the Group to save such unnecessary costs and is therefore reasonable and in the interests of the Company as a whole.

To demonstrate the effectiveness of the current Performance Fee Mechanism, it is noted that the net asset value of the Company increased around 62% whereas the Hang Seng Index only had an increase of 13% for the year end 31st March 2015. Without an annual cap, the Company would have to pay additional Performance Fee to the Upbest Group for that financial year. The performance of the Company for the year ended 31st March 2015 also demonstrates that the current Performance Fee Mechanism is an effective incentive mechanism.

To demonstrate the effectiveness of the current Performance Fee Mechanism since 2008, it is noted that the Company recorded an overall net profit of approximately HK\$30,302,000 for the years from 1st April 2008 to 31st March 2015, representing an increase of approximately 21.37% in comparison with the net asset value of the Group as at 31st March 2008. It is noted that the Hang Seng Index only increased approximately 5.15% during the same period.

It is further noted that the Performance Fee will be linked with the annual audited profits of the Group, i.e. if the Company does not record audited profits in a particular year, no Performance Fee would be payable. It is further noted that the Performance Fee would be payable annually, i.e. the investment manager would not be get paid for the Performance Fee for fluctuations in the net asset value during a particular financial year.

While it is arguable that a high watermark provision would allow the Company to take into consideration of fluctuations in the net asset value of the Group during the term of the Investments Agreement, a high watermark provision may also defeat the objective of encouraging the investment manager to the maximize returns or minimize losses in particular whether the high watermark would be far away and not be achievable.

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## LETTER FROM THE BOARD

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Further, in light of the past performance of the Company together with the fact that UAML was the investment manager of the Company for years, the Company considers that the possibility that UAML would get the performance fee even though the Company would record a reduction in its net asset value would be relatively remote. **However, Shareholders are advised to consider such possibility in approving the Investment Management Agreements at the EGM.**

In view of the foregoing, despite the lack of a high watermark provision in the Investment Management Agreements, the Company is of the view that the current Performance Fee Mechanism would be in the interests of the UBA Group and the Shareholders as a whole.

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 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. Such consideration was determined with reference to (i) the performance fee offered by other independent companies in the market, in particular with reference to other investment companies listed under Chapter 21 of the Listing Rules and (ii) the historical performance fees payable by UBA to UAML

## **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

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## LETTER FROM THE BOARD

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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

Each of UBA, UBA Financial and Super Idea had entered into supplemental agreement with USCL dated 1st November 2007 to extend the period to 31st March 2010, second supplemental agreement dated 11th February 2010 to extend the period to 31st March 2013 and third supplemental agreement dated 28th January 2013 to extend the period to 31st March 2016 for the securities brokerage services provided by USCL to UBA Group.

In order to comply with the requirement set out in Rule 14A.52 of the Listing Rules, on 26th January 2016, 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 26th January 2016, 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 2016 to 31st March 2019 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.

In the ordinary and usual course of business, USCL provides securities brokerage service, which charges brokerage commission rate at 0.25%, which is determined with reference to (i) the historical brokerage commission rate offered by USCL to other majority of independent customers (other than those active traders of USCL), on the value of the transactions; and (ii) the brokerage commission rates offered by other independent service providers to UBA in the market. In order to ensure that the brokerage commission rate charged by USCL is fair and reasonable, the Board has also adopted internal control measures as set out in the paragraph headed "Internal Control Procedures" below. As such, the Board considers that the brokerage commission rate charged by USCL is fair and reasonable and no less favourable than those offered by independent third parties. The securities brokerage commission is charged when transaction is concluded.

### *Historical Data*

The amounts of securities brokerage commission payable by UBA Group to USCL during each of the three years ended 31st March 2013, 31st March 2014, 31st March 2015 and the nine months ended 31st December 2015 respectively are shown below:

	During the Financial Year ended 31st March 2013 (HK\$)	During the Financial Year ended 31st March 2014 (HK\$)	During the Financial Year ended 31st March 2015 (HK\$)	During the nine months ended 31st December 2015 (HK\$)
Securities brokerage commission	433,333	935,508	1,419,926	659,712

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## LETTER FROM THE BOARD

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### **CAP AMOUNT FOR SECURITIES BROKERAGE COMMISSION**

The historical annual caps for the securities brokerage commission for each of the three years ended 31st March 2013, 31st March 2014 and 31st March 2015 are set at HK\$2,000,000. It is expected that the annual brokerage commission will be less than HK\$3,000,000 per annum and that transaction contemplated under the Securities Brokerage Supplemental Agreements is considered to be a de minimis transaction for the Company pursuant to Rule 14A of the Listing Rule.

### **Internal Control Procedures**

In order to ensure that the brokerage commission rate charged by USCL is fair and reasonable, on normal commercial terms and is no less favourable than those offered by independent third parties, the financial controller of the Company will gather and compare the brokerage commission rate charged by Upbest Group to UBA Group against those offered by at least two independent service providers on a regular basis so as to determine if the brokerage commission rate charged by Upbest Group are on normal commercial terms and on terms which are no less favourable to UBA Group than those offered by other independent service providers. The financial controller of the Company will then summarise the relevant findings and report to the management immediately in case of any irregularity.

Also, the financial controller of the Company will review the transaction amounts under the relevant continuing connected transactions on a monthly basis so as to ensure that the annual cap for the securities brokerage commission will not be exceeded and that the relevant transactions will fall under the exemption for de minimis transactions as set out in Rule 14A.76 of the Listing Rules. The management of the Company will also review the transaction amounts under the relevant continuing connected transactions semiannually so as to determine if there is a need to apply for a larger annual cap and to obtain Shareholders' approval in compliance with the Listing Rules if considered necessary.

Further, the auditors of the Company will conduct annual review of the relevant continuing connected transactions to confirm, among others, that such transactions are carried out in accordance with the terms of the relevant agreement and in accordance with the Listing Rules.

Based on the above, the Directors consider that the Company has adopted sufficient internal control measures to ensure that the brokerage commission rate charged by USCL is fair and reasonable, on normal commercial terms and is no less favourable than those offered by independent third parties.

## **VI. INFORMATION OF UPBEST GROUP AND THE COMPANY**

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, UICL and UGS is a wholly owned subsidiary of Upbest.

The Company 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.

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## LETTER FROM THE BOARD

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### VII. REASONS FOR THE 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 the securities brokerage services since the commencement of business of UBA Group and 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 Financial Assistance Supplemental Agreement, the Precious Metal Financial Assistance Agreement 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 USCL to provide securities brokerage services for UBA Group.

According to the letter of advice from Messis Capital Limited, Messis Capital is of the view that, while according to the Comparables (as defined in the letter of advice from Messis Capital Limited), high watermark provision is commonly adopted for the calculation of performance fee, indicating that the absence of a high watermark provision is not normal commercial terms in the sense that such provision is commonly adopted by investment companies listed under Chapter 21 of the Listing Rules on the Stock Exchange, the terms of the Investment Management Agreement are fair and reasonable so far as the Independent Shareholders are concerned in the absence of a high watermark provision given that it is appropriate to the UBA Group's prudent investment approach as analysed in the letter of advice from Messis Capital Limited, further taking into account the inherent drawback of high watermark provision as discussed in the letter of advice from Messis Capital Limited.

The Upbest Board (including the independent non-executive directors) and the UBA Board (including the independent non-executive directors) are of the view that terms of the Financial Assistance Supplemental Agreements, Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement are on normal commercial terms (except the absence of the high watermark provision) 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.

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## LETTER FROM THE BOARD

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### VIII. CONTINUING CONNECTED TRANSACTIONS

For the reasons stated above, the transactions contemplated under the Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement are considered as continuing connected transactions under Listing Rules. Since the annual caps of the (i) Financial Assistance provided by Upbest Group to UBA Group and (ii) Management Fee plus Performance Fee payable by UBA Group to Upbest Group will exceed HK\$10 million in respect of each of the proposed annual caps, according to Rule 14A.54 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. As at the Latest Practicable Date, CCAA holds approximately 74.29% 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 14A.08 of the Listing Rules. **CCAA and its associates had abstained from voting in Upbest EGM to be convened for the approval of, inter alia, the transactions. Fung Fai and its associates will abstain from voting in the UBA EGM to be convened for the approval of, inter alia, the transactions.**

Upbest Independent Board Committee, which comprising two independent non-executive directors of Upbest having no material interest in these 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. UBA Independent Board Committee comprising two independent non-executive directors of UBA having no material interest in these transactions, namely, Dr. FUNG Lewis Hung and Mr. TANG Hon Bui, Ronald, has been formed to advise the UBA Independent Shareholders in relation to Financial Assistance, Performance Fee and Management Fee. Mr. CHAN Chung Yee, Alan, an independent non-executive director of both Upbest and UBA, is considered to have a conflict of interest in these transactions for his dual role and therefore is not appointed a member of the Upbest Independent Board Committee and UBA Independent Board Committee and is also required to be abstained from voting at the Upbest EGM and the UBA EGM respectively.

Each of Upbest and UBA will convene the Upbest EGM and the UBA EGM respectively for the approval of the transactions. Each of Upbest and UBA has appointed an independent financial adviser to advise their independent board committee respectively on the terms of the supplemental agreements and the relevant cap amounts in respect of the continuing connected transactions which require approval from Upbest Independent Shareholders and UBA Independent Shareholders respectively. As at the Latest Practicable Date, Alliance Capital Partners Limited has been appointed as the Upbest Independent Financial Advisor and Messis Capital Limited has been appointed as the UBA Independent Financial Advisor.

### IX. THE INDEPENDENT BOARD COMMITTEE

UBA Independent Board Committee, comprising of two independent non-executive directors of UBA having no material interest in these Continuing Connected Transactions, namely, Dr. FUNG Lewis Hung and Mr. TANG Hon Bui, Ronald, has been formed to advise the UBA Independent Shareholders in relation to Financial Assistance, Performance Fee and Management Fee. Messis Capital Limited has been appointed as the Independent Financial Adviser to the UBA Independent Board Committee and the UBA Independent Shareholders on the terms in relation to the Continuing Connected Transactions.

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## LETTER FROM THE BOARD

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### X. EGM

Set out on page 60 to 62 is a notice convening the EGM to be held at Flat B, 16th Floor, Wah Kit Commercial Centre, 300 Des Voeux Road Central, Hong Kong on 24th August 2016 at 3:30 p.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and if thought fit, approve the relevant 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 Flat B, 16th Floor, Wah Kit Commercial Centre, 300 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.

### XI. RECOMMENDATION

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

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on page 25 to 26 of this circular; and (ii) the letter of advice from Messis Capital set out on page 27 to 54 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 Messis Capital, 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  
**UBA Investments Limited**  
**Dr. WONG Yun Kuen**  
*Chairman and Executive Director*



**UBA INVESTMENTS LIMITED**

**開明投資有限公司\***

*(incorporated in Cayman Islands with limited liability)*

**(Stock code: 768)**

2nd August 2016

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 2nd August 2016 (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 and how to vote on the resolutions approving the relevant Continuing Connected Transactions.

Messis 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 page 27 to 54 of the Circular.

Your attention is also drawn to the letter from the Board set out on page 6 to 24 of the Circular and the additional information set out in the appendix of the Circular.

According to the letter of advice from Messis Capital Limited, Messis Capital is of the view that, while according to the Comparables (as defined in the letter of advice from Messis Capital Limited), high watermark provision is commonly adopted for the calculation of performance fee, indicating that the absence of a high watermark provision is not normal commercial terms in the sense that such provision is commonly adopted by investment companies listed under Chapter 21 of the Listing Rules on the Stock Exchange, the terms of the Investment Management Agreement are fair and reasonable so far as the Independent Shareholders are concerned in the absence of a high watermark provision given that it is appropriate to the UBA Group’s prudent investment approach as analysed in the letter of advice from Messis Capital Limited, further taking into account the inherent drawback of high watermark provision as discussed in the letter of advice from Messis Capital Limited.

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Continuing Connected Transactions and the advice of Messis Capital, we are of the opinion that the Continuing Connected Transactions and the annual caps are on normal commercial terms (except the absence of high watermark provision) and the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary course of business of the Group 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 resolution(s) to be proposed at the EGM to approve the relevant Continuing Connected Transactions and the annual caps.

Yours faithfully,

Independent Board Committee of

**UBA Investments Limited**

**Dr. FUNG Lewis Hung**

*Independent non-executive Director*

**Mr. TANG Hon Bui, Ronald**

*Independent non-executive Director*

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

2nd August 2016

To: *The Independent Board Committee and the Independent Shareholders  
of UBA Investments Limited*

Dear Sir/Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of UBA to the Shareholders dated 2nd August 2016 (the “**Circular**”), 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.

On 26th January 2016, various members of the Upbest Group and the UBA Group have entered into the Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement regarding the extension of the engagement to the Upbest Group to provide the assets management services, securities margin financing services and precious metal margin financing services to the UBA Group.

With reference to the Letter from the Board, entering into the Financial Assistance Supplemental Agreement, the Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement constitute as continuing connected transactions to 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.54 of the Listing Rules, the transactions are subject to the approval by the Independent Shareholders at the EGM.

The Independent Board Committee, comprising Dr. Fung Lewis Hung and Mr. Tang Hon Bui, Ronald, all being independent non-executive directors (the “**Directors**”) of UBA, has been established to advise the Independent Shareholders on the Continuing Connected Transactions and their respective annual caps. Specifically, on whether such terms are fair and reasonable and in the interests of UBA and the Shareholders as a whole, and advise how to vote on the resolutions regarding the relevant Continuing Connected Transactions at the EGM. We, Mesis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in UBA or any other parties that could reasonably be regarded as relevant to our independence. Apart from this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from UBA or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned appointment would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION AND RECOMMENDATION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the directors and the management of UBA (the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the Management are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular; the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the UBA Group and their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders regarding the Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement, the Third Investment Management Agreement, and their respective annual caps, we have considered the following principal factors and reasons:

#### **Information on UBA and Upbest Groups**

##### *Information on UBA*

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.

##### *Information on Upbest*

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, UICL and UGS is a wholly owned subsidiary of Upbest.

#### **Reasons for the transactions**

There is a long history between Upbest Group and UBA Group and have been working together since UBA Group's commencement of business in 1999. Due to their longstanding relationship, UBA benefits from many operational efficiencies, such as prompt communication response times, and timely funding approval processes. Additionally, through the credibility and trust developed through the years in a working partnership together, UBA is approved to take positions on the majority of the stocks listed on the Stock Exchange, as compared with more conventional arrangements that restrict margin transaction exposures to a restricted list of securities. In the opinion of the Board, these are all beneficial factors that help UBA in executing their investment mandate and fiduciary duties to investors and shareholders.

Both the boards of directors of UBA Group and Upbest Group are of the opinion that terms of the Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement, and the Third Investment Management Agreement are on normal commercial terms, fair and reasonable, and in the ordinary and usual course of business.

As a result of the above reasons, Upbest Board and UBA Board consider the continuation of their longstanding business relationship vis-à-vis the Financial Assistance Supplemental Agreement, the Precious Metal Financial Assistance Supplemental Agreement, and the Third Investment Management Agreement are in the best interests of Upbest Group, UBA Group, and their respective shareholders as a whole.

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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### **Financial Assistance Supplemental Agreement and the Precious Metal Financial Assistance Supplemental Agreement**

*(a) Securities margin financing and initial public offer financing services*

Each of UBA, UBA Financial and Super Idea first entered into an agreement separately with UICL on 15th November 2002, 13th March 2003 and 22nd June 1999, respectively. These agreements were subsequently supplemented and extended by the first supplemental agreements dated 2nd May 2008 as disclosed in the announcement dated 2nd May 2008, the second supplemental agreement dated 11th February 2010 as disclosed in the announcement dated 11th February 2010, and the third supplemental agreement dated 28th January 2013 as disclosed in the announcement dated 28th January 2013. In general, it was agreed that UICL would provide UBA Group with securities margin financing services at an interest rate of 4.25% plus the then prevailing prime rate per annum, and initial public offer financing services at 0.20% to 1.50% above prime rate per annum.

On 26th January 2016, each of UBA, UBA Financial and Super Idea had separately entered into the Financial Assistance Supplemental Agreements with UICL, with the intent to continue the securities margin and initial public offer financing services provided by UICL to UBA Group. Accordingly, the Financial Assistance Supplemental Agreements stipulate that UICL and each of UBA, UBA Financial and Super Idea agree that the terms and conditions of the original agreement are to be extended for the period commencing 1st April 2016 to 31st March 2019, and 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 services*

With respect to the provision of precious metals margin financing services by UGL to the UBA Gold, UBA Gold first entered into an agreement with UGL on 22nd February 2007, the terms of which were supplemented and extended by the first supplemental agreement dated 2nd May 2008 as disclosed in the announcement dated 2nd May 2008, the second supplemental agreement dated 11th February 2010 as disclosed in the announcement dated 11th February 2010 and the third supplemental agreement dated 28th January 2013 as disclosed in the announcement dated 28th January 2013.

As a result of a restructuring at Upbest Group, UGL ceased operations in the provision of bullion trading and precious metals margin financing services. UGS, a subsidiary of Upbest, effectively took over the business of UGL on 29th September 2014, when each of UGL, UGS and UBA Gold entered into the Deed of Novation. Pursuant to the Deed of Novation, UGS has undertaken to (i) assume all obligations and liabilities of UGL under the relevant Financial Assistance Supplemental Agreement and corresponding original agreements, effective from the date of the Deed of Novation; and (ii) observe, abide, and perform all terms, conditions and covenants of the relevant Financial Assistance Supplemental Agreement, and corresponding original agreements on the part of UGL in substitution.

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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On 26th January 2016, UGS entered into the Precious Metal Financial Assistance Agreement with UBA Gold in relation to the provision of precious metal margin financing service by UGS to UBA Gold. According to the Precious Metal Financial Assistance Agreement, UGS and UBA Gold agreed that the term for the Precious Metal Financial Assistance Agreement shall be for a period commencing from 1st April 2016 to 31st March 2019, subject to renewal by written supplemental agreement between the contract parties. The Precious Metal Financial Assistance Agreement provided that the interest rate for the precious metals margin financing service will be 0.25% to 0.50% per annum above the borrowing costs for call position. In respect of put position, the interest rate would be 0.25% to 0.50% per annum on top of the borrowing cost of UGS (if any). UBA Gold may off-set such financing fee with the interest received by UGS from its supplier(s). For the avoidance of doubt, any net receivable interest as a result of such off-set will be paid to UBA Gold. Save as disclosed above, the relevant original agreement regarding the precious metals margin financing service shall in all respects remain and continue in full force and effect.

The payment terms of the Financial Assistance are as follows:

### **Securities Margin Financing**

Payment terms:	Payment on demand
Collateral term:	Pledge of any acceptable security interest by way of security for loans or advances
Interest rate:	4.25% above prime rate per annum, calculated on daily balances with monthly interest

### **Initial Public Offer Financing**

Payment terms:	Payment on demand
Collateral term:	Pledge of any acceptable security interest by way of security for loans or advances
Interest rate:	0.20% to 1.50% above prime rate per annum, calculated on daily balances with monthly interest

### **Precious Metal Margin Financing**

Payment terms:	Payment on demand
Collateral terms:	Cash deposits of initial margin and maintenance margin

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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Interest: 0.25% to 0.50% per annum above the borrowing costs for call position. In respect of put position, the interest rate would be 0.25% to 0.50% per annum on top of the borrowing cost of UGS (if any). UBA Gold may off-set such financing fee with the interest received by UGS from its supplier(s), and any net positive interest as a result of such off-set will be paid to UBA Gold.

We have reviewed the Financial Assistance Supplemental Agreements and the Precious Metal Financial Assistance Agreement. Except for the precious metals margin financing cost, changing from the range of 0.25% to 1.00% per annum above and below the borrowing costs of UGS for call position and put position, respectively, to the range of 0.25% to 0.50% and the extending of terms, there are no other changes to the terms of the Financial Assistance. The Financial Assistance Supplemental Agreements and the Precious Metal Financial Assistance Agreement are for the sole purpose of extending the Financial Assistance for another three years. Accordingly, we are of the view that the Financial Assistance Supplemental Agreements and the Precious Metal Financial Assistance Agreement entered into are on normal commercial terms.

In order to determine the fairness and reasonableness of the securities margin financing services, to our best endeavors, we have conducted a search based on the following criteria: (i) securities firms and banks that are listed on the main board of the Stock Exchange; (ii) their principal business is to provide brokerage and margin financing services; and (iii) their securities margin financing rates are disclosed on their respective websites. We have identified, based on such search criteria, twenty-one listed securities firms and banks for comparison. We consider that the securities margin financing rates offered by the selected securities firms and banks could reflect the prevailing securities margin financing rates offered in the Hong Kong market and we are of the view that such selected securities firms and banks (the “**Securities Margin Financing Comparables**”), may not be exhaustive, but are a fair and representative sample for our comparison in assessing the fairness and reasonableness of the terms of the securities margin financing services pursuant to the Financial Assistance Supplemental Agreements. Details of their securities margin financing interest rates are set out below:

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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Company	Stock Code	Rate Offered (per annum)
HSBC Holdings plc (“ <b>HSBC</b> ”)	5	HSBC Prime Rate <sup>1</sup> + 1.5% to 2.25%
Hoifu Energy Group Ltd.	7	WHB Prime Rate <sup>2</sup> + 3%
Hang Seng Bank Ltd. (“ <b>HSB</b> ”)	11	HSB Prime Rate <sup>2</sup> – 1%
Bank of East Asia, Ltd. (“ <b>BEA</b> ”)	23	BEA Prime Rate <sup>1</sup> + 3%
Shenwan Hongyuan (H.K.) Ltd.	218	Prime Rate <sup>3</sup> + 2%
China Fortune Financial Group Ltd.	290	Prime Rate <sup>3</sup> + 6%
CASH Financial Services Group Ltd.	510	Prime Rate <sup>3</sup> + 3%
South China Financial Holdings Ltd.	619	SCB Prime Rate <sup>2</sup> + 4%
Haitong International Securities Group Ltd.	665	HSBC Prime Rate <sup>1</sup> + 0% to 8%
Emperor Capital Group Ltd.	717	Prime Rate <sup>3</sup> + 3%
Southwest Securities International Securities Ltd.	812	Prime Rate <sup>3</sup> + 3%
Quam Ltd.	952	SCB Prime Rate <sup>2</sup> + 3% or HIBOR <sup>4</sup> + 5% (whichever is higher)
Chong Hing Bank Limited (“ <b>CHB</b> ”)	1111	CHB Prime Rate <sup>2</sup> + 3%
Bright Smart Securities & Commodities Group Ltd.	1428	HSBC Prime Rate <sup>1</sup> + 5%
GF Securities Co., Ltd.	1776	SCB Prime Rate <sup>2</sup> + 3% to 8%
Guotai Junan International Holdings Ltd.	1788	Prime Rate <sup>3</sup> + 3%
BOC Hong Kong (Holdings) Ltd. (“ <b>BOC</b> ”)	2388	BOC Prime Rate <sup>1</sup> + 1.5% to 2.25%
China Merchants Bank International Capital Corporation Limited	3968	Prime Rate <sup>3</sup> + 3%
Bank of China Ltd.	3988	BOC Base Rate <sup>1</sup> + 3%
Orient Securities International Holdings Ltd.	8001	Prime Rate <sup>3</sup> + 3%
CL Group (Holdings) Ltd.	8098	Prime Rate <sup>3</sup> + 5%

*Notes:*

1. According to their company websites, the HSB Prime Rate/HSBC Prime Rate/BOC Prime Rate is 5.00% per annum;
2. According to their company websites, the BEA Prime Rate/Standard Chartered Bank (“**SCB**”) Prime rate/CHB Prime Rate/Wing Hang Bank (“**WHB**”) Prime Rate is 5.25% per annum;
3. These companies have not specified which prime rate they adopt on their websites; and
4. The published 12-month Hong Kong Inter-bank Offered Rate (“**HIBOR**”), by Hong Kong Association of Banks, was 1.22% per annum as at the Latest Practicable Date.

*Sources: websites of respective securities firms*

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Shareholders should note that the selected twenty-one securities firms and banks have different sizes and backgrounds. According to the above table, we note that the interest rates of the Securities Margin Financing Comparables range from -1.00% to 8.00% above prime rate while the mid-point and average interest rate is 3.50% and 3.20% above prime rate, respectively. As some institutions offer varying levels of service and quote a range of interest rates, we consider a comparison to the mid-point more appropriate. Given the aforementioned, the securities margin financing interest rate of 4.25% above prime rate per annum offered by Upbest Group falls within the range and is not materially different to the mid-point interest rate of the selected securities firms and banks. We have also obtained and reviewed the securities margin financing interest rates offered by Upbest Group to independent third parties of similar nature to UBA, and such rates are generally 4.25% above prime rate, and are no less favourable than that offered to UBA.

Upbest Group has been providing securities margin financing and initial public offer financing services to the UBA Group since 2000, and have developed a reliable strategic partnership together. Due to their longstanding relationship, UBA Group enjoys efficient communications and timely funding approval processes, enabling UBA to capitalize on market opportunities promptly. Furthermore, as advised by the Management and according to the internal control manual relating to margin lending policy of the UICL, the securities margin financing services provided by Upbest Group allows the UBA Group to invest in a majority of shares listed on the Stock Exchange. As advised by the Management, it is common practice for financial institutions act as agents as they borrow money from banks and relend to their clients for securities margin financing. Accordingly, such financial institutions are subject to the lending restrictions and covenants imposed by the lending banks. However, Upbest Group lends as a principal to its clients using internal resources, and can therefore offer at their discretion a broad range of stocks for their clients to invest in, and not subject to the lending restrictions faced by other financial institutions that lend as agents. Thus, it is not unreasonable for Upbest Group to charge a slightly higher rate as offered by the Securities Margin Financing Comparables due to the additional service benefits offered. Given that (i) the securities margin financing interest rate of 4.25% above prime rate per annum offered by Upbest Group falls within the range and is not materially different to the mid-point and average interest rates of the Securities Margin Financing Comparables as shown above; (ii) the terms and conditions of the securities margin financing services provided by Upbest Group are on terms no less favorable than terms available to independent third parties of Upbest Group; and (iii) the long-term, stable, smooth and efficient working relationship between the Group and Upbest Group which provides higher flexibility for making investment decisions by the Group, we concur with the Directors' view that the transactions contemplated under the Financial Assistance Supplemental Agreements for the provision of securities margin financing services are in line with the interests of UBA and the Shareholders as a whole.

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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For the provision of initial public offer financing services from Upbest Group to UBA Group pursuant to the Financial Assistance Supplemental Agreements, the interest rate charged by Upbest Group for each of the three years ended 31st March 2016 was from 0.20% to 1.50% per annum above the borrowing costs of Upbest Group, generally the prime rate. The UBA Group did not pay any initial public offer financing interest for each of the three years ended 31st March 2016. We have inquired and confirmed by the Management that, Upbest Group has confirmed that the initial public offer financing services provided to UBA Group is in its ordinary and usual course of business and on terms no less favourable to UBA Group than terms available to independent third parties of Upbest Group. We have on the other hand conducted an independent research on the initial public offer financing services provided by banks or securities firms in Hong Kong, most of the sample results only provide generic terms which are publicly available. The general terms include, among others, the financing amount is up to a maximum of 90% of the subscription amount or below (which this is governed by the Securities and Futures (Financial Resources) Rules implemented by the Securities and Futures Commission) and preferential rates to be charged for different IPO companies. Notwithstanding that there is only one sample provided public disclosure on the initial public offer financing interest rate for the currently available initial public offering companies which the rates ranged up to 1.48% per annum which does not offer a representative sample for analysis, it could provide useful reference as to the market practice of initial public offer financing. Given the unique risk profiles of various IPO projects and loan applicants, it is not unreasonable that there is no or limited publicly available source for the market interest rate for initial public offer financing services and even if there is any quotation to be obtained, as advised by the Management, the interest rates offered by securities firms or banks may have a broad range. Despite of limited available information, given that (i) the terms and conditions of the initial public offer financing services provided by Upbest Group are on terms no less favourable than terms available to independent third parties; (ii) the long-term, stable, smooth and efficient working relationship between the UBA Group and Upbest Group which provides higher flexibility for making investment decisions by the UBA Group; and (iii) it is the strategy and intention of UBA Board to increase its investments in private equity projects by using the UBA Group's internal resources in the near future and the initial public offer financing services provides flexibility for the UBA Group to capitalize on investment opportunities in the IPO market, we concur with the Directors' view that the transactions contemplated under the Financial Assistance Supplemental Agreements for the provision of initial public offer financing services are in line with the interests of UBA and the Shareholders as a whole.

In relation to the precious metals margin financing interest rate, according to the sub-section headed "III. Supplemental Agreements in relation to securities margin and initial public offer financing services and agreement in relation to precious metal margin financing services – Cap amount for the Financial Assistance" in the Letter from the Board and their research from the public domain, the market interest rates on call positions range from 1.25% to 3.00%, and for put positions range from 0.00 % to 1.50% based on their research from the public domain. As advised by the Management, in order to select the comparables list, they have considered the following factors: (i) to their best knowledge, there is no publicly available source that can show a full list of participants of the precious metal trading; (ii) the banking institutions have been excluded as they might have different cost and funding structure; (iii) the precious metal trading houses that mainly provides their services in Hong Kong; (iv) the precious metal trading houses which the interest rate

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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has been disclosed in their respective websites and; and (v) the UBA Board are of view that even more comparables are added, it would not result in any radical change in their view that the interest rates are within the market norm. We have independently conducted research based on such factors and to our best endeavors, the same comparables (the “**Precious Metal Margin Financing Comparables**”) listed in the abovementioned sub-section in the Letter from the Board were found. Therefore, we concur with the view of the Management that the existing selected list of Precious Metal Margin Financing Comparables form a reasonable sample size and is fair and reasonable for us to make an informed assessment on the fairness and reasonableness of the terms of the precious metal margin financing services pursuant to the Financial Assistance Supplemental Agreements. We have also independently verified the interest rates for the call and put positions quoted by the Precious Metal Margin Financing Comparables based on information provided on their respective websites. We concur with the Management that the interest rate of 2.75% to 3.00% for call positions and 0.25% to 0.50% for put positions under the Precious Metal Financial Assistance Agreement are both within the range of the Precious Metal Margin Financing Comparables.

Furthermore, as disclosed in the client agreements, general precious metal trading houses can close client margin positions without notice and at their discretion once margin requirements are not fulfilled. However, UBA Gold is allowed relatively more response time to the margin call for maintaining the margin position when the minimum margin requirement is reached. UBA Group therefore benefits from a higher margin call buffer by conducting its business with Upbest Group, as a result of long-term partnership and communication established, offering more flexibility as compared to other precious metal trading houses. As Upbest Group normally lends as the principal, funding its margin financing services using internal resources, it is able to provide its clients at its discretion a higher margin call buffer, as compared to other precious metals trading houses that lend on an agency basis. Such precious metal trading houses may be subject to stricter margin requirements from their lending institutions, and therefore in turn pass on stricter margin requirements to their clients. With a higher margin call buffer, the UBA Group benefits from increased flexibility and an ability to hold positions longer, enabling the UBA Group to better execute trade strategies, despite short term anomalies and volatilities which might have induced a forced close on positions had they been conducted with a third party agency based trading house. Given that (i) the precious metal margin financing interest rate offered by Upbest Group falls within the ranges of the Precious Metal Margin Financing Comparables; (ii) the terms and conditions of the precious metal margin financing services provided by Upbest Group are on terms no less favorable than terms available to independent third parties of Upbest Group; and (iii) the high margin call buffer offered by Upbest Group which provides higher flexibility for making investment decisions by the UBA Group, we concur with the Directors’ view that the transactions contemplated under the Financial Assistance Supplemental Agreements for the provision of precious metal margin financing services are in line with the interests of UBA and the Shareholders as a whole.

On the basis of the aforesaid contents, we are of the view that the terms of the Financial Assistance Supplemental Agreements and the Precious Metal Financial Assistance Agreement, including the interest rates of the Financial Assistance, are fair and reasonable so far as UBA and the Independent Shareholders are concerned.

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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### Historical Data

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

As per the Letter from the Board, the maximum balance of margin loans advanced by Upbest Group to UBA Group in each of the three years ended 31st March 2013, 31st March 2014, 31st March 2015, and the nine months ended 31st December 2015, reproduced here for convenience, are as follows:

	<b>During the year ended 31st March 2013 (HK\$)'000</b>	<b>During the year ended 31st March 2014 (HK\$)'000</b>	<b>During the year ended 31st March 2015 (HK\$)'000</b>	<b>During the nine months Ended 31st December 2015 (HK\$)'000</b>
Approximate margin loan maximum amounts	<u>4,655</u>	<u>14,789</u>	<u>8,201</u>	<u>10,451</u>

The outstanding balance of margin loans advanced by Upbest Group to UBA Group as at 31st March 2013, 31st March 2014, 31st March 2015, and 31st December 2015 are shown below:

As at:

	<b>As at 31st March 2013 (HK\$)'000</b>	<b>As at 31st March 2014 (HK\$)'000</b>	<b>As at 31st March 2015 (HK\$)'000</b>	<b>As at 31st December 2015 (HK\$)'000</b>
Approximate margin loan amounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The maximum amounts of IPO financing advanced by Upbest Group to UBA Group during each of the three years ended 31st March 2013, 31st March 2014, 31st March 2015 and the nine months ended 31st December 2015 are shown below:

	<b>During the year ended 31st March 2013 (HK\$)'000</b>	<b>During the year ended 31st March 2014 (HK\$)'000</b>	<b>During the year ended 31st March 2015 (HK\$)'000</b>	<b>During the nine months Ended 31st December 2015 (HK\$)'000</b>
Approximate Initial Public Offering maximum financing amounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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There has generally been a low utilization of securities and IPO margin financing for the last 3 years ended 31st March 2015. The Management has advised that the reason for this is that operations during this period has mainly been funded with internal resources. In addition, the Management believed that more profitable opportunities existed in the secondary market as compared to the primary IPO markets, and less initial public offerings were applied during this period.

Cash and cash equivalents for the years ended 31st March 2013, 2014 and 2015 were HK\$32.4 million, HK\$5.6 million, and HK\$15.3 million, respectively, representing approximately 43.65%, 5.80%, and 12.35%, respectively, of their investable assets at that time.

### **CAP FOR FINANCIAL ASSISTANCE**

With reference to the Letter from the Board, based on the historical figures and expectation on the higher usage of financial assistance as UBA Board would like to maintain sufficient cash flow for more unlisted equity investments, including but not limited to pre IPO projects in the coming years, 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 2019 should be set at HK\$60,000,000. The above annual cap was determined taking into account the following: (i) historical maximum margin financing amount of UBA in the past three years ended 31st March 2015 was approximately HK\$15.3 million; (ii) the strategy and intention of UBA Board to increase its investments in private equity projects by using the UBA Group's internal resources going forward; (iii) the expected increase in the number of IPO projects in the coming years; and (iv) UBA subject to the limit of having the value of the investments not exceeding 20% of the net asset value of UBA, as required under Chapter 21 of the Listing Rules.

#### *Historical background*

The annual cap for the previous three years ended 31st March 2016 were set at HK\$150 million per annum. For the years ended 31st March 2013, 2014 and 2015, the cap utilization rate was approximately 3.10%, 9.86%, and 5.47%, respectively, and 6.97% for the nine months ended 31st December 2015. As discussed above, the low utilization was mainly due to the use of internal resources as a primary source of funds for investment during the period.

#### *Private unlisted investments*

For the coming years since 2015, the Management has been of the opinion that there are growing opportunities in private unlisted investments, and have advised us that they will strategically focus more in this sector. Accordingly, UBA's unlisted investment portfolio has grown from approximately HK\$3.0 million as at 31st March 2015 to HK\$11.4 million as at 30th September 2015, representing a 280.00% growth over the six-month period. As at the Latest Practicable Date, UBA has invested in 6 unlisted investments with its commitments amounting to approximately HK\$31.3 million, representing a further 174.56% increase since September 2015. As advised by the Management, the unlisted equity investments will be funded by the UBA Group's own cash reserves. Therefore, the cap amounts are required so that it can reserve sufficient cash to fulfill the funding needs of private investment opportunities as they arise.

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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### *IPO investments*

According to the statistics provided by the Stock Exchange, funds raised through IPOs in 2015 amounted to HK\$261.3 billion, approximately 12.39% increase over the HK\$232.5 billion raised in 2014. This ranks Hong Kong first worldwide for capital funds raised in 2015, and is 71.34% more than second place New York Stock Exchange, which raised approximately HK\$152.5 billion, or US\$19.6 billion, over the same period. The number of newly listed companies at 138 during the year was also a record high, a 13.11% increase as compared with the 122 listed in 2014. Estimates by Deloitte and PWC expect the IPO market in Hong Kong to raise between HK\$260 billion to HK\$300 billion in 2016, with new issues ranging from 115 to 130. The low utilization of IPO margin financing for the last 3 years ended 31st March 2015 was that operations during this period has mainly been funded with internal resources. Nevertheless, given intended usage of the UBA Group's own cashflow on unlisted equity investments, the Management anticipates that an increased use of IPO margin financing would be higher in the coming years.

### *Secondary market investments*

On 17th November 2014, the Shanghai-Hong Kong Stock Connect Programme (“**SHHK Programme**”) was launched. The SHHK Programme is to provide mutual stock market access (subject to investment quota) between Shanghai and Hong Kong for investors, under which investors in Hong Kong and the Mainland China can trade and settle shares listed on the other market via the exchange and clearing house in their home market. This is expected to facilitate capital flows and increase investment opportunities for investors on both sides of the border. With a broader selection of investments to choose from, and more players in market, the Management believes there will be increased opportunities in the secondary market for equities in the coming years. Given the intended usage of the UBA Group's own cashflow on unlisted equity investments, UBA anticipates an increased use of margin financing on securities investments in the coming years.

Based on the foregoing, we are of the opinion that the proposed annual caps for the period commencing 1st April 2016 to 31st March 2019 are fair, reasonable, on normal commercial terms, and in the interests of UBA and its shareholders as a whole.

### **(III) THIRD 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.

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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 UBA EGM and Upbest EGM respectively, the Performance Fee payable in Hong Kong dollars equivalent to 20% of net profit of UBA Group before taxation and before deduction of the Management Fee payable under the Investment Management Agreements shall be paid to UAML for each Financial Year. 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 of Upbest and UBA dated 11th February 2010.

The same parties again on 28th January 2013 entered into the Fourth Supplemental Investment Management Agreement whereby the term of the Second Investment Management Agreement together with the First Supplemental Investment Agreement, Second Supplemental Investment Agreement and Third Supplemental Investment Agreement will be extended for a period commencing from 1st April 2013 to 31st March 2016. Reference is made to the joint announcements by Upbest and UBA dated 28th January 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 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.

**(b) The Third Investment Management Agreement dated 26th January 2016**

UAML and UBA, on 26th January 2016 entered into the Third Investment Management Agreement for a period commencing from 1st April 2016 to 31st March 2019. The Second Investment Management Agreement, as extended by the First Supplemental Investment Management Agreement, Second Supplemental Investment Management Agreement, Third Supplemental Investment Management Agreement and Fourth Supplemental Investment Management Agreement, will remain in full force and effect until and the Third Investment Management Agreement becomes effective upon the approval of its respective board resolution.

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Pursuant to the Investment Management Agreements, UAML is entitled to a Management Fee amounting to 1.5% of UBA Group's net asset value, as at the immediately preceding Valuation Date, calculated based on the actual number of days in the relevant calendar month over a 365-day year.

The Investment Management Agreements, subject to the approval of the independent shareholders of UBA, EGM, and Upbest EGM, respectively, the Performance Fee payable to UAML in Hong Kong dollars will be 20% of the net profits of UBA Group, before taxation and deduction of the Management Fee for each Financial Year.

The amount of the Management Fee and Performance Fee paid by UBA to UAML during each of the three years ended 31st March 2013, 31st March 2014, 31st March 2015, and the nine months ended 31st December 2015 are shown below:

	For the year ended 31st March 2013 <i>HK\$'000</i>	For the year ended 31st March 2014 <i>HK\$'000</i>	For the year ended 31st March 2015 <i>HK\$'000</i>	For the nine months ended 31st December 2015 <i>HK\$'000</i>
Management Fee	1,621	1,739	2,123	2,121
Performance Fee	—	—	8,777	—
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
<b>Total</b>	<b><u>1,621</u></b>	<b><u>1,739</u></b>	<b><u>10,900</u></b>	<b><u>2,121</u></b>

With reference to the Letter from the Board, listed securities accounted for not less than 67% of UBA's net asset value from 2013 to 2015, with its peak of 88% in 2014. As such, UBA's net asset value is heavily influenced by the performance of the Hang Seng Index (the "HSI"). There was significant volatility in the HSI throughout the period between 2013 and 2015 ranging from a low of 19,400 point to a high of 28,600 point. The volatility of UBA's Management Fee over the same period is reflective of this.

The Performance Fee is calculated based on UBA's net profit for the year, before taxation and deduction of the Management Fee. UBA recorded losses in 2013 and 2014 due to impairment losses on available for sale investments. The UBA Group recorded a substantial profit for the financial year ended 31st March 2015, and paid the maximum allowable cap amount of HK\$10,900,000, inclusive of Management Fees, for the financial year ended 31st March 2015.

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### Management Fee and Performance Fee Caps

To comply with the Listing Rules 14A.53, it is required to specify an annual cap in respect of the Management Fee and Performance Fee payable by UBA to the UAML under the Third Investment Management Agreement, which is proposed as follows:

	For the Financial Year ended		
	31st March 2017	31st March 2018	31st March 2019
	(HK\$)	(HK\$)	(HK\$)
<b>Management Fee &amp; Performance Fee</b>	<u>10,100,000</u>	<u>11,600,000</u>	<u>13,300,000</u>

As advised by Management, the proposed annual caps for the Management Fee and Performance Fee is determined by reference to the net asset value of UBA as at 31st March 2016, and historical net income before tax and management fees, and a consider for a buffer thereof. The annual growth rate assumed was 15%.

The audited results of the UBA Group for the for the year ended 31st March 2016 were given to be a net loss of approximately HK\$7.4 million before tax and management fees, and net assets of approximately HK\$161.2 million. Based on historical profit trends and an annual growth rate of 15%, Management estimates the total Management Fee and Performance Fee for the financial year ended 31st March 2017 to be approximately HK\$7.9 million, comprising a Management Fee and Performance Fee of approximately HK\$3.2 million and HK\$4.7 million, respectively. A buffer has been incorporated into the annual cap for the Management Fee and Performance Fee of HK\$10.1 million for the year ended 31st March 2017. The buffer is made on the basis that tremendous volatility experienced by the global equity market in recent years as well as the historical fluctuation of the NAV of UBA as set out in the table below. Total fees for 2017 represent an approximately 17.43% decrease from the total Management Fee and Performance Fee paid for the year ended 31st March 2015 of HK\$10.9 million. It is noted that the global equity market has experienced tremendous volatility during the past 12 months, due to among others, a significant depreciation in the Renminbi, negative interest rates in Japan and Eurozone, significant appreciation in the Yen, the new policies implemented by the Chinese government, and increasing interest rates in the United States. Hong Kong's economy has been affected by this turmoil as evident by the slump in Hang Seng Index since mid-2015. Given that (i) the expected volatility and unpredictability in the equity markets going forward; and (ii) it could become a limitation or discouragement for the Investment Manager to capture possible gains if there is no buffer made, we concur with the Management that the buffer is reasonably applied by the Company.

In order to analyse the reasonableness of the expected annual growth rate of 15% for the proposed annual caps regarding the Management Fee and Performance Fee (the "**Cap Growth Rate**"), we have conducted an independent analysis of the UBA Group's historical net asset value trends, and its average return on equity using their net profit before tax and management fee. Our analysis commences from the year 2010 ending in 2016, using published financial information of the UBA Group. We consider this the longest practicable period sufficient to analyze trends without incorporating effects from outlier data of the 2008 financial crisis.

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Below is a table of the UBA Group's net asset values from 2010 to 2016 and their respective percentage changes thereof, followed by a statistical analysis of its returns:

**Table 1**

<b>Year End 31st March</b>	<b>Net Asset Value ("NAV")</b>	<b>NAV % change</b>
2016	161,164,223	-6.34%
2015	172,065,859	62.48%
2014	105,899,326	-0.19%
2013	106,102,457	2.93%
2012	103,079,525	-22.89%
2011	133,670,007	14.12%
2010	117,126,690	33.05%

Analysis of NAV percentage change:

Mean	11.88%
Standard deviation	28.23%
Maximum	62.48%
Minimum	-22.89%

The mean return over the period is 11.88% with a standard deviation of 28.23%, implying that the change in NAV for any given year will on average range between -16.35% and 40.11% (being the mean return plus/minus one standard deviation). Given that management fees generally do not comprise a significant amount of the annual cap in any given year, and that Management's proposed 15.00% annual cap growth rate is not significantly different from the mean NAV growth rate and well within a standard deviation's range, we consider it a fair and reasonable assumption for its application to the Management Fee.

The UBA Groups performance fees are calculated based on profits before management fees and taxes ("**Gross Profit**"). With respect to the 15.00% proposed annual growth rate for the Performance Fee, we refer to the analysis of the UBA Group's Gross Profit trends, corresponding returns on beginning equity, and a statistical analysis thereof, as detailed under Table 2 below. A mean return on equity of 14.13% and a standard deviation of 31.21%, statistically, implies that the expected return on equity for any given year to be 14.13% on average, and range between -17.08% and 45.34% on average (being the mean return on equity plus/minus one standard deviation). As Management's proposed 15.00% growth rate is not significantly different from the mean return on equity, and well within the bounds of a standard deviation's range, we consider this assumption fair and reasonable for its application to the Performance Fee.

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**Table 2**

<b>Year End</b>	<b>Gross Profit</b>	<b>Equity</b>	<b>ROE</b>
2016	(7,439,692)	161,164,223	-4.32%
2015	77,780,233	172,065,859	73.45%
2014	(1,656,811)	105,899,326	-1.56%
2013	(376,797)	106,102,457	-0.37%
2012	(25,846,524)	103,079,525	-19.34%
2011	19,728,293	133,670,007	16.84%
2010	30,088,308	117,126,690	34.18%

Analysis of return on equity:

Mean	14.13%
Standard deviation	31.21%
Max	73.45%
Min	-19.34%

Upon our analysis of historical Management Fee and Performance Fees paid, method of determining the expected annual cap for the year ended 31st March 2017, and the basis on which the Cap Growth Rate is determined, we are of the opinion that the proposed annual caps for the years ending 31st March 2017, 2018, and 2019, are fair and reasonable.

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

*Management Fee*

Payment terms:	Monthly payment
Management Fee:	1.5% 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

*Performance Fee*

Payment terms:	Yearly payment
Performance Fee:	20% of net profit of UBA Group before taxation and before deduction of the Management Fee payable

We note that the determination of Management Fee and Performance Fee, particularly Performance Fees, can be unique and can vary depending on the type, strategy and structure of the fund in question. Despite this, we have reviewed and included, as far as we are aware, all the management and performance fee packages published in the last 12 months by investment companies listed under Chapter 21 of the Listing Rules on the Stock Exchange (the “**Comparables**”). We consider a comparison against these packages could provide a general reference and benchmark as to the reasonableness of the Management Fee and Performance Fee. The table below lists the investment companies reviewed, along with a summary of their corresponding management and performance fees. This list is may not be exhaustive, but we consider it sufficient for our comparison purposes:

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<b>Company name (Stock code)</b>	<b>Management fee (Note 1)</b>	<b>Performance fee (Note 1)</b>
China New Economy Fund Limited (80)	a maximum aggregate fee payable of HK\$960,000 per annum	N/A
China Merchants China Direct Investments Limited (133)	<p>The aggregate of:</p> <p>a. on the invested portion of the assets of the group represented by unlisted securities or interests: 2.25% of the book value (net of taxes);</p> <p>b. on the invested portion of the assets of the group represented by securities listed on a recognized stock exchange:</p> <p style="padding-left: 20px;">i. during the lockup period following listing: 2.25% of the book value (net of taxes);</p> <p style="padding-left: 20px;">ii. for the one year after the lockup period lapses: 1.75% of the book value (net of taxes);</p> <p style="padding-left: 20px;">iii. thereafter: 1.50% of the book value (net of taxes);</p> <p style="padding-left: 20px;">iv. in respect of listed securities purchased from the secondary market: 1.50% of the book value (net of taxes); and</p> <p>c. on the un-invested portion of the assets of the group: 0.75% of the book value.</p>	8% of the amount by which the net asset value as at the end of the relevant financial year (as adjusted) exceeds the high watermark provision

*Note:* the book value (net of taxes) of unlisted securities or interests mentioned above is based on fair value; whilst the book value (net of taxes) of listed securities mentioned above is based on mark to market value

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<b>Company name (Stock code)</b>	<b>Management fee (Note 1)</b>	<b>Performance fee (Note 1)</b>
China Assets (Holdings) Limited (170) (Note 2)	The aggregate of: <ol style="list-style-type: none"> <li>a. 2.75% per annum on the aggregate cost to the company of the investments (less any provisions in respect thereof held by it from time to time; and</li> <li>b. 1% per annum on the value of the un-invested net assets of the company</li> </ol>	Return on net assets: <ol style="list-style-type: none"> <li>a. On the first 10%: Nil;</li> <li>b. On the next 10%: <math>15\% \times</math> (net profit after tax minus 10% of net assets);</li> <li>c. On the excess over 20%: <math>20\% \times</math> (net profit after tax minus 20% of net assets); and</li> </ol> <p>an additional performance bonus equivalent to 20% of the net capital gains of the company if the net asset value as at a quarter day would be equal to or greater than 100% of the aggregate of the original subscription price of all shares in the company which then remain outstanding</p>
China Investment Development Limited (204)	an annual management fee payable of HK\$720,000	N/A

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<b>Company name (Stock code)</b>	<b>Management fee (Note 1)</b>	<b>Performance fee (Note 1)</b>
Prosperity Investment Holdings Limited (310)	a management fee of a fixed amount HK\$600,000 per month (exclusive of disbursements)	a discretionary bonus, if any and at such amount as the board may at its discretion determine, provided that no such bonus shall be payable unless the adjusted net asset value as at the end of each financial year exceeds the higher of: (i) the net asset value for the year ending 31st December 2015; and (ii) the adjusted net asset value of the most recent financial year after year 2015 for which the investment manager is paid a discretionary bonus (high watermark). The amount of such bonus shall not in any event exceed 5% of such excess.
Earnest Investments Holdings Limited (339)	a monthly management fee payable of HK\$40,000	N/A
DT Capital Limited (356)	1.5% per annum of the gross net asset value, calculated as the arithmetical average of the published gross net asset value on the last day of each calendar month during each relevant year	15% on the amount of audited consolidated net asset value of the company (calculated as at the end of each respective financial year) exceeding the high watermark as at the relevant financial year, subject to adjustments by disregarding the effects of any new issue of securities or distribution on the gross net asset value

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<b>Company name (Stock code)</b>	<b>Management fee (Note 1)</b>	<b>Performance fee (Note 1)</b>
Huge China Holdings Limited (428)	0.5% per annum on the net asset value, subject to an annual maximum cap of HK\$1,800,000 (or such other higher limits to be mutually agreed in good faith between the Huge China Holdings Limited and its investment manager).	N/A
China Investment Fund Company Limited (612)	an annual management fee payable of HK\$960,000; and the company reimburse Asia Investment Management Limited for all its expenses incurred in relation to the performance of its duties up to a maximum amount of HK\$200,000 per annum	N/A
SHK Hong Kong Industries Limited (666)	0.375% per quarter (equivalent to 1.5% per annum) of the gross net asset value, calculated as the arithmetical average of the published gross net asset value on the last day of each calendar month during each relevant quarter, and payable quarterly in arrears	20% of the amount by which the audited net asset value of each year ended 31st December exceeds the high watermark as at the relevant financial year
China Financial International Investments Limited (721)	a management fee is payable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio(s) managed by it	a performance-related fee of 5% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum
Shanghai International Shanghai Growth Investment Limited (770)	0.5% per quarter (equivalent to 2.0% per annum) of the net asset value calculated before deduction of the fees payable to the investment manager and the company's investment adviser and custodian for that quarter	20% of the amount by which the net asset value as at 31st December in the calculation year exceeds the high watermark

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<b>Company name (Stock code)</b>	<b>Management fee (Note 1)</b>	<b>Performance fee (Note 1)</b>
China Internet Investment Finance Holdings Limited (810)	an investment management fee of HK\$50,000 per month; the company shall reimburse Success Talent Investments Limited for all out-of-pocket expenses properly incurred in the proper performance of its duties; and if the amounts of such out-of-pocket expenses exceed HK\$30,000 per annum, Success Talent Investments Limited shall obtain prior written approval from the board of directors of the company	N/A
Eagle Ride Investment Holdings Limited (901)	2% per annum of the net asset value as at each valuation date and no management fee is payable on the un-invested portion of the company's assets and such portion shall be excluded from the net asset value when calculating the management fee	15% per annum of any net appreciation in the net asset value at the relevant performance fee valuation date above the high watermark
Unity Investments Holdings Limited (913)	a management fee of HK\$50,000 per month	N/A
China Development Bank International Investment Limited (1062)	an annual management fee payable of HK\$350,000	N/A
OP Financial Investments Limited (1140)	1.5% per annum of the net asset value as at the immediately preceding valuation date	10% of the appreciation in the net asset value per share calculated as at the relevant performance fee valuation date over the base net asset value per share, subject to a high watermark provision
Grand Investment International Limited (1160)	an annual management fee payable of HK\$288,000	N/A

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<b>Company name (Stock code)</b>	<b>Management fee (Note 1)</b>	<b>Performance fee (Note 1)</b>
China Innovation Investment Limited (1217)	the first portion is fixed portion, the company pay China Everbright Securities (HK) Limited HK\$480,000 per annum (HK\$40,000 per month); the second portion is variable portion, the company pay China Everbright Securities (HK) Limited HK\$480,000 per annum and was liable only when the audited profit before tax of each financial year of the company reaches HK\$480,000 and payable within one month after the publication of the company's final audited result for the year	N/A
China Investment and Finance Group Limited (1226)	an annual management fee of HK\$960,000 which is payable monthly in arrears	N/A
National Investments Fund Limited (1227)	a fixed management fee of HK\$100,000 per month	N/A
China Financial Leasing Group Limited (2312)	a annual management fee payable of HK\$640,000	N/A
Capital VC Limited (2324)	a monthly management fee payable of HK\$50,000	N/A
The Company	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	20% of net profit of UBA Group before taxation and before deduction of the Management Fee payable

- Note:*
- Based on the latest published announcements, annual reports, interim reports and/or circulars from the corresponding companies up to the date of the Third Investment Management Agreement.
  - China Assets (Holdings) Limited has changed to in-house management of its investment since 31st December 2015.

As for the investment management fees charged, we noted from the Comparables that there are two methods for the management fee charged: (i) as a percentage of net asset value or (ii) by a fixed amount. As to make a more reasonable comparison, we compare those Comparables that using the same mechanism with UBA namely, DT Capital Limited (356), Huge China Holdings Limited (428), SHK Hong Kong Industries Limited (666); Shanghai International Shanghai Growth Investment Limited (770) and Eagle Ride Investment Holdings Limited (901). In respect of the investment management fees charged based on net asset value, the percentages range from 1.5% to 2%, the 1.5% of net asset value per annum management fee paid by UBA is on the low end and in line with the Comparables.

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In terms of performance fees, calculations vary within the Comparables, with the majority based on portfolio asset values, or net profit before tax. The amount charged ranged between 5% and 20%. Based on this analysis, we are satisfied that the basis of determination of the Performance Fee based on net profit before tax of UBA, is in line with the market practice in general and the rate of 20% is within the market range charged in the industry.

The mechanism for determining the Performance Fee was established in 2008. It was agreed that all investment decisions of UBA Group would be discussed with and based on UAML's advice. The amount of fees receivable by the UAML from UBA Group, being the Management Fee and Performance Fees in aggregate, are subject to an annual cap. For the year ended 31st March 2015, the annual cap amount was HK\$10.9 million, of which HK\$2.1 million was attributed to Management Fees, and the remainder HK\$8.8 million allocated to performance fees. In the absence of the cap, as in an independent third party relationship, UAML would have been entitled to HK\$13.8 million of performance fees, approximately 56.82% more. In considering the aforementioned, we are of the opinion that the terms and conditions of the mechanism for determining the performance fee is fair and reasonable.

A high watermark is defined as the highest value achieved by the investment fund, and is used as a benchmark above which a fund value must achieve before its investment manager is entitled to any performance fees. Its intention is to align principal and agent interests (investors being the principals/owners, and the investment manager being their agent), by prohibiting compensation to investment managers before investors/principals themselves realize any profits (i.e. the investment manager does not profit until the investor does). The high watermark aims to ensure that the investment manager does not get paid a performance bonus for poor fund performance. If the investment manager loses money in the first year, it must get the fund value above the high watermark before it could receive the performance bonus in the second or third year.

There are also adverse effects of high watermarks. A fund value below its high watermark, can serve as an incentive for investment managers to take on excessive risks; potentially compromising the covenants and risk objectives in its investment mandate to investors. In instances where a fund has been below the high watermark for extended periods, it can also serve as a disincentive for investment managers to continue to perform at a satisfactory level of effort, risk and prudence. High watermark provisions are included in 8 out of the 9 Comparables that pay performance fees.

We have conducted research from sources on the public domain and academic research papers to understand the potential effects of performance fees and high watermarks on investment manager behaviour. Many conclude that funds with high watermarks tend to distort the optimal risk taking policy of the investment manager. On the one hand, an investment manager's propensity for risk decreases as the fund falls below the high watermark to avoid further drops from the high watermark. On the other hand, a manager's propensity for risk increases the further fund values fall below its high watermark in order to reduce the time to its next payout, which occurs through performance fees by bringing the fund value above its high watermark, or by termination and starting a new endeavor. In either case, the investment managers optimal risk profile is compromised; as such, whether high watermarks are an effective tool in aligning principal and agent interests (here being investor vs. investment manager risk-return objectives) is an open question, and still subject to debate within the industry. (*Source: The Incentives of Performance Fees and High Watermarks, by Paolo Guasani of Boston University and Dublin City University, and Jan Obloj of Oxford University, 2013; Risk Choice under High Watermarks, by Itamar Dreschler, New York University, 2014*).

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With respect to the possibility that in order to reduce the time to its next payout, an investment manager may terminate the current fund and start a new endeavor, we have researched on the effect of performance fees with high watermark provisions on the hedge funds. Based on information available from the public domain, a high number of hedge funds liquidations was recorded in 2015 globally, which was also the first year since the 2008 financial crisis that more hedge funds were liquidated than opened. As noted from information available in the public domain, we understand that one of the reasons for such high number of closures is due to a lack of monetary incentive to continue on the part of investment managers because of, among other things, the high watermark provision. As such, we consider that a high watermark provision may also discourage the investment manager to use his best endeavor to achieve performance for the fund managed if the fund managed suffers a period of volatility and the net asset value of a fund falls below the high watermark threshold. While we note that UBA as a listed company and hedge funds are different in structure, we consider that the remuneration structure of fund managers are similar in the sense that remuneration generally comprises management fee and performance fee which is in turn affected by the change in fund value/NAV. The hedge fund scenario can provide insight on potential impact of high watermark mechanism on investment manager. It should be noted that high watermark provision is only one of and may not be the primary reasons for such closures.

The table below sets out the NAV of the UBA Group, together with its Gross Profits and Performance Fees paid, if any, for the last ten years:

**Table 3**

Year End	Gross Profit	Performance Fee	NAV	NAV change	Hang Seng Index return
2016	(7,439,692)	–	161,164,223	-6.34%	-16.56%
2015	77,780,233	8,776,572	172,065,859	62.48%	12.41%
2014	(1,656,811)	–	105,899,326	-0.19%	-0.67%
2013	(376,797)	–	106,102,457	2.93%	8.48%
2012	(25,846,524)	–	103,079,525	-22.89%	-12.63%
2011	19,728,293	3,945,658	133,670,007	14.12%	10.77%
2010	30,088,308	5,034,930	117,126,690	33.05%	56.45%
2009	(32,656,480)	–	88,029,526	-37.90%	-40.58%
2008	16,215,730	4,138,896	141,763,884	-5.73%	15.39%
2007	26,470,347	–	150,378,822	40.97%	25.28%
2006	4,926,668	–	106,676,235		

*Note:* Performance fees first instituted in May 2008. An amount of HK\$4,138,896 was paid to UAML as special bonus for the year ended 31st March 2008.

According to the annual results of UBA for the year ended 31st March 2016 and further information provided by the Management with respect to UBA's investment portfolio, the investment portfolio of listed equity securities of UBA comprised 30 companies, of which companies in the sectors of department store, telecommunication, manufacturing, property development/investment, and banking/finance accounted for over 90% of the portfolio in terms of fair value as at 31st March 2016.

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As advised by the Management, UBA adopted a prudent investment approach. We noted that 19 out of 30 companies in the investment portfolio of listed equity securities of UBA had market capitalisation of over HK\$2 billion (representing about 60% of the investment portfolio in terms of fair value) as at 31st March 2016, with certain companies being constituents of the HSI. We consider that such companies with high market capitalisation generally have stable financial performance and financial position. On the other hand, according to the annual results of UBA for the year ended 31st March 2016, UBA recorded dividend income from listed equity securities of HK\$3.6 million for the year ended 31st March 2016, representing a dividend yield of approximately 2.8% based on the fair value of the listed equity securities of approximately HK\$126.1 million as at 31st March 2016 (for the year ended 31st March 2015: 2.0%). We consider that dividends from the investment portfolio could provide a steady source of income beside capital appreciation. Based on the foregoing, we consider that the investment portfolio of listed equity securities of UBA exhibits traits of prudent investment approach.

We further noted that, however, as a result of UBA's prudent investment approach, companies with high market capitalisation selected for the portfolio, with some being constituents of the HSI, generally have high liquidity and are correlated with market fluctuations. Indeed, based on the table above, NAV changes of UBA between 2007 and 2016 are correlated with the movements of HSI. NAV changes of UBA, therefore, are seen to be influenced by market conditions and overall market sentiment, e.g. the NAV of UBA dropped from approximately HK\$141.8 million for the year ended 31st March 2008 to HK\$88.0 million for the year ended 31st March 2009 due to the global financial crisis in 2008. It is worthy to note that, when benchmarked against HSI, from 2014 to 2016, NAV changes of UBA were more favourable than the movement of HSI during the corresponding period, indicating active returns attributable to the investment management skill and decisions of UAML.

There are possibilities that, as demonstrated from the NAV change of UBA for the past ten years, that Performance Fee would be paid even the then NAV was lower than the NAV of the reference year or NAV of the year for which Performance Fee was paid, should the high watermark provision be in place.

From the table above, should a high watermark have been included in the calculation of Performance Fee which was introduced in May 2008, UAML would have not been compensated between the six financial years between 1st April 2008 and 31st March 2014, including the payments of Performance Fee of approximately HK\$5.0 million for the year ended 31st March 2010 and approximately HK\$3.9 million for the year ended 31st March 2011, notwithstanding the fact that the NAV of UBA dropped from approximately HK\$141.8 million for the year ended 31st March 2008 to HK\$88.0 million for the year ended 31st March 2009 due to the global financial crisis in 2008. In such case, UAML would not have been compensated for any of the return, in particular active return, attributable to its investment management decision during such period. This could have served as a disincentive for UAML to use its best efforts in managing the fund for the investors. The impact of including high watermark provision in the existing Performance Fee Structure, which has been in place since May 2008, on the investment management approach of UAML and accordingly, the investment performance, would be uncertain. Under these circumstances, we cannot disagree with Management's decision to base their performance fee on Gross Profits, rather than NAV with the inclusion of a high watermark.

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## LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED

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Ultimately, according to The International Organisation of Securities Commissions, an international association of regulatory bodies around the world, performance fees should be consistent with the fund's investment objectives, and should not create incentives for investment managers to take excessive risks, and deny investors an adequate remuneration of the return derived from the agreed upon risks taken on their behalf. Based on the foregoing, we consider that the current Performance Fee determination basis is appropriate considering UBA's investment approach.

Based on the foregoing, we are of the view that, while according to the Comparable, high watermark provision is commonly adopted for the calculation of the performance fee, indicating that the absence of a high watermark provision is not normal commercial terms in the sense that such provision is commonly adopted by investment companies listed under Chapter 21 of the Listing Rules on the Stock Exchange, the terms of the Investment Management Agreement are fair and reasonable so far as the Independent Shareholders are concerned in the absence of a high watermark provision given that it is appropriate to the UBA Group's prudent investment approach as analysed above, further taking into account the inherent drawback of high watermark provision as discussed above.

### RECOMMENDATION

The Supplemental Agreements and the annual caps thereunder are subject to the Independent Shareholders approval. We are of the view that the entering into the Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement, the Third Investment Management Agreement and the continuing connected transactions are in the ordinary and usual course of business, on normal commercial terms (except the absence of the high watermark provision), and in the interests of UBA and its Shareholders as a whole. In addition, the terms of Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement, the Third Investment Management Agreement, the continuing connected transactions and the annual caps are fair and reasonable so far as the interests of the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the terms of Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement and the Third Investment Management Agreement, the continuing connected transactions and the annual caps.

Yours faithfully,

For and on behalf of

**Messis Capital Limited**

**Robert Siu**

*Managing Director*

**Wallace Cheung**

*Associate Director*

*Note:* Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over 15 years of experience in corporate finance industry.

Mr. Wallace Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a licensed representative of Mesis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over 5 years of experience in the corporate finance industry.

## 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 Group. 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	Number or attributable number of shares held or short positions	Capacity	Approximate percentage of shareholding
Mr. Cheng Wai Lun, Andrew ( <i>Note</i> )	Corporate/Long position	340,000,000	32.08%

*Note:* The shares are held by Fung Fai Growth Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company. Mr. Cheng Wai Lun, Andrew and their family members are one of the beneficiaries of the trust which assets include interests in the entire issued share capital of Fung Fai Growth Limited and accordingly, they are deemed to be interested in 340,000,000 shares and the entire issued share capital of Fung Fai Growth 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 Group:

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage or attributable percentage of shareholding
Fung Fai ( <i>Note 1</i> )	Beneficial Owner/ Long Position	340,000,000	32.08%
Kingswell Holdings Group Limited ( <i>Note 2</i> )	Beneficial Owner/ Long Position	192,000,000	18.12%

*Note 1:* The shares are held by Fung Fai Growth Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company. Mr. Cheng Wai Lun, Andrew and their family members are one of the beneficiaries of the trust which assets include interests in the entire issued share capital of Fung Fai Growth Limited and accordingly, they are deemed to be interested in 340,000,000 shares and the entire issued share capital of Fung Fai Growth Limited under the SFO.

*Note 2:* The entire issued share capital of Kingswell Holdings Group Limited is owned by Mr. Janusz Mieczyslaw Stempnowski. Mr. Janusz Mieczyslaw Stempnowski does not hold any position or role in the UBA Group.

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 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>
Messis Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, MESSIS Capital is 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.

MESSIS Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 2nd August 2016 for incorporation in this circular and reference to its name in the form and context in which they appear.

**5. COMPETING INTERESTS**

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

**6. LITIGATION**

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

**7. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31st March 2016, 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 MESSIS Capital and the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31st March 2016, 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 Flat B, 16th Floor, Wah Kit Commercial Centre, 300 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 at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The company secretary of the Company is Mr. LEUNG Man Lai.
- (g) The English text of this circular and the proxy form shall prevail over the Chinese text in case of inconsistency.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company at Flat B, 16th Floor, Wah Kit Commercial Centre, 300 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 24th August 2016:

- (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, the Third Supplemental Investment Management Agreement and the Forth Supplemental Investment Management Agreement;
- (d) the Third Investment Management Agreement;
- (e) the agreements entered into between UBA, UBA Financial and Super Idea and UICL respectively dated 15th November 2002, 13th March 2003 and 22nd June 1999 respectively in relation to the Financial Assistance;
- (f) the agreements between UBA Gold and UGL dated 22nd February 2007 and 2nd May 2008 in relation to the Financial Assistance;
- (g) 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;

- (h) the Deed of Novation;
- (i) the Precious Metal Financial Assistance Agreement;
- (j) the Supplemental Agreements;
- (k) the letter from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this circular;
- (l) the written consent from the expert referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (m) the letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 27 to 54 in this circular.

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## NOTICE OF EGM

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### UBA INVESTMENTS LIMITED

### 開明投資有限公司\*

*(incorporated in Cayman Islands with limited liability)*

**(Stock code: 768)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of UBA Investments Limited (the “**Company**”) will be held at 16th Floor, Wah Kit Commercial Centre, 300 Des Voeux Road Central, Hong Kong on 24th August 2016 at 3:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

Unless otherwise specified, capitalised terms used in this notice of the Meeting shall have the same meanings as those defined in the circular of the Company dated 2nd August 2016.

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the supplemental agreement dated 26th January 2016 entered into between UBA Financial and UICL in relation to the provision of securities margin financing service by UICL to UBA Financial (copy of which have been produced at the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the terms thereof and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the supplemental agreement dated 26th January 2016 entered into between Super Idea and UICL in relation to the provision of securities margin financing service by UICL to Super Idea (copy of which have been produced at the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification) and the terms thereof and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the supplemental agreement dated 26th January 2016 entered into between UBA and UICL in relation to the provision of securities margin financing service by UICL to UBA (copy of which have been produced at the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification) and the terms thereof and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (d) the Precious Metal Financial Assistance Agreement dated 26th January 2016 entered into between UGS with UBA Gold in relation to the provision of precious metal margin financing services by UGS 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, confirmed and ratified;

\* For identification purpose only

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## NOTICE OF EGM

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- (e) the annual caps for the Financial Assistance for the financial years ending 31st March 2017, 31st March 2018 and 31st March 2019 be and are hereby approved; and
- (f) 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 Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement 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 Financial Assistance Supplemental Agreements, the Precious Metal Financial Assistance Agreement and transactions contemplated thereunder.”

2. **“THAT:**

- (a) the Third Investment Management Agreement dated 26th January 2016 entered into between UAML and UBA in relation to the provision of assets 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, confirmed and ratified;
- (b) the annual caps for the Management Fee and Performance Fee for the financial years ending 31st March 2017, 31st March 2018 and 31st March 2019 be and are hereby approved; and
- (c) 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 Third Investment Management Agreement 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 Third Investment Management Agreement and transactions contemplated thereunder.”

By order of the Board  
**UBA Investments Limited**  
**Dr. WONG Yun Kuen**  
*Chairman and Executive Director*

Hong Kong, 2nd August 2016

*Registered office:*  
P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*  
Flat B, 16th Floor  
Wah Kit Commercial Centre  
300 Des Voeux Road Central  
Hong Kong

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## NOTICE OF EGM

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*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 need 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 Flat B, 16th Floor, Wah Kit Commercial Centre, 300 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.