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**UPBEST GROUP LIMITED**

**美建集團有限公司\***

*(incorporated in Cayman Islands with limited liability)*

(Stock code: 335)



**UBA INVESTMENTS LIMITED**

**開明投資有限公司\***

*(incorporated in Cayman Islands with limited liability)*

(Stock code: 768)

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

**INTRODUCTION**

UAML, a wholly owned subsidiary of Upbest, is an investment adviser registered with the Securities and Futures Commission and has been retained by the UBA Group to provide investment advice on trading of Hong Kong stocks, initial public offerings subscriptions, futures contracts and precious metal trading since December 2000. In furtherance of such investment advice, UBA Group has entered into contracts for securities dealings, futures contracts dealing, margin financing and precious metal margin financing pursuant to which Upbest will provide Financial Assistance to UBA for carrying out trading of Hong Kong stocks, initial public offerings subscriptions, and precious metal trading.

**CONNECTED AND CONTINUING CONNECTED TRANSACTIONS**

Upbest Board and UBA Board announce that on 2<sup>nd</sup> May, 2008, Upbest Group and UBA Group entered into various supplemental agreement(s) in relation to (i) the provision of securities margin financing service and precious metal margin financing service (collectively the “**Financial Assistance Transactions**”); and (ii) the Investment Management Agreements (the “**Investment Management Transaction**”).

For the Financial Assistance Transactions, (i) Upbest Group and UBA Group have agreed to extend the service period for both the securities margin financing service and precious metal margin financing service period to 31<sup>st</sup> March, 2010 and (ii) in relation to the precious metal margin financing service, UGL will charge UBA Group interest at an interest rate at 1.05% per annum above its borrowing costs for the financing facilities provided.

For the Investment Management Transaction, the Investment Management Agreements shall be amended to the effect that in respect of each Financial Year, UAML will also be entitled to receive from UBA an annual performance fee (if any) payable in Hong Kong dollars based on

20% of net profit of UBA before taxation and before deduction of Management Fee payable under the Investment Management Agreements.

In addition, to reward UAML's outstanding performance in providing investment management services to UBA Group in the past, and having carefully considered UBA performance for current period, UBA and Upbest has on 2<sup>nd</sup> May 2008 entered into an agreement pursuant to which the Special Bonus will be paid to UAML by UBA (the "**Special Bonus Transaction**"). The Special Bonus is 20% of UBA Group's audited net profit before taxation and before deduction of Management Fee payable under the Investment Management Agreements for the Financial Year ended 31<sup>st</sup> March, 2008 or HK\$17,000,000, whichever is the lower. Since the audited net profit before tax of UBA is unavailable as at the date of this announcement, for the purpose of setting a cap for the Special Bonus, both the boards of directors of Upbest and UBA, having regard to the net profit of UBA for the six months ended 30<sup>th</sup> September, 2007, agree that the Special Bonus shall not exceed HK\$17,000,000. The cap of HK\$17,000,000 is not an estimate of or an estimate of certain percentage of the net profit before tax of UBA for the Financial Year ended 31<sup>st</sup> March, 2008 but is merely a cap arrived at after arm's length negotiation between Upbest and UBA with reference to the above net profit for the six months ended 30<sup>th</sup> September 2007. The Special Bonus is thus subject to reporting, announcement and the approval by both Upbest Independent Shareholders and UBA Independent Shareholders under Rule 14A.34 of the Listing Rule. The Special Bonus is payable only after the audited account of UBA Group is issued by its auditors.

## **RELATIONSHIP AMONG THE CONTRACTING PARTIES**

As at the date of this announcement, CCAA holds approximately 71.82% 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. Interest beneficiaries of the Cheng's Family Trust include Mr. Cheng, Ms. Cheng and Mr. Andrew Cheng and each of them is a director of Upbest. Mr. Andrew Cheng is also a director of UBA. Moreover, UAML, the investment manager of UBA, is regarded as a connected person of UBA under Rule 21.13 of the Listing Rules. For the aforesaid connection, the Financial Assistance Transaction and Investment Management Transaction constitute a continuing connected transaction; and the Special Bonus Transaction constitutes a connected transaction.

## **LISTING RULES IMPLICATION**

Since it is considered that the supplemental agreements in relation to the securities margin financing services and precious metal margin financing services are of similar nature as both involves provision of Financial Assistance, they are aggregated as one transaction for the purpose of Chapter 14A of the Listing Rules. Since the cap of the Financial Assistance provided by Upbest Group to UBA Group pursuant to the Financial Assistance Transaction will exceed HK\$10 million and all the applicable percentage ratio will exceed 2.5% for both Upbest and UBA, according to Rule 14A.34 of the Listing Rules, such transaction is subject to the approval by the Upbest Independent Shareholders and UBA Independent Shareholders at Upbest EGM and UBA EGM respectively.

Since the annual cap of the Management Fee plus Performance Fee payable by UBA Group to Upbest Group pursuant to Investment Management Transaction will exceed HK\$10 million and all the applicable percentage ratio will exceed 2.5% for UBA and the percentage ratio for the revenue test will exceed 2.5% for Upbest, according to Rule 14A.34 of the Listing Rules, such transaction is subject to the approval by the Upbest Independent Shareholders and UBA

Independent Shareholders at Upbest EGM and UBA EGM respectively.

Since the Special Bonus Transaction constitutes a connected transaction between UBA and Upbest, the maximum payable exceeds HK\$10,000,000 and all the percentage ratio will exceed 2.5% for UBA and the percentage ratio for the revenue test exceed 2.5% for Upbest, the Special Bonus Transaction is subject to the approval by the Upbest Independent Shareholders and UBA Independent Shareholders at Upbest EGM and UBA EGM respectively.

As disclosed under the section headed “Relationship Among the Contracting Parties” above, **CCAA and its associates, who are connected persons of Upbest and with a material interests in the aforesaid transactions, will abstain from voting in Upbest EGM to be convened for the approval of, inter alia, the transactions. Fung Fai and its associates, who are connected persons of UBA and with a material interests in the aforesaid transactions, will abstain from voting in the UBA EGM to be convened for the approval of, inter alia, the transactions.**

Upbest Independent Board Committee, which comprises two independent non-executive directors of Upbest having no material interest in these transactions, namely Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai, has been formed to advise the Upbest Independent Shareholders in relation to Financial Assistance, Performance Fee, Management Fee and Special Bonus. UBA Independent Board Committee, which comprises two independent non-executive directors of UBA having no material interest in these transactions, namely, Dr. Lewis Hung Fung and Mr. Ip Man Tin, has been formed to advise the UBA Independent Shareholders in relation to Financial Assistance, Performance Fee, Management Fee and Special Bonus. 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 and therefore is not appointed a member to the Upbest Independent Board Committee and UBA Independent Board Committee.

Each of Upbest and UBA will convene an EGM for the approval of the transactions. Each of Upbest and UBA will appoint an independent financial adviser to advise their respective independent board committee respectively on the terms of the supplemental agreements and the relevant cap amounts in respect of the continuing connected transactions and the connected transaction which require approval from Upbest Independent Shareholders and UBA Independent Shareholders respectively.

## **GENERAL**

A circular for each of Upbest and UBA containing, amongst other things, a letter from the respective independent financial adviser containing its advice to the respective independent board committees of Upbest and UBA on the subject transactions, a letter from each of the Upbest Independent Board Committee and UBA Independent Board Committee, a notice convening the Upbest EGM and UBA EGM respectively and further details relating to the transactions which require approvals by the Upbest Independent Shareholders and UBA Independent Shareholders will be dispatched as soon as practicable. Each of its independent financial adviser will respectively advise the Upbest Independent Board Committee, Upbest Independent Shareholders and UBA Independent Shareholders, UBA Independent Board Committee on the transactions.

## **INTRODUCTION**

UAML, a wholly owned subsidiary of Upbest, is an investment adviser registered with the Securities and Futures Commission and has been retained by the UBA Group to provide investment advice on trading of Hong Kong stocks, initial public offerings subscriptions, futures contracts and precious metal trading since December 2000. In furtherance of such investment advice, UBA Group has entered into contracts for securities dealing, futures contracts dealing, margin financing and precious metal margin financing pursuant to which Upbest will provide Financial Assistance to UBA for carrying out trading of Hong Kong stocks, initial public offerings subscriptions, and precious metal trading.

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

### *(a) Securities margin financing service*

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

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

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

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

On 2<sup>nd</sup> May, 2008, UGL entered into a supplemental agreement with UBA Gold in relation to the provision of precious metal margin financing service by UGL to UBA Gold. According to the supplemental agreement, UGL and UBA Gold agreed that the relevant original

agreement will be extended to 31<sup>st</sup> March, 2010 and is subject to renewal by written supplemental agreement between the contracting parties. The supplemental agreement also provided that the interest rate for the precious metal margin financing service will be 1.05% per annum above the borrowing costs of UGL. Save as disclosed above, the relevant original agreement regarding the precious metal margin financing service shall in all respects remain and continue in full force and effect.

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

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

## HISTORICAL DATA

In furtherance of the investment advice to be provided by UAML to UBA Group, UBA Group has been obtaining Financial Assistance from Upbest Group as early as June 1999. The Financial Assistance provided by Upbest Group to UBA Group include (i) securities margin financing service, (ii) precious metal margin financing service; and (iii) initial public offer financings.

UBA was listed on the Main Board on 18 January 2000 and Upbest was listed on the Main Board on 18 October 2000. Accordingly, the obligations to comply the Listing Rules arose in relation to such transactions commenced on 18 January 2000. The provision and receipt of Financial Assistance between Upbest Group and UBA Group in the past also constituted connected transactions on the part of Upbest and UBA under the Listing Rules.

### *(i) Financial Assistance provided by Upbest Group to UBA Group in the past*

The Financial Assistance incurred for (i) three months period ended 31<sup>st</sup> March, 2000; (ii) each of the financial years ended 31<sup>st</sup> March thereafter; and (iii) up to the ten months ended 31<sup>st</sup> January 2008 are as follows:.

	During the three months period ended	During the Financial Year ended	During the Financial Year ended	During the Financial Year ended	During the Financial Year ended
	31 <sup>st</sup> March, 2000 (HK\$)	31 <sup>st</sup> March, 2001 (HK\$)	31 <sup>st</sup> March, 2002 (HK\$)	31 <sup>st</sup> March, 2003 (HK\$)	31 <sup>st</sup> March, 2004 (HK\$)
Margin financing Maximum amounts (approximately)	4,563,588	13,391,527	4,362,337	4,751,759	4,268,235

	During the Financial Year ended	During the Financial Year ended	During the Financial Year ended	During the ten months period ended
	31 <sup>st</sup> March, 2005 (HK\$)	31 <sup>st</sup> March, 2006 (HK\$)	31 <sup>st</sup> March, 2007 (HK\$)	31 <sup>st</sup> January, 2008 (HK\$)
Margin financing Maximum amounts (approximately)	4,129,104	27,307,954	150,363,406	133,978,897

The Financial Assistance incurred prior to the date of this announcement have exceeded the then applicable thresholds for reporting, disclosure and/or approval of independent shareholders of Upbest and UBA and the amount of Financial Assistance have not been disclosed or, if required, approved by independent shareholders of Upbest and UBA. Both the board of directors of Upbest and UBA confirm that the non-compliance of the Listing Rules were due to unintentional and inadvertent oversight of the requirements concerning Financial Assistance. Both board of directors of Upbest and UBA further confirm that there has been no damage or monetary loss to the assets of both Upbest Group and UBA Group as a result of such oversight and that the terms of provision of Financial Assistance were on normal commercial terms.

Following the discovery of the oversight of those Listing Rules requirements, each of Upbest and UBA has taken various immediate remedial measures to prevent similar incidents from happening. Such remedial measures include the delegation of an executive director for reviewing and overseeing any other transactions between Upbest and UBA. Each of Upbest and UBA has also conducted a review on their respective internal control and reporting system with regard to transactions with potential implication for connected transaction under the Listing Rules and reinforced internal training on compliance with the Listing Rules accordingly. Both Upbest and UBA has also immediately ceased the provision and receipt of the Financial Assistance immediately after being alerted of the non-compliance incidents.

*(ii) Cap for Financial Assistance*

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

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

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

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

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

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

Based on the above maximum amounts of margin loans during the period from 1<sup>st</sup> April, 2004 to 31<sup>st</sup> January, 2008, Upbest Board and UBA Board respectively proposed that the cap for the Financial Assistance from 31<sup>st</sup> March 2009 to 31<sup>st</sup> March, 2010 should be set at HK\$150,000,000 which is an estimation based on the maximum amounts of the initial public offer financing during the financial year end 31<sup>st</sup> March, 2007 as shown in the table above. Both the Upbest Board and UBA Board consider the proposed cap for Financial Assistance to be fair and reasonable. The view of the Upbest Independent Board Committee and the UBA Independent Board Committee will be expressed in the circular which will be dispatched as soon as practicable.

## **SECOND SUPPLEMENTAL INVESTMENT MANAGEMENT AGREEMENT AND PAYMENT OF SPECIAL BONUS**

### *(a) Background*

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

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

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

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

### *(b) The Second Supplemental Investment Agreement dated 2<sup>nd</sup> May 2008*

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

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

*(c) Payment of Special Bonus*

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

To reward UAML's outstanding performance in its investment management services provided to UBA during the past period, and after carefully consider UBA performance for current period, UBA and Upbest has on 2<sup>nd</sup> May 2008 entered into an agreement pursuant to which UBA, subject to the approval of UBA Independent Shareholders at UBA EGM, the Special Bonus will be paid to UAML by UBA. The Special Bonus is 20% of UBA Group's audited net profit before taxation and before deduction of Management Fee for the financial year ending 31<sup>st</sup> March, 2008 or HK\$17,000,000, whichever is lower. The amount of the Special Bonus at 20% is with reference to the calculation mechanism of performance fee of similar nature payable to investment manager in the asset management industry. Since the audited net profit before tax of UBA is unavailable as at the date of this announcement, for the purpose of setting a cap for the Special Bonus, both the boards of directors of Upbest and UBA, having regard to the net profit of UBA for the six months ended 30<sup>th</sup> September, 2007, agree that the Special Bonus shall not exceed HK\$17,000,000. The cap of HK\$17,000,000 is not an estimate of or an estimate of certain percentage of the net profit before tax of UBA for the Financial Year ended 31<sup>st</sup> March, 2008 but is merely a cap arrived at after arm's length negotiation between Upbest and UBA with reference to the above net profit for the six months ended 30<sup>th</sup> September 2007. The Special Bonus is thus subject to reporting, announcement and the approval by both Upbest Independent Shareholders and UBA Independent Shareholders under Rule 14A.34 of the Listing Rule. The Special Bonus is payable only after the audited account of UBA Group is issued by its auditors.

**CAP AMOUNT FOR MANAGEMENT FEE AND PERFORMANCE FEE**

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

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

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

The annual amounts of the Management Fee incurred for each of the previous three years ended 31<sup>st</sup> March, 2007 as shown in the table above had not exceeded the annual caps relating to the Management Fee for the aforesaid years which had been previously announced in the UBA's announcement dated 31<sup>st</sup> March, 2003, Upbest's announcement dated 4<sup>th</sup> April 2003 and the joint announcement of Upbest and UBA dated 4<sup>th</sup> April, 2006.



The cap for Management Fee for each of the Financial Years ending 31<sup>st</sup> March from 2005 to 2008 are as follows:-

	<b>For the Financial Year ending 31<sup>st</sup> March, 2005 (HK\$)</b>	<b>For the Financial Year ending 31<sup>st</sup> March, 2006 (HK\$)</b>	<b>For the Financial Year ending 31<sup>st</sup> March, 2007 (HK\$)</b>	<b>For the Financial Year ending 31<sup>st</sup> March 2008 (HK\$)</b>
<b>Cap for Management Fee</b>	1,500,000	1,500,000	1,900,000	2,300,000

UBA recorded net profit/(net loss) for the years ended 31<sup>st</sup> March, 2005, 31<sup>st</sup> March, 2006, 31<sup>st</sup> March, 2007 and the six months period ended 30<sup>th</sup> September, 2007 were as follows:

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

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

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

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

The proposed annual caps for Management Fee and Performance Fee are determined by reference to the annual average growth in UBA Group's net asset value from the financial year ended 31<sup>st</sup> March, 2003 to the financial year ended 31<sup>st</sup> March, 2007, during the four years time the audited consolidated net asset of UBA has increased from HK\$88,768,188 to HK\$150,378,822, representing an annual average growth of 17.35%. Based on the aforesaid figures, both Upbest Board and UBA Board consider that the estimated annual average growth rate in the UBA Group's net asset value for the financial years ending 31<sup>st</sup> March 2009 to the financial years ending 31<sup>st</sup> March 2010 will also be approximately 20% for the purpose of calculating the annual caps for the Management Fee plus the Performance Fee for the aforesaid years. Both the Upbest Board and the UBA Board consider the aforesaid basis of calculation and the annual caps for the aforesaid years to be fair and reasonable. The view of the Upbest Independent Board Committee and the UBA Independent Board Committee will be expressed in the circular which will be dispatched as soon as practicable.

## **INFORMATION OF UPBEST AND UBA**

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.

The principal activity of UICL is registered under the licensed corporation under the Securities and Future Ordinance to carry on type 8 regulated activity, namely, provision of securities margin financing.

UGL is principally engaged in the provision of bullion dealing and precious metal margin financing service.

UAML principally engaged in the provision of investment and asset management service for discretionary and non-discretionary funds and or high net worth individuals.

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

UBA is an investment company listed under Chapter 21 of the Listing Rules and its principal activities are investment in listed securities and unlisted securities for their potential earnings growth and capital appreciation.

Both Super Idea and UBA Financial are principally engaged in investment holdings in listed securities and unlisted securities for their potential earnings growth and capital appreciation.

UBA Gold is principally engaged in investing in precious metal for their potential earnings growth and capital appreciation.

## **REASONS FOR THE TRANSACTIONS**

Upbest Group has been providing investment management services to UBA since November 2000. Upbest Group also provides securities margin financing services since the commencement of business of UBA Group. From Upbest's perspective, UBA has been a client of good credit standing and UBA will face a minimal risk of default. From UBA's perspective, Upbest has been a stable provider of margin financing which allow UBA to capture investment opportunities efficiently. In view of the long term business relationship and the good performance of UBA during the past financial years, the Upbest Board and the UBA Board consider the entering into of the supplemental agreement in relation to securities and precious metal margin financing services and the Investment Management Agreements will benefit Upbest Shareholders and UBA Shareholders as a whole.

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 supplement agreements are on normal commercial terms and are fair and reasonable and that entering into these transactions are in the interests of both Upbest, UBA, Upbest Shareholders and UBA Shareholders as a whole and in the ordinary and usual course of business of Upbest Group and UBA Group. The view of the Upbest Independent Board Committee and the UBA Independent Board Committee will be expressed in the circular which will be dispatched as soon as practicable.

## CONTINUING CONNECTED TRANSACTIONS

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

As at the date of this announcement, CCAA holds approximately 71.82% 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. Interest beneficiaries of the Cheng's Family Trust include Mr. Cheng, Ms. Cheng and Mr. Andrew Cheng and each of them is a director of Upbest. Mr. Andrew Cheng is also a director of UBA. Moreover, UAML, the investment manager of UBA, is regarded as a connected person of UBA under Rule 21.13 of the Listing Rules. **CCAA and its associates, being connected persons of Upbest and with a material interests in the aforesaid transactions, will abstain from voting in Upbest EGM to be convened for the approval of, inter alia, the transactions. Fung Fai and its associates, being connected persons of UBA and with a material interests in the aforesaid transactions, will abstain from voting in the UBA EGM to be convened for the approval of, inter alia, the transactions.**

Upbest Independent Board Committee, which comprises two independent non-executive directors of Upbest having no material interest in these transactions, namely Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai, has been formed to advise the Upbest Independent Shareholders in relation to Financial Assistance, Performance Fee, Management Fee and Special Bonus. UBA Independent Board Committee, which comprises two independent non-executive directors of UBA having no material interest in these transactions, namely, Dr. Lewis Hung Fung and Mr. Ip Man Tin, has been formed to advise the UBA Independent Shareholders in relation to Financial Assistance, Performance Fee, Management Fee and Special Bonus. 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 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 an EGM for the approval of the transactions. Each of Upbest and UBA will appoint an independent financial adviser to advice their respective independent financial adviser to advice each of their independent board committee respectively on the terms of the supplemental agreements and the relevant cap amounts in respect of the continuing connected transactions and the connected transaction which require approval from Upbest Independent Shareholders and UBA Independent Shareholders respectively.

A circular for each of Upbest and UBA containing, amongst other things, a letter from the respective independent financial adviser containing its advice to the respective independent board committees of Upbest and UBA on the subject transactions, a letter from each of the

Upbest Independent Board Committee and UBA Independent Board Committee, a notice convening the Upbest EGM and UBA EGM and further details relating to the transactions which require approvals by the Upbest Independent Shareholders and UBA Independent Shareholders and a letter from the Independent Financial Adviser to be appointed to advise the Upbest Independent Board Committee, UBA Independent Board Committee, Upbest Independent Shareholders and UBA Independent Shareholders on the transactions will be dispatched to Upbest Shareholders and UBA Shareholders as soon as possible.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meaning:

“Associate”	has the meaning ascribed to it in the Listing Rules
“CCAA”	CCAA Group Limited, an investment holding company, holds approximately 71.82% interest in Upbest as at the date of this announcement
“Cheng’s Family Trust”	is a trust of which the discretionary objects are members of Mr. Cheng’s family
“Financial Assistance”	the loan advanced of securities margin and initial public offer financing and precious metal margin financing
“First Investment Management Agreement”	the investment management agreement entered into between UAML and UBA dated 6 <sup>th</sup> November, 2000 in relation to the provisions of investment management services by UAML
“First Supplemental Investment Management Agreement”	the supplemental agreement entered into between UAML and UBA dated 31 <sup>st</sup> March, 2006 in relation to the provisions of investment management services by UAML to UBA
“Fung Fai”	Fung Fai Growth Limited, an investment holding company, holds approximately 32.08% interest of UBA as at the date of this announcement
“Financial Year”	financial year of the Upbest and UBA, both being the twelve (12) months from 1 <sup>st</sup> April to 31 <sup>st</sup> March in the next year
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Investment Management Agreements”	collectively (i) the First Investment Management Agreement; (ii) the Second Investment Management Agreement; and (iii) the First Supplemental Investment Management Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fee”	the management fee payable by UBA to UAML under the Investment Management Agreements from time to time
“Mr. Andrew Cheng”	Mr. Cheng Wai Lun, Andrew
“Mr. Cheng”	Mr. Cheng Kai Ming, Charles
“Ms. Cheng”	Ms. Cheng Wai Ling, Annie
“Performance Fee”	the performance fee payable by UBA to UAML under the Second Supplemental Investment Management Agreement
“Second Investment Management Agreement”	the investment management agreement entered into by UAML and UBA dated 31 <sup>st</sup> March, 2003 in relation to the provisions of investment management services by UAML to UBA
“Second Supplemental Investment Management Agreement”	the supplemental agreement entered into between UAML and UBA dated 2 <sup>nd</sup> May 2008 in relation to the provisions of investment management services by UAML to UBA
“Special Bonus”	the special bonus proposed to be paid by UBA Group to UAML and equivalent to 20% of UBA Group’s audited net profit before taxation and before deduction of Management fee for the Financial Year of ended 31 <sup>st</sup> March, 2008 and in any event not exceeding HK\$17,000,000
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Super Idea”	Super Idea International Limited, a company incorporated in British Virgin Islands with limited liability, is a wholly owned subsidiary of UBA

“UAML”	Upbest Assets Management Limited, a company incorporated in Hong Kong with limited liability, is registered as an investment adviser with the Securities and Futures Commission and is principally engaged in the provision of investment and asset management services for discretionary and non-discretionary funds. Upbest Assets Management Limited is a wholly owned subsidiary of Upbest
“UBA”	UBA Investments Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange
“UBA Board”	the board of directors, including the independent non-executive directors, of UBA
“UBA EGM”	the extraordinary general meeting of UBA to be convened and held to consider the continuing connected transactions and the connected transaction, details of which are set out in this announcement
“UBA Financial”	UBA Financial Trading Limited, a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of UBA
“UBA Gold”	UBA Gold Investment Limited, a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of UBA
“UBA Group”	UBA and its subsidiaries
“UBA Independent Board Committee”	the independent board committee of UBA composing Dr. Lewis Hung Fung and Mr. Ip Man Tin, David and both of them are independent non-executive directors of UBA
“UBA Independent Financial Adviser”	Yu Ming Investment Limited will be appointed as the independent financial adviser to advise the UBA Independent Board Committee
“UBA Independent Shareholders”	UBA Shareholders other than Fung Fai together with its respective associates
“UBA Shareholders”	Shareholders of UBA

“UGL”	Upbest Gold Limited, a company incorporated in Hong Kong with limited liability, is principally engaged in the provision of bullion dealing and precious metal margin financing service. Upbest Gold Limited is a 75% owned subsidiary of Upbest
“UICL”	Upbest Investment Company Limited, a company incorporated in Hong Kong with limited liability, is registered under the Securities and Futures Ordinance and is principally engaged in the provision of type 8 (securities margin financing) regulated activities. Upbest Investment Company Limited is a wholly owned subsidiary of Upbest
“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 continuing connected transactions and the connected transaction, details of which are set out in this announcement
“Upbest Group”	Upbest and its subsidiaries
“Upbest Independent Board Committee”	the independent board committee of Upbest composing Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai and both of them are independent non-executive directors of Upbest
“Upbest Independent Financial Adviser”	Optima Capital Limited will be appointed as the independent financial adviser to advise the Upbest Independent Board Committee
“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

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

**By order of the Board**  
UBA Investments Limited  
LEUNG King Yue, Alex  
Executive Director

Hong Kong, 2<sup>nd</sup> May, 2008

*\* For identification purpose only*

*As at the date of this announcement, Upbest Board consists of Dr. Wong King Keung, Peter as chairman and non-executive director, Mr. Wong Ching Hung, Thomas as non-executive director, Mr. Cheng Kai Ming, Charles, Mr. Suen Man Tak, Stephen, Mr. Li Kwok Cheung, George, Ms. Cheng Wai Ling, Annie and Mr. Cheng Wai Lun, Andrew as executive directors and Mr. Chan Chung Yee, Alan, Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai as independent non-executive directors.*

*As at the date of this announcement, UBA Board consists of Mr. Leung King Yue, Alex, Mr. Li Kwok Cheung, George, Mr. Cheng Wai Lun, Andrew and Dr. Wong Yun Kuen as executive directors and Mr. Chan Chung Yee, Alan, Dr. Lewis Hung Fung and Mr. Ip Man Tin, David as independent non-executive directors.*