The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the terms of 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement and the transactions contemplated thereunder and the respective annual caps, which has been prepared for the purpose of incorporation in this circular:

# Vinco Financial Limited

26 February 2025

To the Independent Board Committee and the Independent Shareholders of UBA Investments Limited

Dear Sirs,

#### CONTINUING CONNECTED TRANSACTIONS

#### A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement and the transactions contemplated thereunder and the respective annual caps, details of which are set out in the letter from the board (the "Letter from the Board") contained in the Circular issued by the Company to the Shareholders dated 26 February 2025 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 22 January 2025, various members of the Upbest Group and UBA Group entered into the following agreements:

- (a) each of UBA, UBA Financial and Super Idea had separately entered into the 2025 Financial Assistance Supplemental Agreements with UICL in relation to, among others, the extension of the term for provision of securities margin financing and initial public offer financing services ("IPO financing services") by Upbest Group to UBA Group for a period commencing from 1 April 2025 to 31 March 2028; and
- (b) UAML and UBA entered into the 2025 Investment Management Agreement to continue the engagement of UAML for provision of assets management services for a period commencing from 1 April 2025 to 31 March 2028.

#### Implications under Listing Rules

For the reasons set out in the Letter from the Board of the Circular, the transactions contemplated under the CCT Agreements are considered as continuing connected transactions under the Listing Rules. Save for Mr. Cheng, no other directors of UBA has material interest in the CCT Agreements and the transactions contemplated thereunder. Mr. Cheng has abstained from voting on the UBA Board resolutions approving the CCT Agreements and the transactions contemplated thereunder. Since the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap of the Financial Assistance for each of the three years ending 31 March 2028 to be provided by Upbest Group to UBA Group on the part of UBA is more than 25%, according to Rule 14A.54 of the Listing Rules, such transactions are subject to the approval by the UBA Independent Shareholders at UBA EGM.

Although the proposed annual caps for the Management Fee and Performance Fee under the 2025 Investment Management Agreement for each of the three Financial Years ending 31 March 2028 are less than HK\$10,000,000, one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) on the part of UBA is more than 25%. Thus, the transactions contemplated under the 2025 Investment Management Agreement on the part of UBA are subject to the approval by the UBA Independent Shareholders at the UBA EGM.

As at the Latest Practicable Date, Fung Fai holds 340,000,000 Shares, representing approximately 26.74% of the issued share capital of UBA and had control or entitled to exercise control over the voting rights in respect of these Shares. The ultimate beneficial owner of Fung Fai is Cheng's Family Trust. Interested beneficiaries of the Cheng's Family Trust include Ms. Cheng and Mr. Cheng. Ms. Cheng and Mr. Cheng are directors of Upbest. Mr. Cheng is also a director of UBA. Therefore, Fung Fai and its associates shall abstain from voting in the EGM to be convened for the approval of, inter alia, the transactions contemplated under the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement. Save for Fung Fai and its associates, no other Shareholders will abstain from voting in the EGM.

## **Independent Board Committee**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Kwok Yuen Lam, Sophia, Mr. Tang Hon Bui, Ronald and Mr. Kwok Ming Fai, has been established by the Board to consider and advise the Independent Shareholders as to whether the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement and the transactions contemplated thereunder and the respective annual caps are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the UBA Group and are in the interest of the Company and the Shareholders as a whole. We have been appointed and have been approved by the Independent Board Committee, as the Independent Financial Adviser to advise the UBA Independent Board Committee and the UBA Independent Shareholders in this regard.

#### Our Independence

As at the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the UBA Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the UBA Group. We were not aware of any relationships or interests between us and the Company or any other parities that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement and the transactions contemplated thereunder and the respective annual caps.

Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the UBA Group and its associates. During the past two years, there was no engagement between the UBA Group and us. Also, we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice and recommendations on the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement and the transactions contemplated thereunder and the respective annual caps.

#### B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the UBA Group or its future prospect.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 March 2024 (the "Annual Report 2024"); (ii) the interim report of the Company for the six months ended 30 September 2024 (the "Interim Report 2024"); (iii) the original Financial Assistance agreements and their subsequent supplemental agreements, the 2022 Financial Assistance Supplemental Agreements and the 2025 Financial Assistance Supplemental Agreement; (iv) the 2022 Investment Management Agreement and the 2025 Investment Management Agreement; (v) the basis and assumptions in relation to the annual caps of the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement for the three years ending 31 March 2028; and (vi) the internal control procedures governing continuing connected transactions which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement and the transactions contemplated thereunder and the respective annual caps, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the UBA Independent Board Committee and the UBA Independent Shareholders solely in connection with their consideration on the continuing connected transactions contemplated and the proposed annual caps under (i) the 2025 Financial Assistance Supplemental Agreements and (ii) the 2025 Investment Management Agreement, respectively, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

#### C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the terms of the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement and the transactions contemplated thereunder and the respective annual caps, we have considered the following principal factors and reasons set out below:

#### 1. Information of the UBA Group and the Upbest Group

#### Information of the UBA Group

UBA is an investment company listed under Chapter 21 of the Listing Rules and its principal activities are investment in listed securities and unlisted securities for their potential earnings growth and capital appreciation. Each of UBA Financial and Super Idea is a wholly-owned subsidiary of UBA.

#### Information of Upbest Group

The principal activity of Upbest is investment holding. Its subsidiaries are principally engaged in securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, assets management, and precious metal trading and property investment. Each of UAML, USCL and UICL is a wholly owned subsidiary of Upbest.

# 2. Reasons for the transactions of the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement

Upbest Group has been providing assets management services to UBA since December 2000. Upbest Group also provides securities margin financing services since the commencement of business of UBA Group in year 2000. In view of the long-term business relationship, the UBA Board consider the entering into of the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement will benefit its Shareholders as a whole. In view of the long-term business relationship since then and operational convenience brought to UBA Group, the UBA Board considers them to be in the best interests of its Shareholders to continue to engage Upbest Group to provide assets management services and securities margin financing services for UBA Group.

Having considered the above, and particularly, Upbest Group has long been providing Financial Assistance and assets management services to UBA Group since 2000 which in turn ensures a smooth operation of the UBA Group's business. In addition, UBA Group could maximise its ability to capitalise on investment opportunities by using Financial Assistance and assets management services provided by Upbest Group as the Hong Kong stock market is expected to recover and show a potential growth in 2025 after eased of the negative impact of the U.S. interest rate hike and end of COVID-19. We are of the view that entering into the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement are in the ordinary and usual course of business of the UBA Group and in the interests of the Company and its Shareholders as a whole.

## 3. The 2025 Financial Assistance Supplemental Agreements

#### (a) Background

Each of Super Idea, UBA, UBA Financial first entered into an agreement with UICL (collectively the "Contracting Parties") separately on 22 June 1999, 15 November 2002 and 13 March 2003 in respect of provision of securities margin financing services and IPO financing services by the Upbest Group to the UBA Group (collectively the "Original Agreements"), which were supplemented by the first supplemental agreements dated 2 May 2008, the second supplemental agreements dated 11 February 2010, the third supplemental agreements dated 28 January 2013, the fourth supplemental agreements dated 26 January 2016, the fifth supplemental agreements dated 25 January 2019 and the sixth supplemental agreements dated 26 January 2022.

When we inquired as to whether the Contracting Parties had signed one agreement in respect of securities margin financing and another agreement as regards IPO financing services, the Directors explained that the Original Agreements were uniform margin client's agreements in respect of the provision of securities margin financing services by UICL to Super Idea, UBA and UBA Financial, which also encompassed the provision of margin-related IPO financing services. Accordingly, the Contracting Parties did not enter into a separate agreement in respect of provision of IPO financing services, as such services were within the scope of the uniform margin client's agreements.

We reviewed the Original Agreements and noted that each one of them was entitled "Uniform Margin Client's Agreement" and the terms therein were no different from those in the margin client's agreements that UICL enters into with other margin clients, a sample copy of which was provided by the Upbest Group to us for review. We also reviewed each of the six supplemental agreements to the Original Agreements, which provided, among other things, that the Contracting Parties had agreed to enter into the supplemental agreements so as to amend and supplement the Original Agreements by extending the service periods in the Original Agreements to the periods as stated in the supplemental agreements and that, save as varied or supplemented by the supplemental agreements, the Original Agreements remained in full force and effect.

On 22 January 2025, each of UBA, UBA Financial and Super Idea had separately entered into the 2025 Financial Assistance Supplemental Agreements with UICL in relation to the provision of securities margin financing services by UICL to UBA Group. According to the 2025 Financial Assistance Supplemental Agreements,(i) UICL and each of UBA, UBA Financial and Super Idea agreed that the respective relevant original agreement will be extended for a period commencing from 1 April 2025 to 31 March 2028 and is subject to renewal by written supplemental agreements between the contract parties; and (ii) UICL and UBA agreed that, subject to notice being given to UICL, UBA may assign all or part of its rights or benefits under the agreement entered into between UBA and UICL dated 15 November 2002 (including any supplemental agreements) to any of its wholly owned subsidiaries.

Save as disclosed above, the relevant Original Agreements regarding the securities margin financing services and IPO financing services shall in all respects remain and continue in full force and effect.

#### (b) Payment terms

The payment terms of the 2025 Financial Assistance Supplemental Agreements are determined on the same bases as their respective Original Agreements, which are set out below.

#### (i) Securities margin financing services

Payment term:

Payment on demand

Collateral term:

Pledge of any acceptable security interest by way of

security for loans and advances

Interest rate:

4.25% above prime rate per annum, calculated on daily balances charged on a monthly basis. Such interest rate was determined with reference to (i) the terms and conditions offered by UICL to other majority of independent customers of UICL and (ii) the terms and conditions offered by other independent service providers to the UBA Group in

the market.

# (ii) IPO financing services

Payment term:

Payment on demand

Collateral term:

Pledge of any acceptable security interest by way of

security for loans and advances

Interest rate:

0.20% to 1.50% above the borrowing costs per annum, calculated on daily balances charged on a monthly basis. Such interest rate was determined with reference to (i) the terms and conditions offered by UICL to other majority of independent customers of UICL and (ii) the terms and conditions offered by other independent service providers to the UBA

Group in the market.

# 4. Assessment of the 2025 Financial Assistance Supplemental Agreements

We reviewed the terms of the 2025 Financial Assistance Supplemental Agreements and noted that there were no extraordinary items therein as no changes have been made to their 2022 counterparts. The 2025 Financial Assistance Supplemental Agreements are being entered into for the sole purpose of extending the Financial Assistance for another three years.

To assess the fairness and reasonableness of the interest rates for the Financial Assistance, we conducted the following analysis.

#### (i) Securities margin financing

Based on our findings on a best effort basis and as far as we are aware, we have selected and identified an exhaustive list of 19 comparable companies set out in table below with the following selection criteria: the comparable companies are (i) all listed companies in Hong Kong; (ii) providing securities margin financing services; and (iii) disclosed the margin financing interest rates charged to their clients on their official websites. Having considered that (i) selected comparable companies are all listed companies which are under close supervision of the regulators; and (ii) they consist of securities firms, banks and financial institutions with different sizes and background, we consider these selected companies are representative of market conditions for comparison purposes. Their respective securities margin financing interest rates are set out in the table below.

Table 1

Company	Stock code	Securities margin financing interest rate (per annum)
BOCOM International Holdings Company Limited <sup>1</sup>	3329	BOCOM prime rate + 3%
Bright Smart Securities & Commodities Group Limited <sup>2</sup>	1428	1 week HIBOR + 4%
Central Wealth Group Holdings Limited <sup>1</sup>	139	Chong Hing Bank prime rate + 6%
GoFintech Innovation Limited <sup>3</sup>	290	Prime rate + 6%
China Industrial Securities International Financial Group Limited <sup>3</sup>	6058	Prime rate + 3%
CSC Holdings Limited <sup>4</sup>	235	HSBC prime rate + 3.5%
Cinda International Holdings Limited <sup>4</sup>	111	BOC prime rate + 3%
CMBC Capital Holdings Limited <sup>3</sup>	1141	Prime rate + 3%
Emperor Capital Group Limited <sup>3</sup>	717	Prime rate + 3%

Company	Stock code	Securities margin financing interest rate (per annum)
First Shanghai Investments Limited <sup>1</sup>	227	Standard Chartered prime rate + 3%
Guolian Minsheng Securities Co., Ltd.	1456	8.35%
Guotai Junan International Holdings Limited <sup>3</sup>	1788	Prime rate + 1.5%
Innovax Holdings Limited <sup>3</sup>	2680	Prime rate + 3%
Orient Securities International Holdings Limited <sup>3</sup>	8001	Prime rate + 3%
Shenwan Hongyuan (H.K.) Limited <sup>3</sup>	218	Prime rate + 4%
South China Financial Holdings Limited <sup>1</sup>	619	Standard Chartered prime rate + 3%
Southwest Securities International Securities Limited <sup>4</sup>	812	HSBC prime rate + 3%
Victory Securities (Holdings) Company Limited <sup>3</sup>	8540	Prime rate + 3%
Well Link Securities Holdings Limited <sup>2</sup>	8350	1 week HIBOR + 3.9%

- According to their respective company websites, the prime rate of each of Standard Chartered Bank, BOCOM and Chong Hing Bank as at the Latest Practicable Date was 5.50%.
- According to the information published by the Hong Kong Association of Banks, the 1-week HIBOR as at the Latest Practicable Date was 4.11280%.
- 3. These companies have not specified on their websites which prime rate that they have adopted.
- According to their respective company websites, HSBC and BOC prime rates as at the Latest Practicable Date was 5.25%.

We noted from Table 1 above that the margin financing interest rates offered by the comparable companies mainly range from 1.5% to 6% on top of their respective prime rates or HIBOR. We further noted that the comparable companies mainly adopt two prime rates, namely, 5.25% and 5.5%. As informed by the Directors, the Upbest Group uses the prime rate of OCBC Bank (Hong Kong) Limited ("OCBC") as a reference, which was 5.75% as at Latest Practicable Date since OCBC is the Upbest Group's principal banker.

The margin financing interest rate of 4.25% above OCBC's prime rate per annum offered by the Upbest Group is slightly higher than the market average set out in Table 1, the justification is as the followings:

- (a) The margin financing interest rate offered by the Upbest Group to the UBA Group is within the range of margin financing interest rates mentioned above;
- (b) Having reviewed the summary of margin financing interest rates as at 3 January 2025 provided by the Upbest Group, we noted that the Upbest Group offers approximately 27 different margin financing interest rates to its clients, amongst which the margin financing interest rate of 4.25% above prime rate is offered to approximately 61% of its clients, ranked first in terms of the number of clients. As a result, we are of the view that the margin financing interest rate offered under the 2025 Financial Assistance Supplemental Agreements in relation to securities margin financing services is a normal market rate offered by the Upbest Group to its clients;
- (c) With reference to the standard industry practice, the broker firms may close the clients' margin positions without notice once the minimum maintenance margin requirements have not been fulfilled. As confirmed by the Directors, the UBA Group is allowed relatively more time to replenish the minimum margin requirement after the margin calls has been triggered. This is a more flexible arrangement to the UBA Group as the Upbest Group and the UBA Group have long-term business relationship and effective communication, which could justify the slightly higher interest rate offered by the Upbest Group; and
- (d) The original securities margin financing agreements entered into by the Upbest Group and the UBA Group were based on the standard contracts provided by Upbest Group and the supplemental agreements thereafter were entered into for the sole purpose of extending the service periods. Therefore, we are of the view that the terms of the securities margin financing services provided by the Upbest Group to the UBA Group are on normal commercial terms.

For the above reasons, we concur with the Directors' view that the terms of the securities margin financing services are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

#### (ii) IPO financing

After inquiring with the Upbest Group, the Directors confirmed that the Upbest Group determines the interest rates of its IPO financing services on a case-by-case basis after considering a number of factors, including, but not limited to, (i) popularity of individual IPOs in terms of subscriptions, (ii) price competitiveness; and (iii) other benefits brought to the Upbest Group.

We conducted independent research on the prevailing market practice concerning IPO financing and noted that, given the unique risk profiles and different funding needs of IPO projects, interest rates for IPO financing are mostly determined on a case-by-case basis. Thus, no directly comparable interest rates could be found. Notwithstanding the limited information on market rates, we are of the view that the interest rates and terms proposed under the 2025 Financial Assistance Supplemental Agreements in relation to IPO financing services are fair, reasonable and in the interest of the Company and Shareholders as whole, for the following reasons:

(a) As confirmed by the Upbest Group, which was relayed to the Directors, the Upbest Group had not entered into any IPO financing agreements with other clients in the past 3 years and when there is an IPO in the market, the interest rate offered to clients would be within this fixed spread of 0.20%-1.50% above the borrowing costs, with the actual rate to be determined by market circumstances at the time and on a case-by-case basis, but not beyond this range.

We have reviewed the Company's circulars issued in respect of the continuing connected transactions arising from the Contracting Parties entering into the Original Agreements and successive supplemental agreements and noted that the interest rates in respect of IPO financing services provided by the Upbest Group to the UBA Group had been slightly adjusted in a narrow range. However, the spread of 0.20%-1.50% above the borrowing costs of the Upbest Group from OCBC has been in use since April 2016 and remains the same under the 2025 Financial Assistance Supplemental Agreements.

To determine the fairness and reasonableness of the interest rates offered in IPO financing services under the 2025 Financial Assistance Supplemental Agreements, we reviewed the Company's internal control ("IC") policies and procedures in relation to IPO financing. We noted that interest rate of IPO financing offered in the market is mostly determined on a case-by-case basis when there is an IPO in the market, the financial controller of the Company (the "FC") is required to (i) gather and compare the interest rates for IPO financing offered by the Upbest Group to the UBA Group against those offered by (ii) at least two independent service providers ("ISPs") (iii) on every transaction, so as to determine if the interest rate offered by the Upbest Group is on normal commercial terms and on terms which are no less favourable to UBA Group than those offered by other ISPs from time to time. The FC will then summarise the relevant findings and report to the management immediately in case of any irregularity. The Company may also consider (iv) engaging other ISPs to provide IPO financing services if they would be able to provide better terms to it than the Upbest Group.

In the view of the reasons mentioned in above, the actual interest rate of the provision of IPO financing services would be within the fixed spread of 0.20% to 1.50% of the Upbest Group's borrowing costs, we are of the view that the interest rates offered in IPO financing services under the 2025 Financial Assistance Supplemental Agreements is fair and reasonable, and the Company's IC policies and procedures could ensure that the IPO financing services offered by the Upbest Group will be on normal commercial terms and on terms which are no less favourable to UBA Group than those offered by other ISPs from time to time.

- (b) As confirmed by the Directors, there was no IPO financing advanced to the Company by the Upbest Group for the two years ended 31 March 2024 and for the nine months ended 31 December 2024. However, the IPO financing services are solely engaged to provide flexibility for the Company if there are instant market opportunities or a sudden shortage of internal resources. Therefore, even the IPO financing services have not been actively used by the Company, we are of the view that the Shareholders' interest can be benefited in the long run as IPO financing services could provide flexibility to the Company when it is readily in place.
- (c) The original agreement on IPO financing services entered into by the Upbest Group and the UBA Group were on standard terms provided by the Upbest Group, and the supplemental agreements concluded thereafter were for the sole purpose of extending the service periods. Therefore, we are of the view that the terms of the IPO financing services provided by the Upbest Group to the UBA Group are on normal commercial terms.

#### (iii) Internal control procedures

To ensure that the interest rates offered under each of the 2025 Financial Assistance Supplemental Agreements are fair and reasonable, on normal commercial terms and on terms which are no less favourable to the UBA Group than those offered by other ISPs, the following personnel/parties of the Company are tasked with different duties under the Company's IC policies and procedures.

The FC will (i) gather and compare the interest rates for securities margin financing offered by the Upbest Group to the UBA Group with those offered by at least two ISPs on a regular half-year basis, and interest rate of IPO financing services on every transaction so as to determine if the interest rates offered by the Upbest Group are on normal commercial terms and on terms which are no less favourable to UBA Group than those offered by other ISPs. As the fixed interest rates for the securities margin financing offered in the market has been relatively stable in the past three years with reference to the comparable companies analysis in below, the Company considered that comparing the interest rates on a half-year basis is sufficient; and (ii) review and monitor the transaction amounts under the relevant continuing connected transactions on a monthly basis so as to ensure that the annual caps for the Financial Assistance approved by the Independent Shareholders will not be exceeded.

The independent non-executive Directors and the auditors of the Company will conduct annual reviews of the relevant continuing connected transactions to confirm, among others, that such transactions are carried out in accordance with the terms of the relevant agreements governing the transactions and in accordance with Rules 14A.55 and Rule 14A.56 of the Listing Rules. In addition, while the UBA Group and the Upbest Group have enjoyed a long-term business relationship, the Company is not obligated to use the services provided by the Upbest Group as a matter of course. Other ISPs will be considered for engagement if they could provide better terms and services than the Upbest Group.

We conducted the following measures to evaluate the adequacy and effectiveness the Company's IC policies and procedures. First, we compared the securities margin rates of the comparable companies referred to in Table 1 above with that of the comparable companies set out on pages 32 and 33 of the independent financial adviser letter included in the Company's circular dated 4 April 2022 (the "2022 IFA letter") (Central China International Capital Limited, acted as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders regarding the continuing connected transactions in relation to the 2022 Financial Assistance Supplemental Agreements), and found that 15 comparable companies listed in the current IFA letter had also been included in the 2022 IFA letter, and noted that 11 out of 15 of these comparable companies had not changed their securities margin interest rates during this 3-year period except for the prime rate which was following the market trends. Given the relative stability of the fixed securities margin rates of these 11 comparable companies in the market, we are of the view that the comparison of interest rates for securities margin financing services on a half-year basis is appropriate and sufficient.

Second, with regard to the comparison of interest rate of IPO financing services with that of two ISPs on every transaction by the FC, we noted that since (i) the Company has viewed subscription for shares in IPOs as a complementary equity investment activity; and has not used IPO financing services since its financial year ended 31 March 2012; and (ii) the IPO interest rate is determined on a case by case basis when there is an IPO in the market and the spread of 0.20%–1.50% above the borrowing costs of the Upbest Group is fixed, we consider that it would be fair and reasonable that, when there is an IPO in the market, the FC should gather and compare the interest rate for IPO financing services offered by the Upbest Group to the UBA Group against those offered by at least two ISPs on every transaction so as to determine if such interest rate being offered by Upbest Group is on normal commercial terms and on terms which are no less favourable to the UBA Group than those offered by other ISPs. Having taken the above steps, we are satisfied with the adequacy and effectiveness of the Company's IC policies and procedures.

Regarding to the reasons stated above, we are of the view that the terms of the 2025 Financial Assistance Agreements are fair, reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

# 5. Basis of the annual caps in relation to the 2025 Financial Assistance Supplemental Agreements

Upbest Group had previously provided financing services to UBA Group including (i) securities margin financing services; and (ii) IPO financing services pursuant to the relevant agreements for securities margin financing service and IPO financing services.

## Historical annual caps on the 2022 Financial Assistance Supplemental Agreements

The maximum amounts at a particular point of time of securities margin loans advanced by Upbest Group to UBA Group during each of the three years ended 31 March 2024 and the nine months ended 31 December 2024 are shown below:

	During	During	During	During
	the Financial	the Financial	the Financial	the nine
	Year ended	Year ended	Year ended	months ended
	31 March	31 March	31 March	31 December
	2022	2023	2024	2024
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Securities margin loans				
Maximum amounts (approximately)	NIL	NIL	NIL	NIL

The amounts of securities margin loans advanced by Upbest Group to UBA Group as at 31 March 2022, 31 March 2023, 31 March 2024 and 31 December 2024 are shown below:

	As at 31 March 2022 (HK\$'000)	As at 31 March 2023 (HK\$'000)	As at 31 March 2024 (HK\$'000)	As at 31 December 2024 (HK\$'000)
Securities margin loans				
(approximately)	NIL	NIL	NIL	NIL

The maximum amounts of initial public offer financing advanced by Upbest Group to UBA Group during each of the three years ended 31 March 2024 and the nine months ended 31 December 2024 are shown below:

During	During	During	During
the Financial	the Financial	the Financial	the nine
Year ended	Year ended	Year ended	months ended
31 March	31 March	31 March	31 December
2022	2023	2024	2024
(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)

Initial public offer
financing
Maximum amounts
(approximately)
NIL
NIL
NIL
NIL

The historical annual caps for the financial assistance under the 2022 Financial Assistance Supplemental Agreements for each of the three years ending 31 March 2025 were set at HK\$46,000,000. As depicted from the tables above, we note that there was no transaction for securities margin financing and IPO financing provided by Upbest Group for the three years ended 31 March 2024 and nine months ended 31 December 2024. After discussing with the Directors, we note that the previous annual caps were not utilised mainly due to the negative effect from COVID-19 and the U.S. rate hike which were the contributing factors to the unstable global economy and the fluctuating stock market over the past three years. In addition, the Company would like to invest more prudently and just invest by its own fund instead of using the securities margin financing services. The UBA Board proposed that the annual cap for the Financial Assistance under the 2025 Financial Assistance Supplemental Agreements for each of the three years ending 31 March 2026 to 2028 be set at HK\$18,000,000. The above annual cap was determined by reference to, (i) the increase in the UBA Group's investment in relatively high yield and stable listed securities as well as the increase in the UBA Group's bank deposit for generating stable dividend and bank interest; (ii) the expectation of the higher utilisation rate of the Financial Assistance given the expected improvement of the global economy and the stock market after the end of COVID-19 and the US interest rate hike, while the Financial Assistance can provide the UBA Group a reasonable buffer to cater for the anticipated growth in investment and trading activities to allow flexibility; and (iii) the number of listed securities the UBA Group currently invested in with similar amount of fund.

In addition, the majority of the market practitioners expect the market of Hong Kong initial public offerings will boost in 2025 and beyond. As Hong Kong has been one of the top-ranked initial public offering markets in the world for a prolonged period and has been considered as a fundraising hub for international companies, the Company expects that it may engage in the subscription of shares under the initial public offering of the high potential companies in the near future.

The average net asset value of UBA for the three financial years ended 31 March 2022 to 2024 and the interim period ended 30 September 2024 is approximately HK\$90 million. Pursuant to Chapter 21 of the Listing Rules, the Company may invest in shares issued by a listed company for a value not exceeding 20% of the net asset value of the Company (i.e. HK\$18 million) when the Company makes such investment. As at 30 September 2024, the Company has two investments in shares issued by companies listed on the Stock Exchange using its own fund, in which the market value of those shares slightly below 20% of the net asset value of the Company at the time the Company made the investment. The Directors consider and expect the Company is reasonable to invest one more listed securities with similar value in the future for trading purpose if the opportunity arise. Therefore the Company would like to maintain the flexibility with margin financing facility available to prepare for upcoming investment opportunities. In addition, UBA Board would like to maintain sufficient cashflow to generate interest income from bank deposit as another source of income. As at 30 September 2024, the Company has approximately HK\$10,000,000 fixed deposit. Moreover, having considered that the UBA Group may have focus on different type of transactions depending on the market trend under the Financial Assistance, the Directors consider that it would be more beneficial for the Company not to set a cap for each type of the transactions under the Financial Assistance so as to allow more flexibility for UBA Group to capitalise on the investment opportunities. Based on the foregoing, the Directors consider that the basis for determining the annual caps for the Financial Assistance for each of the three years ending 31 March 2028 is fair and reasonable.

The Company estimated its net asset value ("NAV") in the years 2026 to 2028 based on its historical NAVs in the previous three financial years and the interim periods, as set out in the table below:

Table 2

Data as at	NAV (HK\$'000)
	(approximately)
31 March 2022	104,557
30 September 2022	89,581
31 March 2023	90,124
30 September 2023	82,554
31 March 2024	82,715
30 September 2024	88,441
Average NAV	89,662
20% of average NAV	17,932
Proposed Cap (20% of average NAV)	18,000

To assess the fairness and reasonableness of the proposed annual caps and the basis thereof, we (i), as stated above, inquired with the Directors regarding the rationale on which the proposed annual cap amounts were determined and checked the calculation of the proposed annual caps with reference to Table 2; (ii) performed desktop search on the Hong Kong stock market prospects in 2025 and examined online articles published by Hong Kong Business with heading "Hang Seng Index poised for recovery in 2025" (https:// hongkongbusiness.hk/markets-investing/news/hang-seng-index-poised-recovery-in-2025) and China Daily with heading "HK stocks march into 2025 with an almost 18% gain" (https://www.chinadailyhk.com/hk/article/601294); and (iii) performed desktop search on the Hong Kong IPO market prospects in 2025 and examined online articles published by two Big 4 accounting firms, namely, KPMG and Deloitte. For KPMG, its heading is "Chinese Mainland and Hong Kong IPO Markets 2024 Review and 2025 Outlook" (https://kpmg.com/ cn/en/home/insights/2024/12/china-hk-ipo-markets-2024-review-and-2025-outlook.html); and Deloitte, its heading is "2024 Review and 2025 Outlook for Chinese Mainland & HK IPO markets" (https://www2.deloitte.com/cn/en/pages/audit/articles/2024-review-and-2025outlook-for-chinese-mainland-and-hk-ipo-markets.html).

Our findings are summarised as follows: (i) the proposed annual caps were based on the 20% of NAV of UBA for the three financial years ended 31 March 2024 and six months ended 30 September 2024 which the limit set under Chapter 21 of the Listing Rules; (ii) our independent desktop research concluded that the Heng Seng Index was boosted by a strong rebound from late September 2024, it is expected to recover and show a potential growth in 2025. Such recovery could provide more investment opportunities as some of the listed securities may be undervalued in current stock market; (iii) our independent desktop research summarised that the Hong Kong IPO market started to pick up in September 2024 with a rebound of newly listing and upon the U.S. Federal Reserve cut its interest rate for the first time in four years and China introduced economic stimulation. Its momentum is expected to pick up further in 2025 when the US makes another interest rate cut, and more Chinese economic stimulation are introduced; and (iv) the annual caps for the Financial Assistance should allow the UBA Group to invest one more listed securities with similar amount to the proposed annual cap in the future for trading purpose.

Based on the above, we are of the view that the Directors made the estimation of the UBA Group's investment needs on a prudent basis and that it has used its best efforts to maximise the UBA Group's ability to capitalise on investment opportunities should they arise in coming Hong Kong stock market. Therefore, we are of the opinion that the proposed annual caps of Financial Assistance for each of the three years ending 31 March 2028 are fair and reasonable.

## 6. The 2025 Investment Management Agreement

## (a) Background

As disclosed in the 2022 Joint Announcement, the Upbest Group has been providing assets management services to UBA since December 2000 and on 26 January 2022, UAML and UBA entered into the 2022 Investment Management Agreement pursuant to which UAML provided assets management services to UBA for a period commencing from 1 April 2022 to 31 March 2025.

On 22 January 2025, UAML and UBA entered into the 2025 Investment Management Agreement, pursuant to which UAML will provide assets management services to UBA for a period commencing from 1 April 2025 to 31 March 2028. For the avoidance of doubt, the 2022 Investment Management Agreement will remain in full force and effect until and upon the 2025 Investment Management Agreement becoming effective.

As consideration for UAML's provision of assets management services to UBA pursuant to the 2025 Investment Management Agreement, UAML is entitled to the Management Fee and the Performance Fee. The terms in respect of the Management Fee and the Performance Fee for 2025 Investment Management Agreement in respect of the assets management services were the same as the 2022 Investment Management Agreement.

#### (b) Payment terms

#### Management Fee

The monthly Management Fee is payable by UBA in advance and amounts to 1.5% per annum of the Net Asset Value as at the immediately preceding Valuation Date on the basis of the actual number of days in the relevant calendar month over a year of 365 days.

#### Performance Fee

In addition to the Management Fee, provided that the Net Asset Value (as Adjusted, as defined below) as at the end of the relevant Financial Year exceeds the higher (the "High Watermark") of:

- (a) the Net Asset Value as at the end of the Reference Year; and
- (b) the Net Asset Value as at the end of the most recent Financial Year after the Reference Year and in which the Performance Fee was paid,

UBA will pay UAML the Performance Fee for the relevant Financial Year in Hong Kong dollars equal to 20% of the amount by which the Net Asset Value as at the end of the relevant Financial Year exceeds the High Watermark.

Such Performance Fee shall be payable by UBA as soon as practicable after the publication of the audited financial results of UBA for the relevant Financial Year on the websites of UBA and the Stock Exchange, and in any event not later than 180 calendar days after the publication of the same.

For the purpose of calculating the Performance Fee, the Net Asset Value and, where applicable, the High Watermark shall be adjusted ("Adjusted") in a fair and reasonable manner as UBA and UAML shall agree so as to:

- (a) take account of any adjustments to the share capital of UBA during any relevant Financial Year;
- (b) take account of any buy-back or redemption of the shares of UBA during any relevant Financial Year; and
- (c) take no account of (that is, include in the calculation of the Net Asset Value as if such distributions or fees had never been made or paid) any distributions or dividends made by UBA or any fees paid to UAML pursuant to the 2025 Investment Management Agreement during any relevant Financial Year(s).

In the unlikely event that the aggregate amount (the "Aggregate Amount") of the Management Fee and Performance Fee payable by UBA to UAML for any Financial Year under the 2025 Investment Management Agreement is greater than the relevant annual caps (the "Annual Caps") to be approved by the Independent Shareholders and Upbest Independent Shareholders (if applicable), UBA and UAML shall negotiate in good faith and take such necessary action(s) to comply with the relevant Listing Rules.

#### 7. Assessment of the 2025 Investment Management Agreement

To assess the fairness and reasonableness of the proposed rates of the Management Fee and the Performance Fee in the 2025 Investment Management Agreement, we researched the remuneration packages adopted by investment companies that are listed on the Stock Exchange under Chapter 21 of the Listing Rules (the "Chapter 21 Companies") for their investment advisers, and identified a comprehensive list of 21 such companies (including the Company). Independent Shareholders should note that these companies may not be able to represent a direct comparison to the Company due to the differences in their assets sizes, financial performance, investment objective and portfolio, operation and prospect of these investment companies.

The table below summarises the remuneration packages granted by 10 Chapter 21 Companies (the "Comparable(s)") (including the Company) to their respective investment managers. Not included in Table 3 were 11 Chapter 21 Companies whose information are considered to be no longer relevant because four out of 11 are replaced the investment manager by the board of those Chapter 21 Companies and seven out of 11 are still seeking new investment manager after termination of the existing investment manager.

Table 3

No.	Company Name	Stock code	Management fee	Performance fee
1	China Merchants China Direct Investments Limited	00133	a management fee of HK\$9.9 million	N/A
2	Prosperity Investment Holdings Limited	00310	a management fee of a fixed amount of HK\$40,000 per month (exclusive of disbursements)	Discretionary bonus shall not be payable unless the adjusted NAV as at the end of each financial year exceeds the higher of: (i) the net asset value for the year ended 31 December 2021; and (ii) the adjusted NAV of the most recent financial year after year 2021 for which Opus Capital is paid a discretionary bonus and the amount of such bonus will be capped at HK\$200,000 for each year.
3	Cocoon Holdings Limited ("Cocoon Holdings")	00428	0.8% per annum on the net asset value as per the management account of the company of the preceding month with the annual cap HK\$660,000	N/A
4	Ding Yi Feng Holdings Group International Limited	00612	a monthly management fee of HK\$230,000	N/A

No.	Company Name	Stock code	Management fee	Performance fee
5	China Financial International Investments Limited	00721	a management fee is payable monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio(s) managed by it on the last business day of each calendar month	N/A
6	Shanghai International Shanghai Growth Investment Limited ("Shanghai International")	00770	0.5% per quarter of the net asset value of the group	20% of the excess amount by which the net asset value of the company as at 31 December of each year exceeding the high watermark
7	China Castson 81 Financial Co. Limited	00810	a monthly management fee of HK\$32,500	N/A
8	China Development Bank International Investment Limited	01062	a management fee of HK\$300,000 per annum	N/A
9	Wealthink AI- Innovation Capital Limited	01140	The management fee for the first and second year of the new investment agreement will be HK\$960,000 for each year	N/A
10	The Company	00768	1.5% per annum of the net asset value as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days	20% of the amount by which the net asset value exceeds the high watermark at the end of the relevant financial year

It is noted from Table 3 above that there are different structures and criteria to the compensation packages in terms of management fee and performance fee charged by the investment managers of the Comparables, and each investment company may adopt its unique structure of compensation package granted to the respective investment managers to serve its own purpose. We proceeded to analyse the determination of the rates of the Management Fee and the Performance Fee below.

#### (i) Management Fee

Table 3 shows that there are mainly two bases for determining the management fee amount: (i) as a percentage of NAV; or (ii) by a fixed sum. Out of a total of 10 Comparables, only two of them charge their management fees as a percentage of NAV, similar to the Company. They are (a) Cocoon Holdings (0.8% per annum on the company's NAV); and (b) Shanghai International (0.5% per quarter of the group's NAV). While the 1.5% of NAV per annum Management Fee proposed to be paid by the Company to UAML in the 2025 Investment Management Agreement is higher than that of Cocoon Holdings, it is lower than Shanghai International's management fee of 2%, when calculated on a per annum basis; hence, the Company's 1.5% is within the range of these two Comparables. For over 20 years, this Management Fee rate has not been changed since 2000 after the Upbest Group and the UBA Group entered into the 2000 Investment Management Agreement dated 6 November 2000 and is continued in the 2025 Investment Management Agreement. Hence, we concur with the Directors' view that the rate of the Management Fee in the 2025 Investment Management Fee Investment Management Fee Investment Management Fee Investment Management Fee Invest

#### (ii) Performance Fee

It is noted that one out of the nine Comparables in Table 3 have adopted the performance fee structure, namely Shanghai International, with 20% on the amount by which the Company's NAV exceeds the high watermark, similar to the Company. Therefore, the Performance Fee mechanism under the 2025 Investment Management Agreement closely resembles the mechanism adopted by that Comparable. The Company's proposed rate of the Performance Fee at 20% of the amount by which the NAV exceeds the High Watermark at the end of the relevant financial year is equal to that of the Comparable. We also concur with the Company's view that the market is likely to fluctuate in the next three years caused by the U.S.-China relations and potential shifts in policy under new U.S. administration dynamics, the comparatively higher Performance Fee (with High Watermark) mechanism could provide effective incentive for UAML to perform better for the benefit of the Company, thereby aligning the interests of the Company and the investment manager. Hence, we are of the view that the proposed rate for the Performance Fee is fair and reasonable.

For the above reasons, we concur with the Directors' view that the rate of each of the Management Fee and the Performance Fee in the 2025 Investment Management Agreement is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

#### 8. Basis of the annual caps in relation to the 2025 Investment Management Agreement

## Historical annual caps on the 2022 Investment Management Agreement

Upbest Group had previously provided assets management services to UBA Group. The approximate amounts of the Management Fee and Performance Fee paid by UBA to UAML for each of the three years ended 31 March 2024 and the nine months ended 31 December 2024 are shown below:

	For the Financial Year ended 31 March 2022	For the Financial Year ended 31 March 2023	For the Financial Year ended 31 March 2024	For the nine months ended 31 December 2024
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Management Fee	1,569	1,414	1,295	988
Performance Fee	NIL	NIL	NIL	NIL
Total	1,569	1,414	1,295	988
Utilisation rate of Management Fee:				
(Approximately)	46%	83%	72%	52%

The historical annual cap for the Management Fee under the 2022 Investment Management Agreement for each of the three years ending 31 March 2025 was set at HK\$1,700,000, HK\$1,800,000 and HK\$1,900,000 respectively. And the historical annual cap for the Performance Fee under the 2022 Investment Management Agreement for each of the three years ending 31 March 2025 was set at HK\$4,400,000. The utilisation rates of Management Fee are approximately 83%, 72% and 52% for the two years ended 31 March 2024 and nine months ended 31 December 2024, respectively. There was no Performance Fee paid for the two years ended 31 March 2024 and nine months ended 31 December 2024. Under the 2022 Investment Management Agreement, Performance Fee would only be paid to UAML if the Company's NAV exceeds the High Watermark (equivalent to 20% of the amount by which the NAV exceeds the High Watermark at the end of the relevant financial year). Accordingly, the reduction in the Company's NAV in past three financial years caused by the negative effects of the U.S. interest rate hike and post COVID-19 on the market condition, could be attributable to no utilisation rate of the previous caps of Performance Fee.

# Proposed annual caps on the 2025 Investment Management Agreement

The Upbest Board and UBA Board respectively proposed that the annual cap for the Management Fee and the Performance Fee under the 2025 Investment Management Agreement for each of the Financial Years up to 31 March 2028 shall be as follows:

	For the	For the	For the
	Financial Year	Financial Year	Financial Year
	ending 31	ending 31	ending 31
	March 2026	March 2027	March 2028
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Management Fee	1,500	1,600	1,700
Performance Fee	1,000	1,000	1,000
Total (approximately)	2,500	2,600	2,700

The proposed annual caps for Management Fee and the Performance Fee are determined by reference to:

- (i) an annualised Management Fee based on the unaudited interim results for the six months ended 30 September 2024 and unaudited management accounts for the nine months ended 31 December 2024 of the UBA Group, with an estimated annual growth rate of 7%;
- (ii) the annual caps of the Performance Fee calculated according to the estimated Performance Fee of the Financial Year ending 31 March 2026, 31 March 2027 and 31 March 2028 respectively with a buffer of approximately HK\$1,000,000 for each of the relevant Financial Years under the 2025 Investment Management Agreement based on the net asset value of the UBA Group with an estimated annual growth rate of 7%; and
- (iii) the general performance and fluctuations in the stock market, the global economy and the UBA's performance in the past years and coming three years,

which both the Upbest Board and UBA Board consider to be reasonable.

Upon being inquired as to how the Company arrived at the estimated annual growth rate of 7%, the Directors indicated that it had derived this estimated annual growth rate by averaging the combined amounts of (i) the average monthly percentage change in the Company's NAV, the average monthly percentage change in the Hang Seng Index (the "HSI") and the average quarterly percentage change in the turnover of HSI for financial year ended 31 March 2024 and nine months ended 31 December 2024; and (ii) the average quarterly percentage change of Hong Kong's GDP for the year ended 31 March 2024 and nine months ended 31 December 2024, which amounted to 3.5%.

The above having been said, the Directors considered that the recent period of analysis is more relevant to forecast the annual growth rate in the future. Moreover, since the local stock market is likely to rebound recently due to the end of COVID-19 and U.S. interest rate hike, the Directors estimated the growth rate for each of the financial years ended 31 March 2026 to 2028 to be approximately 7%, after adding a buffer of 3.5% on top of the above-mentioned basis of 3.5% to ensure maximum flexibility on its part.

To analyse the reasonableness of the expected annual growth rate of 7% for the proposed annual caps for the Management Fee and the Performance Fee, we conducted an analysis of the UBA Group's historical NAV trends and return on equity by using the UBA Group's net profit before tax and management fee over its equity. Our independent analysis is based on published financial information of the UBA Group from Annual Report 2024 and Interim Report 2024. We noted that the annual growth rate of UBA Group's historical NAV as at 30 September 2024 compared to that as at 30 September 2023 was approximately 7% which is the same as expected annual growth rate. We also noted that the return on equity of the UBA Group as at 30 September 2024, based on the annualised net profit before tax and management fee for the period from 1 October 2023 to 30 September 2024, was approximately 8% which is slightly higher than expected annual growth rate. Therefore, we are of the view that expected annual growth rate of 7% for the proposed annual caps for the Management Fee and the Performance Fee were fair and reasonable.

The proposed annual caps for Management Fee are HK\$1.5 million, HK\$1.6 million and HK\$1.7 million for the three years ending 31 March 2028, respectively. The estimated Management Fee for the year ending 31 March 2026 is based on the annualised historical amount of Management Fee for the nine months ended 31 December 2024 together with the expected annual growth rate of 7%. The estimated Management Fee for the two years ending 31 March 2028 are based on the expected annual growth rate of 7%. The proposed annual cap for the Performance Fee is HK\$1 million for each of the three years ending 31 March 2028. The estimated Performance Fee for each of the three years ending 31 March 2028 is based on 20% of the difference between the estimated NAV as at 31 March 2028 and the actual NAV as at 31 March 2022 which set as a Reference Year of Performance Fee calculation. The NAV as at 31 March 2026 is estimated based on the actual NAV as at 31 December 2024 with an expected annual growth rate of 7% and the calculation of NAV as at 31 March 2027 and 2028 are also based on the expected annual growth rate of 7%.

Understanding that the Directors consider that the High Watermark in the 2025 Investment Management Agreement will remain as the NAV as at 31 March 2022 or will become a higher amount, it therefore ensures that the Company will not have to pay any Performance Fee to Upbest Group if the performance of Upbest Group for a relevant Financial Year does not meet the benchmark of the High Watermark. Considering the negative impact of the U.S. interest rate hike and COVID-19 on the market condition in the past three years and the expectation that the Hong Kong economy will gradually stabilise and the performance of the stock market may gradually improve, upon arm's length negotiation between the Company and the Upbest Group, it is agreed that NAV as at 31 March 2022 should be kept as the Reference Year for the determination of the High Watermark in the 2025 Investment Management Agreement. We concur with the Directors' view that NAV as at 31 March 2022 should be kept as the Reference Year, the reason is that the U.S. Federal Reserve had raised interest rates rapidly throughout 2022 and maintained high interest rates during most of 2023 and into early 2024 which would affect investor sentiment negatively. Therefore, the NAV of the UBA Group as at 31 March 2023 and 31 March 2024 may not be reflected the actual performance under such volatile environment. In addition, we reviewed the past NAVs of UBA Group and noted that the NAV of the UBA Group as at 31 March 2022 was the highest amount among to those as at 31 March 2023, 31 March 2024 and 31 December 2024. In other words, UAML was motivated to have a high performance in order to receive the Performance Fee, which is in the interest of the Company and Shareholders as a whole.

After taking into account (i) our independent analysis for the expected annual growth rate of 7%; (ii) actual Management Fee paid for the nine months ended 31 December 2024; and (iii) setting NAV as at 31 March 2022 as the Reference Year due to the U.S. interest rate hike from 2022 to early 2024, we are of the view that the proposed annual caps for the Management Fee and Performance Fee are fair and reasonable and in the interest of the Company and Shareholders as a whole.

#### Conclusion

Having taken into the above principal factors and reasons into consideration, we are of the view that the terms of the 2025 Financial Assistance Supplemental Agreements and the 2025 Investment Management Agreement and the transactions contemplated thereunder and the respective annual caps are in the usual and ordinary course of business of the UBA Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM in this regard.

Yours faithfully,
For and on behalf of

Vinco Financial Limited

Alister Chung

Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.