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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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*(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**

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



禹銘投資管理有限公司  
YU MING INVESTMENT MANAGEMENT LIMITED

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A letter from the Independent Board Committee is set out on page 15 and 16 of this circular. A letter from Yu Ming Investment Management Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of UBA is set out on pages 17 to 27 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Tuesday, 10th June, 2008 at 12:00 noon is set out on pages 33 to 34 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular.

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

\* *for identification purpose only*

23rd May, 2008

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## DEFINITIONS

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

“associate”	has the meaning ascribed to it in the Listing Rules
“CCAA”	CCAA Group Limited, an investment holding company, holds approximately 71.82% interest in Upbest as at the Latest Practicable Date
“Cheng’s Family Trust”	is a trust of which the discretionary objects are members of Mr. Cheng’s family
“Company”	UBA Investments Limited
“Connected Person”	has the meaning ascribe to it in the Listing Rules
“EGM” or “UBA EGM”	An extraordinary general meeting of UBA to be convened and held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Tuesday, 10th June, 2008 at 12:00 noon to consider and, if thought fit, to approve the continuing connected transaction in relation to Financial Assistance and the Second Supplemental Investment Management Agreement, and the connected transaction in relation to Special Bonus
“Financial Assistance”	the loan advanced of securities margin and initial public offer financing and precious metal margin financing
“Financial Assistance Supplemental Agreements”	collectively, (i) the supplemental agreement dated 2nd May, 2008 entered into between UBA and UICL in relation to the provision of securities margin financing service; (ii) the supplemental agreement dated 2nd May, 2008 entered into between UBA Financial and UICL in relation to the provision of securities margin financing service; (iii) the supplemental agreement dated 2nd May, 2008 entered into between Super Idea and UICL in relation to the provision of securities margin financing service; and (iv) the supplemental agreement dated 2nd May, 2008 entered into between UBA Gold and UGL in relation to the provision of precious metal margin financing service
“Financial Assistance Transaction”	the transaction in relation to the provision of Financial Assistance by Upbest Group to UBA Group pursuant to the Financial Assistance Supplemental Agreements
“First Investment Management Agreement”	the investment management agreement entered into between UAML and UBA dated 6th November, 2000 in relation to the provisions of investment management services by UAML

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## DEFINITIONS

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“First Supplemental Investment Management Agreement”	the supplemental agreement entered into between UAML and UBA dated 31st March, 2006 in relation to the provisions of investment management services by UAML to UBA
“Fung Fai”	Fung Fai Growth Limited, an investment holding company, holds approximately 32.08% interest of UBA as at the Latest Practicable Date
“Financial Year”	Financial Year of the UBA, being the twelve (12) months from 1st April to 31st March in the next year
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investment Management Agreements”	collectively (i) the First Investment Management Agreement; (ii) the Second Investment Management Agreement; and (iii) the First Supplemental Investment Management Agreement
“Investment Management Transaction”	the provision of investment management service by UAML to UBA Group pursuant to the Second Supplemental Investment Management Agreement
“Latest Practicable Date”	21st May, 2008, being the latest practicable date prior to printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fee”	the management fee payable by UBA to UAML under the Investment Management Agreements from time to time
“Mr. Andrew Cheng”	Mr. Cheng Wai Lun, Andrew
“Mr. Cheng”	Mr. Cheng Kai Ming, Charles
“Ms. Cheng”	Ms. Cheng Wai Ling, Annie
“Performance Fee”	the performance fee payable by UBA to UAML under the Second Supplemental Investment Management Agreement
“Second Investment Management Agreement”	the investment management agreement entered into by UAML and UBA dated 31st March, 2003 in relation to the provisions of investment management services by UAML to UBA

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## DEFINITIONS

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

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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 comprising Dr. Lewis Hung Fung and Mr. Ip Man Tin, David and both of them are independent non-executive directors of UBA
“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
“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 and a wholly owned subsidiary of Upbest
“Upbest”	Upbest Group Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Upbest Board”	the board of directors, including the independent non-executive directors, of Upbest
“Upbest EGM”	the extraordinary general meeting of Upbest to be convened to consider and, if thought fit, to approve the continuing connected transaction in relation to Financial Assistance and the Second Supplemental Investment Management Agreement, and the connected transaction in relation to Special Bonus
“Upbest Group”	Upbest and its subsidiaries
“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
“Yu Ming”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) being the independent financial adviser appointed by the Company to advise the Independent Board Committee and Independent Shareholders

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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:*

Mr. Leung King Yue, Alex  
Mr. Li Kwok Cheung, George  
Mr. Cheng Wai Lun, Andrew  
Dr. Wong Yun Kuen

*Independent non-executive Directors:*

Mr. Chan Chung Yee, Alan  
Dr. Lewis Hung Fung  
Mr. Ip Man Tin, David

*Registered office:*

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

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

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

23rd May, 2008

*To the Shareholders*

Dear Sir or Madam,

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

**I. INTRODUCTION**

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

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

\* *for identification purpose only*

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## LETTER FROM THE BOARD

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There have been entered into between Upbest Group and UBA Group agreements relating to the provision of investment services, securities margin financing service and precious metals margin financing services.

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

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

## II. THE FINANCIAL ASSISTANCE TRANSACTION

### (a) Securities margin financing service

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

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

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## LETTER FROM THE BOARD

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### (b) Precious metal margin financing service

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

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

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

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

### (c) Cap Amount for Financial Assistance

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

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

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## LETTER FROM THE BOARD

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

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

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

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

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

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

### III. INVESTMENT MANAGEMENT TRANSACTION

#### (a) Background

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

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## LETTER FROM THE BOARD

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

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

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

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

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

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

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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

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

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

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

The net asset value of UBA Group as at 30th September, 2007 had been increased by about HK\$90 million comparing with that in 2003, representing an average annual growth of 24% per annum. 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 UAML have on 2nd May, 2008 entered into an agreement pursuant to which, subject to the approval of UBA Independent Shareholders at UBA EGM, the Special Bonus will be paid to UAML by UBA. The Special Bonus is 20% of UBA Group's audited net profit before taxation and before deduction of

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## LETTER FROM THE BOARD

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Management Fee for the Financial Year ending 31st March, 2008 or HK\$17,000,000, whichever is lower. The amount of the Special Bonus at 20% is with reference to the calculation mechanism of performance fee of similar nature payable to investment manager in the asset management industry. Having regard to the net profit of UBA for the six months ended 30th September, 2007, both UBA and Upbest agree that the Special Bonus shall not exceed HK\$17,000,000 after arm's length negotiation between Upbest and UBA. The cap of HK\$17,000,000 is not an estimate of or an estimate of certain percentage of the net profit before tax of UBA for the Financial Year ended 31st March, 2008 but is merely a cap arrived at after arm's length negotiation between Upbest and UBA with reference to the above net profit for the six months ended 30th September 2007. The Special Bonus is payable only after the audited account of UBA Group is issued by its auditors.

### V. REASONS FOR THE TRANSACTIONS

Upbest 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 UBA Board considers the entering into of the supplemental agreement in relation to securities and precious metal margin financing services and the Investment Management Agreements will benefit UBA Shareholders as a whole.

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

### VI. LISTING RULES IMPLICATIONS

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

Also, the Special Bonus Transaction constitutes a connected transaction between UBA and Upbest, the maximum payable exceeds HK\$10 million and all the percentage ratios will exceed 2.5% for UBA, 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 at the Latest Practicable Date, CCAA held approximately 71.82% interest in Upbest. Fung Fai held approximately 32.08% of UBA. The ultimate beneficial owner of CCAA and Fung Fai is Cheng's Family Trust. Interest beneficiaries of the Cheng's Family Trust include Mr. Cheng, Ms. Cheng and Mr. Andrew Cheng and each of them is a director of Upbest. Mr. Andrew Cheng is also a director of UBA. Moreover, UAML, the investment manager of UBA, is regarded as a connected person of UBA under

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## **LETTER FROM THE BOARD**

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Rule 21.13 of the Listing Rules. Fung Fai and its associates, being connected persons of UBA and have 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.

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 UBA Independent Board Committee and is also required to be abstained from voting at the Upbest EGM and the UBA EGM respectively.

### **VII. THE INDEPENDENT BOARD COMMITTEE**

UBA Independent Board Committee, comprising of 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 respect of fairness and reasonableness of the terms in relation to Financial Assistance, Performance Fee, Management Fee and Special Bonus transactions. Yu Ming 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 Financial Assistance, Performance Fee, Management Fee and Special Bonus transactions.

### **VIII. EGM**

Set out on pages 33 to 34 is a notice convening the EGM to be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on Tuesday, 10th June, 2008 at 12:00 noon at which relevant resolutions will be proposed to the Shareholders to consider and if thought fit, approve the continuing connected transaction of the Financial Assistance Transaction and the Investment Management Transaction, and the connected transaction of the Special Bonus Transaction. The voting on the resolutions will be taken by way of poll. The Company will announce the results of the polls on the same date after the EGM.

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

### **IX. PROCEDURES FOR THE DEMAND BY POLL**

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

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## LETTER FROM THE BOARD

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Pursuant to Article 100 and 101, at any general meeting a resolution put to the vote at the meeting shall be determined in the first instance by a show of hands of the members present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative and entitled to vote unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands) is duly demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five members present in person or by proxy and entitled to vote; or
- (c) a member or members present in person or by proxy representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) a member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried unanimously or by a particular majority, or lost shall be conclusive, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

### **X. RECOMMENDATION**

The UBA Board considers that the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the 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 drawn to (i) the letter from the Independent Board Committee set out on page 15 and 16 of this circular which contains its views in relation to the Financial Assistance Transaction, the Investment Management Transaction, and Special Bonus Transaction; and (ii) the letter from Yu Ming, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Financial Assistance Transaction, the Investment Management Transaction, and Special Bonus Transaction and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from Yu Ming is set out on pages 17 to 27 of this circular.

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

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**UBA Investments Limited**  
**Leung King Yue, Alex**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*(incorporated in Cayman Islands with limited liability)*  
(Stock code: 768)

23rd May, 2008

*To the Independent Shareholders*

Dear Sir or Madam,

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

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

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

Yu Ming has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 17 to 27 of the Circular.

Your attention is also drawn to the letter from the UBA Board set out on pages 5 to 14 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the continuing connected transactions in relation to the Financial Assistance Transaction and the Investment Management Transaction, and the connected transaction in relation to Special Bonus and the advice of Yu Ming, we are of the opinion that (i) the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the terms of the Financial Assistance Transaction and its annual caps, Investment Management Transaction and its annual caps, and the Special Bonus Transaction are in the interests of the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders vote in favour of ordinary resolutions enclosed in the circular regarding the approval of the Financial Assistance Supplemental Agreements and its annual caps for the Financial Years ending 31st March, 2009 and 31st March, 2010; the Second Supplemental Investment Management Agreement and its annual caps for the Financial Years ending 31st March, 2009 and 31st March, 2010; and the Special Bonus Agreement as set out in the notice of EGM contained in the circular.

Yours faithfully,  
Independent Board Committee of  
**UBA Investments Limited**

**Dr. Lewis Hung Fung**  
*Independent non-executive director*

**Mr. Ip Man Tin**  
*Independent non-executive director*

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## LETTER OF ADVICE FROM YU MING

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



禹銘投資管理有限公司  
YU MING INVESTMENT MANAGEMENT LIMITED

23<sup>rd</sup> May, 2008

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

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

Dear Sir or Madam,

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

#### **INTRODUCTION**

Reference is made to the Company's announcement dated 2<sup>nd</sup> May, 2008 pertaining to connected transaction and continuing connected transactions between the UBA Group and the Upbest Group. We have been appointed as independent financial adviser to advise the UBA Independent Board Committee and the UBA Independent Shareholders in respect of (i) the continuing connected transactions contemplated under the supplemental agreements between UBA Group and Upbest Group relating to the Financial Assistance, the Management Fee and the Performance Fee; and (ii) the connected transaction relating to the Special Bonus. Details of the continuing connected transactions and the connected transaction are set out in the "Letter from the Board" contained in the circular to the UBA Shareholders dated 23<sup>rd</sup> May, 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As disclosed under the section headed "Listing Rules Implications" in the "Letter from the Board", as at the Latest Practicable Date, 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

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## LETTER OF ADVICE FROM YU MING

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the Listing Rules. Fung Fai and its associates, being connected persons of UBA and with a material interest in the aforesaid connected transactions, will abstain from voting in the UBA EGM to be convened for the approval of, inter alia, the transactions.

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, Management Fee, Performance 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 as a member to the UBA Independent Board Committee and is required to abstain from voting at the UBA EGM and Upbest EGM respectively.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and provided to us by the UBA Board for which they are solely responsible. We have assumed that all those statements, information, opinions and representations are, to the best knowledge of the UBA Board, true and accurate at the time they were made and continue to be so on the date of this letter.

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 fact or circumstance which would render the information provided and the representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the UBA Board has further confirmed that, to the best of its knowledge, there are no other facts or representations of which would make any statement in the Circular, including this letter, misleading. For avoidance of doubt, we have not, however, carried out any independent verification of the information provided by the UBA Board, nor conducted an independent investigation into the business and affairs of the UBA Group.

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

#### **CONTINUING CONNECTED TRANSACTIONS**

##### **I. The Financial Assistance Transaction**

In arriving at our opinion and recommendation to the UBA Independent Board Committee and the UBA Independent Shareholders in relation to the Financial Assistance Transaction, we have considered the principal factors and reasons set out below:

*(a) Background and Reasons*

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 addition to provision of such investment advice, Upbest Group also provides Financial Assistance to UBA Group in respect of securities trading, initial public offerings subscriptions and precious metal dealing.

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## LETTER OF ADVICE FROM YU MING

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UBA is an investment company listed on the main board of the Stock Exchange under Chapter 21 of the Listing Rules. The principal business of UBA Group, including its subsidiaries, Super Idea and UBA Financial, are investment in listed and unlisted securities for their potential earnings growth and capital appreciation. UBA Group also engages in investing in precious metal for their potential earnings growth and capital appreciation via its subsidiary UBA Gold.

It is of the view of UBA Board that Upbest Group has been a stable provider of margin financing services which allows 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 under the advice by Upbest, UBA Board considers the entering into of the supplemental agreements in relation to securities and precious metal margin financing services and the Investment Management Agreements will benefit UBA Shareholders as a whole. UBA Board (including the independent non-executive directors of UBA) are of the view that terms of the supplement agreements are normal commercial terms, fair and reasonable and are entered into within the ordinary and usual course of business of UBA Group.

*(b) 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 terms.

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 services by UICL. Under the supplemental agreements, save for the term of the original agreement is to be extended to 31<sup>st</sup> March, 2010 and subject to renewal by written supplemental agreements between the contracting parties, other terms remain without change and continue in full force and effect.

*(c) 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 service by UGL to UBA Gold. Under the said agreement for provision of precious metal margin financing service, 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

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## LETTER OF ADVICE FROM YU MING

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

### *Views*

It is disclosed in the “Letter from the Board” that since the aforesaid agreements are not on an exclusive basis, UBA Group may at its sole discretion use securities margin financing service and precious metal margin financing service provided by other financial institutions which offer a more competitive rate. UBA Board consider the terms of the agreements concerning securities margin financing and precious metal margin financing service are fair and reasonable in the interests of the UBA Shareholders as a whole.

We are further advised by UBA Board that the terms of the supplemental agreements, in particular, the interest rate together with custodian fees to be charged by UICL to UBA Group are normal commercial terms determined after arm’s length negotiation and in line with the interest rate charged by Upbest Group to its third party customers with reference to risk profile assessment by Upbest Group. In this respect, we are provided with relevant information relating to the fees charged by Upbest Group to its customers, which suggests that for securities margin financing, approximately 90% of the customers of Upbest are charged at similar rate or above and the rest are charged at a lower rate than that charged to UBA Group. For those companies which are charged at a lower rate, they are customers with very long business history with Upbest Group or have very high trading volume or under debt restructuring. For the precious metal margin financing, approximately 70% of the customers of Upbest are charged at similar rate or above and the rest are charged at a lower rate than charged to UBA Group. For the customers which are charged at a lower rate, they normally have more than one types of precious metal trading arrangement with Upbest Group as compared with only one type of precious metal trading business the UBA Group is currently engaged in.

Having taken into account the above reasons and facts, in particular that the interest rate offered by Upbest Group is charged on normal commercial terms and in line with the rate charged by Upbest Group to its third party clients and that UBA may at its sole discretion use securities margin financing services and precious metal margin financing service at a competitive rate from third parties, we are of the opinion that the terms of the supplemental agreements in relation to securities margin financing service and precious metal margin financing service are fair and reasonable and in the interest of UBA so far as the UBA Independent Shareholders are concerned.

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## LETTER OF ADVICE FROM YU MING

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*(d) Proposed Cap for Financial Assistance*

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 financing. Maximum amount of Financial Assistance occurred in the latest three financial years ended 31<sup>st</sup> March, 2007 and ten months ended 31<sup>st</sup> January, 2008 are summarized as follows:

	During the financial year ended			During the
	31 <sup>st</sup> March 2005	31 <sup>st</sup> March 2006	31 <sup>st</sup> March 2007	10 months ended
	(HK\$)	(HK\$)	(HK\$)	31 <sup>st</sup> January 2008
				(HK\$)
Securities margin financing	4,129,104	8,168,815	17,906,303	18,101,230
IPO margin financing	–	19,997,892	143,726,306	119,453,643
Precious metal margin financing	–	–	10,054,980	–

Based on the above maximum amounts of margin loans transacted in the past, UBA Board proposed that the cap for the Financial Assistance for each of the Financial Years ending 31<sup>st</sup> March, 2009 and 31<sup>st</sup> March, 2010 be set at HK\$150,000,000, which is an estimation based on the maximum amounts of the initial public offer margin financing during the Financial Year end 31<sup>st</sup> March, 2007 as shown in the table above. UBA Board considers the proposed cap for Financial Assistance to be fair and reasonable.

*Views*

Considering that the proposed cap is in line with the maximum amount of Financial Assistance occurred in the past financial years, we concur with the UBA Board that the proposed annual cap is fair and reasonable so far as the UBA Independent Shareholders are concerned. We also note that there were significant improvement in the economy and sentiment in the capital market in Hong Kong, whereby there has been a steady increase in the trading volume for the listed securities on the Stock Exchange, especially in 2007. Henceforth, UBA Independent Shareholders should note that the proposed cap relates to future events and they do not represent forecasts on the amounts of turnover to be generated for relevant securities margin trading, precious metal trading and initial public offer subscription activities in the coming financial years. Consequently, we express no opinion as to how closely the actual margin financing to be incurred under the Financial Assistance correspond with the proposed cap for the Financial Assistance.

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## LETTER OF ADVICE FROM YU MING

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### II. Investment Management Transaction

In arriving at our opinion and recommendation to the UBA Independent Board Committee and the UBA Independent Shareholders in relation to the Investment Management Agreement, we have considered the principal factors and reasons set out below:

(a) *Background and reasons*

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 service to UBA for a term of three years up to 30<sup>th</sup> November, 2003. UBA had made further announcements on 6<sup>th</sup> November, 2000, 31<sup>st</sup> March, 2003, 4<sup>th</sup> April, 2003 and 4<sup>th</sup> April, 2006 respectively for extension of terms of the First Investment Management Agreement upon expiration each for three years up to 31<sup>st</sup> March, 2009. As consideration for UAML's provision of investment management service to UBA Group 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 into the Second Supplemental Investment Management Agreement whereby (i) the term of the Second Investment Management Agreement will be extended from 31<sup>st</sup> March, 2009 to 31<sup>st</sup> March, 2010; and (ii) in addition to the Management Fee, subject to the approval by UBA Independent Shareholders and the Upbest Independent Shareholders at their respective EGM, the Performance Fee equivalent to 20% of the net profit of UBA Group before taxation and before deduction of the Management Fee will be payable to UAML for each Financial Year by UBA Group.

Save and except as amended by the Second Supplemental Investment Management Agreement dated 2<sup>nd</sup> May, 2008, 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.

*Views*

In arriving at our opinion, we have reviewed relevant management fees and performance fees paid to investment managers by listed companies in the industry of similar nature according to available information as disclosed on the website of the Stock Exchange in the past three years. The following table summarizes our findings on management fees and performance fees paid by companies listed on the Stock Exchange under Chapter 21 of the Listing Rules. To form relevant comparison, we have only included listed companies which pay both management fee and performance fee to their investment managers with similar calculation principles rather than a fixed amount and with the net asset value comparable to UBA Group. UBA Independent Shareholders should note that the below table does not represent a complete list of companies listed on the Stock Exchange under Chapter 21 of the Listing Rules.

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**LETTER OF ADVICE FROM YU MING**

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**Table-A**

<b>Stock Code</b>	<b>Company</b>	<b>Management fee</b>	<b>Performance fee</b>
170	China Assets (Holdings) Limited	(i)2.75% per annum on the aggregate cost to the company of the investment less any provisions in respect thereof; and  (ii)1% per annum on the value of the uninvested net assets of the company, being the net asset value less the aggregate cost of the investment made	Nil on the first 10% return on net assets on the company  On the next 10%: 15% x (net profit after tax minus 10% of net assets of the company)  On the excess over 20%: 20% x (net profit after tax minus 20% of net assets of the company)
428	Harmony Asset Limited	monthly management fee calculated at 1.5% per annum on the net asset value of the company of the preceding month	Incentive fee at 10% of the audited net profit of a financial year (before accrual of the performance fee)
666	Yu Ming Investments Limited	1.5% per annum of the consolidated net asset value of the company payable on a quarterly basis	20% of the amount by which the audited net asset value of each year ended 31st December, exceeds the high watermark in the previous years
721	Prime Investments Holdings Limited	payable quarterly in arrears at 1% per annum of the market value of the portfolio on the last business day of each calendar quarter	10% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum
770	Shanghai International Shanghai Growth Investment Limited	0.5% per quarter of the net asset value (before deduction of management fee and relevant cost) of the last business day of the previous quarter	15% of the amount by which the net asset value exceeds 115% of the net asset value of the immediate preceding year
1217	China Innovation Investment Limited	0.25% per annum of the net asset value	10% of audited profit before tax
<b>768</b>	<b>UBA</b>	<b>1.5% per annum of the net asset value of UBA Group as at immediate preceding Valuation Date</b>	<b>20% of the net profit of UBA Group before taxation and before deduction of the Management Fee</b>

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## LETTER OF ADVICE FROM YU MING

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*Note:* Information contained in Table-A above is obtained from relevant announcements, circulars or latest annual or interim reports of relevant companies from the website of the Stock Exchange.

From information as set out in Table-A above, we note that, albeit with similar calculation principles, the performance fee granted to investment managers varies and are calculated based on different mechanism and linked with the contractual annual management fee structure. Management fees are calculated with reference to, mostly, net asset values and in the range from 0.25% to 2.5% of the net asset value per annum, whereas performance fees, mostly, are calculated based on either net asset values or profits, both of which are considered as acceptable benchmarks of measuring growth and performance of the listed companies, in the range from 10% to 20%. As such, we consider that the Management Fee and Performance Fee to be paid to the Upbest Group is broadly in line with the market practice. Henthforth, we are of the opinion that the proposed a Management Fee and Performance Fee under the Investment Management Agreement are fair and reasonable.

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

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

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

We have reviewed the cap announced by UBA and actual Management Fee paid by UBA to UAML pursuant to the Investment Management Agreements as follows:

	<b>For the financial year ending 31st March</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
<b>Actual Management fee paid</b>	1,387,324	1,444,865	1,878,957	2,300,000	N/A
<b>Set cap announced</b>	1,500,000	1,500,000	1,900,000	2,300,000	2,800,000

The change in the announced cap for the year ending 31<sup>st</sup> March, 2009 from HK\$2,800,000 to the proposed cap 20,400,000 is because of the introduction of the Performance Fee as set out in the foregoing paragraphs.

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 which period the audited consolidated net asset of UBA has increased from HK\$88,768,188 to HK\$150,378,822, representing an annual average growth

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## LETTER OF ADVICE FROM YU MING

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of approximately 17.35%. Based on the aforesaid figures, UBA Board considers 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 be approximately 20% for the purpose of calculating the annual caps for the Management Fee plus the Performance Fee for the aforesaid years. UBA Board considers the aforesaid basis of calculation and the annual caps for the aforesaid years to be fair and reasonable.

### *Views*

Taking into account the average annual growth rate in the past, in particular the trend of growth in term of net asset value as well as the profit in the past years as set out in Table-B under the section headed "Special Bonus Transaction" in the following paragraphs, we consider the bases of which the proposed annual caps are arrived at are fair and reasonable.

### CONNECTED TRANSACTION

#### III. Special Bonus Transaction

It is set out in the "Letter from the Board" that 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 service provided to UBA during the past period, and after carefully consider UBA performance for current period under the advice by Upbest, UBA and UAML has on 2<sup>nd</sup> May, 2008 entered into an agreement pursuant to which UBA, subject to the approval by UBA Independent Shareholders at the UBA EGM, will pay the Special Bonus to UAML. The Special Bonus is 20% of UBA Group's audited net profit before taxation and before deduction of Management Fee for the financial year ending 31<sup>st</sup> March, 2008 or HK\$17,000,000, whichever is lower.

The amount of the Special Bonus at 20% is determined with reference to the calculation mechanism of performance fee of similar nature payable to investment managers in the asset management industry. Having regard to the net profit of UBA for the six months ended 30<sup>th</sup> September, 2007, both UBA and Upbest agree after arm's length negotiation that the Special Bonus shall not exceed HK\$17,000,000. We understand from the UBA Board that the proposed cap of HK\$17,000,000 is not 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 payable only after the audited account of UBA Group is issued by its auditors.

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## LETTER OF ADVICE FROM YU MING

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### Views

In formulating our view as to the reasonableness of the Special Bonus, we have reviewed the performance of UBA under the advice by Upbest Group during the past 5 financial years ended 31<sup>st</sup> March, 2007 and the interim result of the UBA Group for the 6 months ended 30<sup>th</sup> September, 2007, which is tabled below:

**Table-B**

HK\$'000	For the financial year ended 31 <sup>st</sup> March								
	2003	2004	Change %	2005	Change %	2006	Change %	2007	Change %
Turnover	8,180	56,604	592%	22,114	-61%	54,404	146%	230,411	324%
Net profit before tax	(18,218)	11,590	N/A	(6,686)	N/A	3,482	N/A	24,591	606%
Net profit	(18,018)	11,590	N/A	(6,686)	N/A	3,482	N/A	23,231	567%
Net asset value	88,768	100,358	13%	93,672	-7%	106,676	14%	150,379	41%

  

HK\$'000	For the six months ended 30 <sup>th</sup> September		
	2006	2007	Change %
Turnover	63,500	172,102	171%
Net profit before tax	9,927	34,522	248%
Net profit	9,927	32,046	223%
Net asset value	150,379	184,612	23%

*Note:* The information contained in Table-B above is extracted from the published annual reports and interim reports of UBA.

Having taking into account the annual growth as set out in Table-B above, and the fact that the Special Bonus is capped at the lower of HK\$17,000,000 or the 20% of UBA Group's audited net profit before taxation and before deduction of the Management Fee, which is in line with the rate of Performance Fee to be paid to the Upbest Group, we consider the Special Bonus is fair and reasonable so far as the UBA Independent Shareholders are concerned. We also note that there were significant improvement in the economy and sentiment in capital market in Hong Kong, whereby there has been a steady increase in the trading volume for the listed securities on the Stock Exchange, especially in 2007. Accordingly, UBA Independent Shareholders should note that the Special Bonus relates to future events and they do not represent forecasts on the latitude of the growth in terms of profit or net asset value of UBA in the financial year ending 31<sup>st</sup> March, 2008. Consequently, we express no opinion as to how closely the actual performance of UBA Group for the second half of the financial year ending 31<sup>st</sup> March, 2008.

### RECOMMENDATION

Having reviewed relevant agreements and taken into account the information and representations provided to us by UBA Board and the above principal factors and reasons concerned, we are of the opinion that (i) the terms of the supplemental agreements in relation to securities margin financing service and precious metal margin financing service, the Second Supplemental Investment Management

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## LETTER OF ADVICE FROM YU MING

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Agreement and Special Bonus Agreement are entered into on normal commercial terms within the ordinary and usual course of business of the UBA Group and are fair and reasonable so far as UBA Group and the UBA Independent Shareholders are concerned; (ii) relevant annual caps proposed for the Financial Assistance Transaction and the Investment Management Transaction are fair and reasonable and in the interest of UBA and UBA Shareholders as a whole. Accordingly, we recommend the UBA Independent Shareholders to vote in favour of the resolutions to approve the Financial Assistance Transactions, the Investment Management Transaction and the Special Bonus Transaction as set out in the supplemental financial assistance agreements and the Second Supplemental Investment Management Agreement and the Special Bonus Agreement.

Yours faithfully,

For and on behalf of

**YU MING INVESTMENT MANAGEMENT LIMITED**

**Warren Lee**

*Director*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

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

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

Name of Directors	Number or attributable number of shares held or short positions	Capacity	Approximate percentage of shareholding
Mr. Cheng Wai Lun, Andrew (Note)	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 the beneficiaries of the Cheng's Family 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 Upbest Group:

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

*Note 1:* The entire issued share capital of Fung Fai Growth Limited is owned by Cheng's Family Trust of which the discretionary objects are family members of Mr. Cheng, including a director of the Company, Mr. Cheng Wai Lun, Andrew.

*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>
Yu Ming	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)

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

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

#### 5. COMPETING INTERESTS

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

#### 6. LITIGATION

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

#### 7. MATERIAL ADVERSE CHANGE

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

#### 8. MISCELLANEOUS

- (a) No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted at the Latest Practicable Date.
- (b) None of Yu Ming and the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31st March, 2007, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

- (c) The registered office of the Company is at Ugland House, South Church Street, P. O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies and the head office and principal place of business of the Company in Hong Kong is at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong.
- (d) The principal share registrar in the Cayman Islands of the Company is Bank of Butterfield International (Cayman) Limited, Bufferfield House, P.O. Box 705, George Town, grand Cayman Island, Cayman Islands, British West Indies.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited at 26th Floor, Tesbury Centre 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The company secretary of the Company is Mr. Li Kwok Cheung, George.
- (g) The qualified accountant of the Company is Mr. Tse Hon Kwan, Max.
- (h) The English text of this circular and the proxy form shall prevail over the Chinese text.

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

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

- (a) the memorandum and articles of association of the Company;
- (b) the supplemental agreement dated 2nd May, 2008 entered into between UBA and UICL in relation to the provision of securities margin financing service;
- (c) the supplemental agreement dated 2nd May, 2008 entered into between UBA Financial and UICL in relation to the provision of securities margin financing service;
- (d) the supplemental agreement dated 2nd May, 2008 entered into between Super Idea and UICL in relation to the provision of securities margin financing service;
- (e) the supplemental agreement dated 2nd May, 2008 entered into between UGL with UBA Gold in relation to the provision of precious metal margin financing services by UGL to UBA Gold;
- (f) the agreement dated 2nd May, 2008 entered into between UBA and UAML pursuant to which the Special Bonus will be paid to UAML;
- (g) the Second Supplemental Investment Management Agreement;

- (h) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;
- (i) the written consent from the expert referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (j) the letter of advice from Yu Ming to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 27 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**”, together with its subsidiaries, the “**Group**”) will be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on 10th June, 2008 at 12:00 noon for the purpose of considering and, if thought fit, passing the following resolutions:

### ORDINARY RESOLUTION

1. “**THAT**

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

\* for identification purpose only

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## NOTICE OF EGM

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2. **“THAT**

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

3. **“THAT**

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

4. **“THAT**

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

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

Hong Kong, 23rd May, 2008

*Registered office:*  
Ugland House,  
South Church Street,  
P. O. Box 309,  
George Town,  
Grand Cayman,  
Cayman Islands,  
British West Indies

*Head office and principal place  
of business in Hong Kong:*  
2nd Floor,  
Wah Kit Commercial Centre,  
302 Des Voeux Road Central,  
Hong Kong

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## NOTICE OF EGM

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*Notes:*

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