

---

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

---

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

**If you have sold** all your shares in **Yu Ming Investments Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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.

---



**YU MING INVESTMENTS LIMITED**

*(Incorporated in Hong Kong limited liability)*

(Stock Code: 666)

**CONTINUING CONNECTED TRANSACTION  
APPOINTMENT OF YU MING INVESTMENT MANAGEMENT LIMITED  
AS INVESTMENT MANAGER**

**Independent financial adviser to the independent board of committee and  
the independent shareholders**



**CENTURION CORPORATE FINANCE LIMITED**

---

A letter from the independent board committee of Yu Ming Investments Limited containing its recommendation to the independent shareholders of Yu Ming Investments Limited is set out on page 8 of this circular. A letter from Centurion Corporate Finance Limited containing its advice to the independent board committee and the independent shareholders of Yu Ming Investments Limited is set out on pages 9 to 16 of this circular.

A notice convening an extraordinary general meeting of Yu Ming Investments Limited to be held at 4:00 p.m. on 3rd August, 2007 at 1001, 10th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong is set out on page 24 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete this form of proxy in accordance with the instructions printed thereon and deposit the same at Secretaries Limited, the share registrars of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish.

17th July, 2007

---

# CONTENTS

---

	<i>Page</i>
<b>Definition</b> . . . . .	1
<b>Letter from the Board</b>	
Introduction . . . . .	4
Management Agreement . . . . .	5
Reason for entering into the Management Agreement . . . . .	6
Type of transaction . . . . .	6
Views of Directors . . . . .	6
Information in respect of the Company and the Manager . . . . .	6
Extraordinary general meeting . . . . .	7
Additional information . . . . .	7
<b>Letter from the Independent Board Committee</b> . . . . .	8
<b>Letter from Centurion</b> . . . . .	9
<b>Appendix – General Information</b> . . . . .	17
<b>Notice of extraordinary general meeting</b> . . . . .	24

---

## DEFINITIONS

---

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

“associates”	shall have the same meaning as is provided in the Listing Rules
“Board”	the board of Directors
“Centurion”	Centurion Corporate Finance Limited (a licensed corporation 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) under SFO), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Agreement
“Commencement Date”	the earlier of 1st October, 2007, and the date on which the Management Agreement is approved by the Independent Shareholders
“Company”	Yu Ming Investments Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened at 4:00 p.m. on 3rd August, 2007 to approve the Management Agreement, a notice of which is set out on page 24 of this circular
“Group”	the Company and its subsidiaries
“High Watermark”	during the term of the Management Agreement, (a) if a Performance Fee has been paid during the Management Period, the Net Asset Value of the Company as at 31st December, of the year in which the Manager was entitled to a Performance Fee; or (b) if no Performance Fee has been paid, the Net Asset Value on the Commencement Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China

---

## DEFINITIONS

---

“Independent Board Committee”	the independent board committee of the Company comprising Mr. So Shu Fai, Ambrose, Mr. Chow Yu Chun, Alexander and Mr. Albert Ho, (all being independent non-executive Directors) to advise the Shareholders in respect of the Management Agreement
“Independent Shareholders”	the Shareholders other than Mr. Tony Fung, Mr. Peter Fung and Allied Group Limited and their respective associates
“Interim Agreement”	the interim investment management agreement between the Company and the Manager dated 22nd June, 2007, in relation to the provision of the Services for the Interim Period
“Interim Period”	the period from 1st July, 2007 to the earlier of 30th September, 2007, and the date on which the Management Agreement is approved
“Latest Practicable Date”	13th July, 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Exchange
“Management Agreement”	an investment management agreement proposed to be entered into between the Company and the Manager, in relation to the provision of the Services with effect from the Commencement Date, the terms of which shall be subject to approval by the Independent Shareholders
“Management Period”	The period from the Commencement Date to 31st December, 2009
“Manager”	Yu Ming Investment Management Limited (a licensed corporation 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) under SFO), a company incorporated in Hong Kong with limited liability and a licensed corporation under the Securities and Futures Ordinance
“Mr. Peter Fung”	Mr. Fung Yiu Fai, Peter, the non-executive director of the Company and a substantial shareholder of the Manager
“Mr. Tony Fung”	Mr. Fung Wing Cheung, Tony, the chairman of the Company and a substantial shareholder of the Manager

---

## DEFINITIONS

---

“Net Asset Value”	The consolidated net asset value of the Group and its relevant subsidiaries on the basis of the valuation of the assets of the Group less its liabilities
“Percentage Ratio”	the percentage ratio under Chapter 14A of the Listing Rules
“Services”	the services to be provided by the Manager to the Company pursuant to the Interim Agreement or Management Agreement (including certain investment management services and administrative services)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	issued common shares in the issued share capital of the Company from time to time, of a nominal value of HK\$0.10 each
“Shareholders”	shareholders of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“%”	per cent

---

## LETTER FROM THE BOARD

---



### **YU MING INVESTMENTS LIMITED**

*(Incorporated in Hong Kong limited liability)*

(Stock Code: 666)

*Executive Directors:*

Fung Wing Cheung, Tony

Lee Wa Lun, Warren

*Non-Executive Directors:*

Fung Yiu Fai, Peter

Lee Seng Hui

Chan Kin

Lee Yip Wah, Peter

*Registered Office:*

Room 1901B, 19th Floor

Allied Kajima Building

138 Gloucester Road

Hong Kong

*Independent Non-Executive Directors:*

So Shu Fai, Ambrose

Chow Yu Chun, Alexander

Albert Ho

17th July, 2007

*To Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION APPOINTMENT OF YU MING INVESTMENT MANAGEMENT LIMITED AS INVESTMENT MANAGER**

#### **INTRODUCTION**

On 26th June, 2007, the Board announced that the Company entered into the Management Agreement with the Manager on 22nd June, 2007 in relation to the appointment of the Manager as the Company's investment manager for the Management Period, immediately following the Interim Period.

The Manager, as the incumbent investment manager of the Company, is a connected person of the Company pursuant to rule 21.13 of the Listing Rules. Accordingly, the transaction contemplated by the Management Agreement is a continuing connected transaction of the Company.

According to the Percentage Ratios, the Management Agreement is subject to the reporting, announcement requirements and the Independent Shareholders' approval by way of poll in an EGM, as set out in Chapter 14A of the Listing Rules.

---

## LETTER FROM THE BOARD

---

The Independent Board Committee has been appointed to advise the Independent Shareholders, and Centurion has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Agreement.

The purpose of this circular is to provide you with further information in relation to the Management Agreement, to set out the advice from Centurion to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee in respect of the Management Agreement and to seek your approval of the Management Agreement at the EGM, a notice of which is set out in this circular.

### MANAGEMENT AGREEMENT

#### Principal terms

The principal terms of the Management Agreement, among others, include:

Duration	the Management Period	
Services	The Manager shall provide investment management services and administrative services to the Company.	
Remuneration	<i>Management fee:</i>	1.5% per annum of the Net Asset Value, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the Net Asset Value on the last day of each calendar month during each quarter. For the period from the Commencement Date to 31st December, 2007, a pro-rated basis is adopted.
	<i>Performance fee:</i>	20% of the amount by which the audited Net Asset Value of each year ended 31st December, exceeds the High Watermark.

#### Annual caps

The annual maximum remuneration payable by the Company to the Manager under the Management Agreement is limited as follows:

	<i>HK\$</i>
For the period from the Commencement Date to 31st December, 2007	68,744,867
For the year ended 31st December, 2008	78,890,744
For the year ended 31st December, 2009	78,890,744

---

## LETTER FROM THE BOARD

---

The annual caps have been determined with reference to the maximum annual remuneration paid by the Company to the Manager in the past ten years ended 31st December. The annual caps comprise two parts: the management fee and the performance fee. For the management fee, a pro-rated basis (with reference to the actual number of days over which the Services are provided) is adopted. For the performance fee, reference is made to the maximum performance fee paid by the Company.

### **Condition of the Management Agreement**

The Management Agreement is conditional upon the approval by the Independent Shareholders at the EGM. If the condition is not satisfied on or before 31st August, 2007, the Management Agreement shall lapse and none of the parties shall have any obligations and liabilities thereunder.

### **REASON FOR ENTERING INTO THE MANAGEMENT AGREEMENT**

The Manager has provided investment management services to the Company since 5th March, 1997. The Board is of the view that continuity is important for the management of the Company.

### **TYPE OF TRANSACTION**

The Manager, as the incumbent investment manager of the Company, is a connected person of the Company pursuant to rule 21.13 of the Listing Rules. Accordingly, the transaction contemplated by the Management Agreement is a continuing connected transaction of the Company.

According to the Percentage Ratios, the Management Agreement is subject to the reporting, announcement requirements and the Independent Shareholders' approval by way of poll in an EGM, as set out in Chapter 14A of the Listing Rules.

### **VIEWS OF DIRECTORS**

The Directors are of the view that the transaction contemplated by the Management Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INFORMATION IN RESPECT OF THE COMPANY AND THE MANAGER**

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company principally invests in property, private equity, structured financing and listed securities.

Being a licensed corporation 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) under SFO, the Manager provides investment management services to the Company since March 1997. It also provides corporate finance services in relation to listing matters.



---

## LETTER FROM THE BOARD

---

### EXTRAORDINARY GENERAL MEETING

You will find on page 24 of this circular a notice of the EGM to be held at 4:00 p.m. on 3rd August, 2007 at 1001, 10th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong for the purposes of considering and, if thought fit, approving the Management Agreement.

Mr. Tony Fung and his associates beneficially own 168,254,258 Shares, and Mr. Peter Fung owns 6,500,000 Shares (representing approximately 9.95% and 0.38% of the issued shares capital of the Company respectively). As the Manager is beneficially owned by Mr. Tony Fung and Mr. Peter Fung as to 75% and 25% respectively, the Board considers they have material interests in the transaction contemplated under the Management Agreement and shall abstain from voting at the EGM.

Meanwhile, the Manager is being sold to Allied Group Limited, subject to conditions including, among others, approval of the Securities and Futures Commission. Therefore, the Board also considers Allied Group Limited and its associates have material interests in the transaction contemplated under the Management Agreement and shall abstain from voting at the EGM.

To the best knowledge of the Directors, other than Mr. Tony Fung, Mr. Peter Fung and Allied Group Limited and their respective associates, no Shareholder is required to abstain from voting in the EGM.

Pursuant to Rule 14A.52 of the Listing Rules, the Company will procure that the chairman of the EGM demand the resolutions in relation to the Management Agreement to be taken by a poll. You may refer to the appendix of this circular for the procedure by which for you may demand a poll pursuant to the articles of association of the Company.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to be present at the meeting, you are requested to complete this form of proxy in accordance with the instructions printed thereon and deposit the same at Secretaries Limited, the share registrars of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish.

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and Centurion as set out in this circular. As set out in the letter from the Independent Board Committee, members of the Independent Board Committee consider that the terms and conditions of the Management Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the Management Agreement is in the interests of the Company and the Independent Shareholders.

Yours faithfully  
For and on behalf of the Board  
**YU MING INVESTMENTS LIMITED**  
**LEE Wa Lun, Warren**  
*Managing Director*



**YU MING INVESTMENTS LIMITED**

*(Incorporated in Hong Kong limited liability)*

(Stock Code: 666)

*To the Independent Shareholders*

17th July, 2007

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
APPOINTMENT OF YU MING INVESTMENT MANAGEMENT LIMITED  
AS INVESTMENT MANAGER**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Management Agreement, details of which are set out in the letter from the Board in the circular dated 17th July, 2007 (the “Circular”) to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of Centurion in respect of the Management Agreement as set out in the letter from Centurion in the Circular. Having taken into account the advice of Centurion, we consider that the terms and conditions of the Management Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the Management Agreement is in the interests of the Company and the Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Management Agreement.

Yours faithfully

**So Shu Fai, Ambrose      Chow Yu Chun, Alexander      Albert Ho**  
*Independent Board Committee*

---

## LETTER FROM CENTURION

---

*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Centurion dated 17th July, 2007 for incorporation in this circular:–*



---

### CENTURION CORPORATE FINANCE LIMITED 盛百利財務顧問有限公司

---

7th Floor, Duke Wellington House  
14 -24 Wellington Street  
Central, Hong Kong

香港中環  
威靈頓街14-24號  
威靈頓公爵大廈7樓

Telephone : (852) 2525 2128  
(852) 2525 6026  
Facsimile : (852) 2537 7622

17th July, 2007

*To the Independent Board Committee and  
the Independent Shareholders of Yu Ming Investments Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION APPOINTMENT OF YU MING INVESTMENT MANAGEMENT LIMITED AS INVESTMENT MANAGER**

#### **INTRODUCTION**

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms and conditions of the Management Agreement in relation to the appointment of the Manager as the Company's investment manager, details of which are outlined in the "Letter From The Board" set out from pages 4 to 7 of the circular dated 17th July, 2007 to the Shareholders ("Circular") of which this letter forms a part.

We have been appointed to give an opinion as to whether the terms and conditions of the Management Agreement and the ongoing transactions contemplated thereunder are of normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Company announced on 26th June, 2007 the entering into of the Management Agreement and for the reasons set out in the "Letter From The Board", the ongoing transactions contemplated thereunder constitute "continuing connected transaction" of the Company under the Listing Rules. As such, the Management Agreement is subject to the approval of the Independent Shareholders by way of poll at the EGM. For the reasons set out in the "Letter From The Board", each of the Manager, Mr. Tony Fung and Mr. Peter Fung, Allied Group Limited and their respective associates shall abstain from voting at the EGM and the resolutions approving the Management Agreement and the transactions contemplated thereunder will be taken by way of poll. For further details, please refer to the section headed "Extraordinary General Meeting" in the "Letter From The Board".

---

## LETTER FROM CENTURION

---

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the terms and conditions of the Management Agreement and the continuing connected transaction contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Circular and other documents (including but not limited to the Management Agreement) which have been provided to us by the executive Directors and for which they take full responsibility. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true at the time they were made and continued to be true at the date of this Circular. We have also assumed that all statements of beliefs, opinions and intentions made by the Directors in the Circular are reasonably made after due and careful enquiry.

In respect of the financial information of the Group, we have relied principally on its audited and/or unaudited financial statements, all prepared by the Company and for which the Directors take full responsibility. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and/or referred to in the Circular.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have reviewed sufficient financial information to enable us to reach an informed view and to justify reliance on the accuracy of the financial information of the Group as contained in the Circular. We have not, however, conducted any form of independent or in-depth investigation into the businesses and affairs of the prospects of the Group, the Manager, or any of their respective subsidiaries or associates, nor have we independently verified any of the information supplied to us.

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

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### **1. Background to and reason for the Continuing Connected Transaction**

The Company is a close-end investment company listed under Chapter 21 of the Listing Rules (which governs the listing of investment companies) and the Group is principally engaged in the investments in property, private equity, structured financing and listed securities.

The Company has appointed the Manager as its investment manager since 5th March, 1997 and the Board is of the view that continuity is important for the management of the Company. In this regard, the Interim Agreement was entered into on 22nd June, 2007 so that the Manager can remain as the Company's investment manager for the Interim Period, pending the approval of the Management Agreement by the Independent Shareholders.

---

## LETTER FROM CENTURION

---

The Manager is a licensed corporation under the Securities and Futures Ordinance and details of the regulated activities that the Manager is permitted to engage in are set out in the section headed “Information In Respect Of The Company and The Manager” in the “Letter From The Board”. Under the Management Agreement, the Manager will provide the Services which include the (i) ongoing management and monitoring of the investments made by the Company; (ii) identification of investment opportunities and to perform evaluation and due diligence on such selected investment opportunities; (iii) presentation of appropriate investment opportunities for the approval by the Board; (iv) execution the relevant investment and realisation decisions of the Board; and (v) provision of day-to-day management of the business affairs and administrative support of the Group. The Manager also provides corporate finance services in relation to listing matters to its clients.

The Manager is beneficially owned as to 75% and 25% by Mr. Tony Fung and Mr. Peter Fung respectively. Meanwhile, the Manager is being sold to Allied Group Limited, subject to conditions including, among others, approval of the Securities and Futures Commission. Notwithstanding such proposed change in shareholders of the Manager, we understand from the Company that key investment professional(s), including its Managing Director, who has been involved in the management of the Company’s investments since July 1992, will remain with the Manager following such sale. Your attention is also drawn to the Company’s announcement dated 11th June, 2007 disclosing that Allied Group Limited was proposing to acquire the 22.42% equity interest in the Company currently held by Sun Hung Kai & Co. Limited, a 74.93%-owned subsidiary of Allied Properties (HK) Limited, itself a 77.94%-owned subsidiary of Allied Group Limited. Allied Group Limited will therefore, be the largest Shareholder upon completion of its acquisition of the 22.42% equity interest in the Company.

On 3rd July, 2007, the Company announced a major and connected transaction in relation to the proposed disposal of equity interests in Honnex Development Limited to a company owned as to 75% and 25% by Mr. Tony Fung and Mr. Peter Fung respectively, for a cash consideration of HK\$372 million. Honnex Development Limited invests in local retail properties. An earlier announcement published by the Company dated 26th June, 2007 also disclosed a proposed major and connected transaction in respect of the proposed disposal of Group’s various equity interests in AsiaWorld-Expo, for a total cash consideration of HK\$180 million.

The Manager, as the incumbent investment manager of the Company, is a connected person of the Company pursuant to rule 21.13 of the Listing Rules. Accordingly, the transaction contemplated under the Management Agreement is a continuing connected transaction of the Company. The Directors are of the view that the transaction contemplated by the Management Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board is also of the view that continuity is important for the management of the Company. In view of the considerable changes as set out herein in connection with the shareholding control of the Manager, the substantial Shareholder of the Company (albeit an internal group restructuring within the Allied Property Limited group) and the realisation of certain major investments of the Company, we concur with the Board’s view on the importance of continuity for the management of the Company.

---

## LETTER FROM CENTURION

---

For the two years ended 31st December, 2005 and 2006, the audited consolidated operating (loss)/profit of the Group were (HK\$8,414,963) and HK\$120,831,294 respectively, whereas profit/(loss) for the same years were HK\$146,705,088 and (HK\$115,595,718) respectively. The loss for the year ended 31st December, 2006 was due to the charging of the carrying value of HK\$190,190,000 to the Group's income statement in relation to its investment in CR Airways. Consolidated audited net assets of the Group as at 31st December, 2005 and 2006 were HK\$1,052,736,615 and HK\$924,716,644 respectively. For details, please refer to the Company's 2006 annual report.

In light of the changes set out above, the Group is in the course of formulating a new investment strategy. The Board is of the view that positive economic outlook in the People's Republic of China and Hong Kong, and the ample liquidity around the world provide a favourable market for investment business. With its increased liquidity following the completion of the abovementioned proposed disposals, the Group is in a better position to actively seek suitable investment opportunities. The Management Agreement was therefore, entered into in the light of the future prospects of Group, as perceived by the Board.

### 2. Principal terms of the Management Agreement

As set out in the "Letter From The Board", the principal terms of the Management Agreement, among others, include:

Duration	the Management Period	
Services	the Manager shall provide investment management services and administrative services to the Company.	
Remuneration	<i>Management fee:</i>	1.5% per annum of the Net Asset Value, calculated and payable in arrears on a quarterly basis (within 14 days of the last date of each quarter) by reference to the arithmetical average of the Net Asset Value on the last day of each calendar month during each quarter. For the period from the Commencement Date to 31st December, 2007, a pro-rated basis is adopted.
	<i>Performance fee:</i>	20% of the amount by which the audited Net Asset Value of each year ended 31st December, exceeds the High Watermark (payable within 14 business days of the date the audited annual accounts of the Company have been approved by the Board)

## LETTER FROM CENTURION

### *Annual caps under the Management Agreement*

The annual maximum remuneration payable by the Company to the Manager under the Management Agreement is limited as follows:

	<i>HK\$</i>
For the period from the Commencement Date to 31st December, 2007	68,744,867
For the year ended 31st December, 2008	78,890,744
For the year ended 31st December, 2009	78,890,744

### **3. Annual caps**

The 1.5% annual management fee is to enable the Manager to carry out the Services with adequate resources whereas the performance fee is meant to provide motivation and incentive for the Manager to perform and in this case, performance is measured by an increase in the Net Asset Value. The table below summarises the past three years record on payment of management fee and performance fee, albeit using a slightly different method in determining the payment of performance fee under the then management agreement.

<i>HK\$ million</i>	<b>Year ended 31st December, 2004</b>	<b>Year ended 31st December, 2005</b>	<b>Year ended 31st December, 2006</b>
Management fee	10.2	11.3	13.3
Performance fee	—	—	—
Total fees paid	<u>10.2</u>	<u>11.3</u>	<u>13.3</u>

Going forward, based on the annual caps set out above, the breakdown on the maximum remuneration payable by the Company to the Manager under the Management Agreement is as follows:

<i>HK\$ million</i>	<b>Year ending 31st December, 2007*</b>	<b>Year ending 31st December, 2008</b>	<b>Year ending 31st December, 2009</b>
Management fee	5.1	15.2	15.2
Performance fee	<u>63.7</u>	<u>63.7</u>	<u>63.7</u>
Total fees paid	<u>68.8</u>	<u>78.9</u>	<u>78.9</u>

(\* Note: From Commencement Date)

---

## LETTER FROM CENTURION

---

As set out in the “Letter From The Board”, the annual caps have been determined with reference to the maximum annual remuneration paid by the Company to the Manager in the past ten years. The annual caps are comprised of two parts: the management fee and the performance fee. For the management fee, a pro-rated basis (with reference to the actual number of days over which the Services are provided) is adopted. For the performance fee, reference is made to the maximum performance fee paid by the Company.

The management fee of 1.5% per annum is the same as that under the past management agreement entered into since 5th March, 1997, insofar as the percentage of such management fee is concerned. We therefore is of the view that the basis of determining the management fee is fair and reasonable. The basis of determining the performance fee, which refers to the maximum performance fee paid by the Company over the last 10 years (i.e. HK\$63.7 million), is also fair and reasonable given that such reference is based on a historical track record of the highest performance fee earned by the same Manager.

In view of the changes and developments set out in the section headed “Background to and reason for the Continuing Connected Transaction” in this letter above, the Company is realizing certain of its major investments and as a result, the Company will have a high level of liquidity to pursue investment opportunities which the Manager believes will present more upsides insofar as Net Asset Value is concerned. In this regard, we are of the opinion that the bases on which the annual caps are arrived at are reasonable as these caps are based on historical payment and performance achieved by the Manager, with a reasonable upside estimate for such caps going forward.

#### 4. Market comparables

To determine whether or not the proposed terms of the Management Agreement are comparable to market practices, we have reviewed the following fee arrangements of various investment companies principally engaged in investment activities similar to that of the Company and whose shares are(were) listed on the Stock Exchange under Chapter 21 of the Listing Rules. Our findings are summarised as follows:–

<b>Company</b>	<b>Management fee</b> <i>(Note)</i>	<b>Incentive/Performance fee</b> <i>(Note)</i>
1 Company A	(i) 2.75% per annum on the aggregate cost to the company of the investments; and  (ii) 1% per annum on the value of uninvested net assets of the company	Nil on the first 10% return on net assets of 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)



---

## LETTER FROM CENTURION

---

	<b>Company</b>	<b>Management fee (Note)</b>	<b>Incentive/Performance fee (Note)</b>
2	Company B	a monthly management fee equivalent to 2.5% per annum of the net asset value of the company	an annual incentive fee equivalent to 15 % of the surplus in the net asset value of the company over a financial year or period.
3	Company C	2.5% per annum of the net asset value of the group as at the end of the preceding month	10% of the surplus in net asset value of the group over a financial year or period
4	Company D	2.0% per annum of the net asset value of the company	15% of the surplus in the net asset value of the company.
5	Company E (delisted in 2007)	management fee which represents 1.5% per annum of the net asset value of the fund.	a performance fee which represents 12% of the appreciation in the net asset value per share

*(Note: based on latest published annual/interim reports for the years 2006 and/or 2007 and/or circulars issued in 2005 and 2006)*

The above investment companies are principally engaged in investment activities similar to that of the Company and their issued shares are(were) listed on the Stock Exchange under Chapter 21 of the Listing Rules. As a group, these market comparables present a good general overview on the structuring and payment of management fee and performance fee as sought by professional investment managers based in Hong Kong. On the basis of the above findings, we are of the view that the proposed management fee and performance fee under the Management Agreement are broadly in line with market practice and as such, they are fair and reasonable.

### **5. Listing Rules requirements**

The continuing connected transaction contemplated under the Management Agreement will continue to be subject to the annual review requirements set out under rules 14A.37 to 14A.41 of the Listing Rules. This requirements include the Independent Non-executive Directors shall review annually the continuing connected transaction and confirm in the Company's next and successive annual reports that they are in compliance with the relevant Listing Rules requirements. The auditors of the Company shall also review the continuing connected transaction annually and provide the Board with a letter (with a copy provided to the Stock Exchange) in respect of each relevant financial year during which the continuing connected transaction was conducted and confirm that it is in compliance with the relevant Listing Rules requirements. We are of the view that these oversights provide additional comfort and are to ensure that appropriate measures will be taken by the Company to govern itself in conducting the continuing connected transaction, thereby safeguarding the interests of the Independent Shareholders.

---

## LETTER FROM CENTURION

---

### RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms and conditions of the Management Agreement and their respective annual caps are on normal commercial basis, are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The continuing connected transaction contemplated under the Management Agreement is also in the Company's ordinary and usual course of the business. We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Management Agreement and the transactions (including the annual caps) respectively contemplated thereunder at the EGM.

Yours faithfully,  
for and on behalf of  
**Centurion Corporate Finance Limited**  
**Baldwin LEE**  
*Managing 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 Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular 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

- A. As at the Latest Practicable Date, the interests and the short positions (within the meaning of the SFO) of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be 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 which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### I. Interests in the issued ordinary shares and underlying shares of the Company

Name of Directors	Number of Shares		Total	% of total issued shares
	Personal interests	Other interests		
Lee Seng Hui	–	379,291,800 <i>(Note i)</i>	379,291,800	22.42%
Chan Kin	–	314,900,000 <i>(Note ii)</i>	314,900,000	18.62%
Fung Wing Cheung, Tony	3,328,000	164,926,258 <i>(Note iii)</i>	168,254,258	9.95%
Fung Yiu Fai, Peter	6,500,000	–	6,500,000	0.38%
Lee Yip Wah, Peter	1,550,000	–	1,550,000	0.09%
Albert Ho	672,000	–	672,000	0.04%

*Notes:*

- i. Lee Seng Hui is one of the trustees of Lee and Lee Trust (“LLT”) which owns 39.09% interests in Allied Group Limited (“AGL”) which holds 379,291,800 Shares. Accordingly, Lee Seng Hui is deemed to have an interest in 379,291,800 Shares.
- ii. Chan Kin owns 44.45% interests in Argyle Street Management Holdings Limited (“ASMH”), which in turn wholly owns Argyle Street Management Limited (“ASM”). ASM manages ASM Hudson River Fund and ASM Asia Recovery (Master) Fund, which holds 44,986,000 Shares and 269,914,000 Shares respectively. Therefore, Chan Kin is deemed to have an interests in 314,900,000 Shares.

- iii. Megaland Development Limited (“Megaland”) hold 164,926,258 Shares. Megaland is also wholly owned by Oyster Services Limited, the trustee of the Oyster Unit Trust, which in turn Oyster Services Limited is deemed to be interested in 164,926,258 Shares.

The trust property of the Oyster Unit Trust comprises the entire issued capital of Megaland. The beneficiary of Oyster Unit Trust is HSBC International Trustee Limited which holds the trust property (including the beneficial interest under the Oyster Unit Trust) on trust for the beneficiaries of The Alyssa Js 1 Trust. The beneficiaries of The Alyssa Js1 Trust are, inter alia, Mr. Tony Fung’s children under 18.

As such, Mr. Tony Fung is deemed to be interested in 164,926,258 Shares in which his children under 18 have ultimate beneficial interest under the above arrangement.

II. Interests in the issued ordinary shares and underlying shares of associated corporations

Name of Director	Name of corporation	Number of shares (Note)	
		Interests	% of total issued shares
Fung Wing Cheung, Tony	Honnex Development Limited	100,000	10.20%
	Long Vocation Investments Limited	5	5.55%

*Note:*

These shares are held through Oyster Services Limited, the trustee of the Oyster Unit Trust. The beneficiary of Oyster Unit Trust is HSBC International Trustee Limited which holds the trust property (including the beneficial interest under the Oyster Unit Trust) on trust for the beneficiaries of The Alyssa Js 1 Trust. The beneficiaries of The Alyssa Js 1 Trust are, inter alia, Mr. Tony Fung’s children under 18. As such, Mr. Tony Fung is deemed to be interested in these shares in which his children under 18 have ultimate beneficial interest under the above arrangement

Save as disclosed in this circular, as at the Latest Practicable Date, none of the directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be 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 which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

- B. None of the Directors has any service contracts with the Company or any of its subsidiaries which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

### 3. SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in ten per cent 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 the Group:

Name of Shareholders	Notes	Capacity	Number of Shares	% of total issued shares
Sun Hung Kai Venture Capital Limited	<i>i</i>	Beneficial owner/ Interest of Controlled corporation	272,856,000	16.13%
Shipsape Investments Limited	<i>i</i>	Interest of Controlled corporation	272,856,000	16.13%
Sun Hung Kai & Co. Limited	<i>i</i>	Beneficial owner/ Interest of Controlled corporation	379,291,800	22.42%
AP Emerald Limited	<i>ii</i>	Interest of Controlled corporation	379,291,800	22.42%
AP Jade Limited	<i>ii</i>	Interest of Controlled corporation	379,291,800	22.42%
Allied Properties (H.K.) Limited	<i>ii</i>	Interest of Controlled corporation	379,291,800	22.42%
Allied Group Limited	<i>ii</i>	Interest of Controlled corporation	379,291,800	22.42%
Lee Su Hwei	<i>iii</i>	Interest of Controlled corporation	379,291,800	22.42%
Lee Seng Huang	<i>iii</i>	Interest of Controlled corporation	379,291,800	22.42%

Name of Shareholders	Notes	Capacity	Number of Shares	% of total issued shares
ASM Asia Recovery (Master) Fund	<i>iv</i>	Beneficial owner/ Interest of Controlled corporation	269,914,000	15.96%
Argyle Street Management Limited	<i>iv</i>	Interest of Controlled corporation	314,900,000	18.62%
Argyle Street Management Holdings Limited	<i>iv</i>	Interest of Controlled corporation	314,900,000	18.62%
HSBC International Trustee Limited	<i>v</i>	Trustee	168,254,258	9.95%
Poly (Hong Kong) Investments Limited	<i>vi</i>	Interest of Controlled corporation	119,380,000	7.05%

*Notes:*

- i. Sun Hung Kai Venture Capital Limited is a wholly-owned subsidiary of Shipshape Investments Limited which in turn is wholly owned by Sun Hung Kai & Co. Limited. Therefore, Sun Hung Kai & Co. Limited and Shipshape Investments Limited are deemed to have an interest in the Shares in which Sun Hung Kai Venture Capital Limited is interested.
- ii. Sun Hung Kai & Co. Limited is a 65.18% owned subsidiary of AP Emerald Limited. AP Emerald Limited is wholly owned by AP Jade Limited which in turn is a wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited is a 74.93% owned subsidiary of Allied Group Limited. Accordingly, Allied Group Limited, Allied Properties (H.K.) Limited, AP Jade Limited and AP Emerald Limited are deemed to have an interest in the Shares in which Sun Hung Kai & Co. Limited is interested.
- iii. Lee Su Hwei and Lee Seng Huang are trustees of Lee and Lee Trust which owns 41.25% interests in Allied Group Limited, which holds 379,291,800 Shares. Accordingly, Lee Su Hwei, Lee Seng Huang and Lee and Lee Trust are deemed to have an interest in the said Shares in which Allied Group Limited is interested.
- iv. ASM Asia Recovery (Master) Fund is a fund managed by ASM which is in turn wholly owned by ASMH. Therefore, ASMH and ASM are deemed to have an interest in the Shares in which ASM Asia Recovery (Master) Fund is interested.
- v. Out of these 168,254,258 Shares, 164,926,258 Shares are deemed to be owned by Megaland. The entire issued share capital of Megaland is the trust property of the Oyster Unit Trust. Details are set out in paragraph 2 headed "Disclosure of Interests" above.
- vi. The interests of Poly (Hong Kong) Investments Limited was attributable on account through a number of wholly-owned subsidiaries.

#### 4. DIRECTORS' INTERESTS IN CONTRACTS

The Directors confirm that, save as the Management Agreement, there is no other contract or arrangement subsisting as at the Latest Practicable Date in which any Director is materially interested which is significant in relation to the business of the Group.

#### 5. DIRECTORS' INTERESTS IN ASSETS

On 3rd July, 2007, Odelon Limited (a wholly-owned subsidiary of the Company) entered into a conditional sale and purchase agreement with Well Harvest Properties Limited (owned by Mr. Tony Fung and Mr. Peter Fung as to 75% and 25% respectively). According to the agreement, Odelon Limited agreed to sell and Well Harvest Properties Limited agreed to acquire approximately 61.22% of the entire issued share capital of Honnex Development Limited at a consideration of HK\$372 million in cash, conditional upon the approval of the independent shareholders' in the relevant extraordinary general meeting which is expected to be held in August 2007.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirm that none of the Directors has any interest, direct or indirect, in any assets which had been, since 31st December, 2006, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### 6. COMPETING INTERESTS

During the year ended 31st December, 2006, the following Directors had interests in the following businesses (apart from the Company's businesses) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the year required to be disclosed pursuant to rule 8.10 of the Listing Rules on the Stock Exchange:

Name of Directors	Name of company	Nature of interests	Nature of competing business
Fung Wing Cheung, Tony	Friendex Limited	Shareholder	Property
Fung Yiu Fai, Peter	Friendex Limited	Director and shareholder	Property

Mr. Tony Fung and Mr. Peter Fung own 75% and 25% interests respectively in Mega Top Investment Limited, which owns 42.5% interests in Friendex Limited, which owns various shops located on the first floor of Ginza Plaza in Mongkok. The Group owns the second and third floors of Ginza Plaza. First floor of Ginza Plaza was acquired with a leased-back arrangement from the vendor, and shops were of small size. The second and third floors of Ginza Plaza were acquired "whole floor", and units are of sizeable area.

The Board is of the view that the Group is capable of carrying on its properties investment businesses independently. When making decisions on the properties investment business of the Group, the relevant directors, in the performance of their duties as Directors, have acted and will continue to act in the best interests of the Group.

## **7. EXPERTS' DISCLOSURE OF INTEREST AND CONSENT**

- A. As at the Latest Practicable Date, Centurion, a licensed corporation under SFO permitted to be engaged in types 1, 4, 6 and 9 of the regulated activities as stipulated in the SFO, had no direct or indirect shareholding in any member of the 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 Group.
- B. As at the Latest Practicable Date, Centurion had no direct or indirect interests in any assets which have since 31st December, 2006 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.
- C. Centurion has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and reference to its name in the form and context in which it appears.

## **8. PROCEDURE FOR DEMANDING A POLL AT THE EGM**

In accordance with the articles of association of the Company, a poll may be demanded at the EGM by:

- A. the chairman of the EGM; or
- B. at least three members present in person or by proxy for the time being entitled to vote at the EGM; or
- C. any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the EGM; or
- D. a member or members present in person or by proxy and holding Shares conferring a right to vote at the EGM being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

## **9. LITIGATION**

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



**10. MISCELLANEOUS**

- A. The Directors are not aware of any material adverse change in the Group's financial or trading position since 31st December, 2006, the date to which the latest published audited consolidated accounts of the Group were made up.
- B. The secretary of the Company is Lee Yip Wah who is a practising solicitor in Hong Kong.
- C. The qualified accountant of the Company is Ms. Chung Wai Han, Christy, who is an associate of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- D. The English text of this circular shall prevail over the Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the head office of the Company at Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong up to and including 3rd August, 2007 and at the EGM:

- a. the Management Agreement;
- b. the letter from Centurion to the Independent Board Committee and the Independent Shareholders as set out on pages 9 to 16 of this circular;
- c. the written consent referred to in paragraph 7 of this appendix;
- d. the memorandum and articles of association of the Company; and
- e. annual report of the Company for the financial year 2006.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---



### YU MING INVESTMENTS LIMITED

(Incorporated in Hong Kong limited liability)

(Stock Code: 666)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Yu Ming Investments Limited (the “Company”) will be held at 4:00 p.m. on 3rd August, 2007 at 1001, 10th Floor, Aon China Building, 29 Queen’s Road Central, Hong Kong for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT** the Management Agreement (as defined in the circular dated 17th July, 2007 (the “Circular”) despatched to the shareholders of the Company together with this notice of extraordinary general meeting), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose, and the transaction contemplated therein be and are hereby generally and unconditional approved and the directors of the Company be and are hereby authorized to do such things as they may consider necessary to give effect to such transaction.”
2. “**THAT** the annual cap for the remuneration payable by the Company to Yu Ming Investment Management Limited under the Management Agreement is limited as follows:

	<i>HK\$</i>
For the period from the Commencement Date to 31st December, 2007	68,744,867
For the year ended 31st December, 2008	78,890,744
For the year ended 31st December, 2009	78,890,744”

By Order of the Board  
**Lee Yip Wah, Peter**  
*Secretary*

Hong Kong, 17th July, 2007

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at Secretaries Limited, the share registrars of the Company, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.