

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.

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YU MING INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

**MAJOR AND CONNECTED TRANSACTION
INVOLVING THE ACQUISITION OF
FURTHER INTEREST IN ASIAWORLD-EXPO**

**Independent financial adviser to the independent board committee
and the independent shareholders of Yu Ming Investments Limited**



Hantec Capital 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 11 of this circular. A letter from Hantec Capital Limited containing its advice to the independent board committee and the independent shareholders of Yu Ming Investments Limited is set out on pages 12 to 19 of this circular.

A notice convening an extraordinary general meeting of Yu Ming Investments Limited to be held at 1001, 10th Floor, AON China Building, 29 Queen's Road Central, Hong Kong on Friday, 12th August, 2005 at 10:00 a.m. is set out on page 70 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at Secretaries Limited, the share registrars of Yu Ming Investments Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	
Introduction	4
Agreement	5
AsiaWorld-Expo	7
Reasons for the Transaction	7
Business Review and Prospects	9
Extraordinary General Meeting	9
Additional Information	10
Letter from the Independent Board Committee	11
Letter from Hantec	12
Appendix I – Financial Information on the Group	20
Appendix II – Accountants’ Report on JVP	46
Appendix III – Pro-forma Financial Information on the Enlarged Group	58
Appendix IV – General Information	63
Notice of Extraordinary General Meeting	70

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 4th July, 2005 entered into between the Company and YMIM in relation to the transfer of the AWE Interests from YMIM to the Company
“AsiaWorld-Expo”	the exhibition center at the Hong Kong International Airport
“associate(s)”	has the same meaning as ascribed to it in the Listing Rules
“AWE Interests”	the Share Interests and the Loan Interests
“Board”	board of Directors
“Company”	Yu Ming Investments Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange with a designated stock code of 666
“Completion”	completion of the transfer of the AWE Interests from YMIM to the Company pursuant to the terms and conditions of the Agreement
“Directors”	directors of the Company
“Dragages”	Dragages Hong Kong Limited, a subsidiary of the French conglomerate Bouygues, a partner of the Company in JVP and not a connected person of the Company as defined under the Listing Rules
“EGM”	the extraordinary general meeting of the Company to be held at 1001, 10th Floor, AON China Building, 29 Queen’s Road Central, Hong Kong on Friday, 12th August, 2005 at 10:00 a.m., a notice of which is set out on page 70 of this circular
“Enlarged Group”	the Group and JVP
“Expenses”	legal and finance costs (excluding interest expenses) of YMIM in connection with its investment in JVP and the procurement and maintenance of the letter of credit guaranteeing its financial commitment pursuant to the JVP Shareholders’ Agreement, incurred up to the date of Completion

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hantec”	Hantec Capital Limited, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement
“Holdings”	IEC Holdings Limited, a partner of JVP in AsiaWorld-Expo and owned by the Hong Kong Government and the Airport Authority
“Independent Board Committee”	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 Independent Shareholders in respect of the Agreement
“Independent Shareholders”	Shareholders other than Mr. Tony Fung and Mr. Peter Fung and their respective associates
“Joint Venture Agreement”	the agreement dated 23rd August, 2003 entered into between Hong Kong IEC Limited, Holdings and JVP in respect of AsiaWorld-Expo
“JVP”	IEC Investments Limited, a joint venture between the Company, YMIM and Dragages
“JVP Shareholders’ Agreement”	the agreement dated 18th July, 2003 entered into between the Company, YMIM and Dragages which sets out the principal terms of the shareholders’ agreement in relation to JVP
“Latest Practicable Date”	20th July, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Interests”	all shareholder’s loans advanced by YMIM to JVP on the date of Completion, which are interest free without a fixed term of repayment
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Share Interests”	22.15% interests in the share capital of JVP held by YMIM
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YMIM”	Yu Ming Investment Management Limited, the investment manager of the Company owned as to 75% by Mr. Tony Fung and as to 25% by Mr. Peter Fung



YU MING INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

Executive Directors:

Fung Wing Cheung, Tony
Fung Yiu Fai, Peter
Lee Wa Lun, Warren
Li Shi Liang

Registered Office and Principal

Place of Business:
1001, 10th Floor,
AON China Building,
29 Queen's Road Central,
Hong Kong

Non-Executive Directors:

Lee Seng Hui
Lee Yip Wah, Peter

Independent Non-Executive Directors:

So Shu Fai, Ambrose
Chow Yu Chun, Alexander
Albert Ho

26th July, 2005

To Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
INVOLVING THE ACQUISITION OF
FURTHER INTEREST IN ASIAWORLD-EXPO**

INTRODUCTION

The Board announced on 4th July, 2005 that the Company entered into the Agreement with YMIM on 4th July, 2005 to increase its interest in JVP from 37.85% to 60%. The sole business and asset of JVP is its holding of an approximate 13.5% interest in AsiaWorld-Expo, the exhibition center at the Hong Kong International Airport.

As YMIM is owned as to 75% by Mr. Tony Fung who in turn is a controlling shareholder of the Company interested in approximately 43.06% of the issued share capital of the Company, and YMIM, being the investment manager of the Company, is deemed to be a connected person of the Company under the Listing Rules, the entering into the Agreement constitutes a connected transaction of the Company, and is subject to reporting, announcement and the Independent Shareholders' approval requirements. Following Completion, JVP will become a non-wholly-owned subsidiary of the Company. As the total assets of JVP exceed 25% of the consolidated total assets of the Company, the proposed acquisition also constitutes a major transaction of the Company.

LETTER FROM THE BOARD

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

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

ACQUISITION AGREEMENT

Date:

4th July, 2005

Parties:

- (a) the Company as the purchaser, the principal business of which is investment in listed and unlisted securities; and
- (b) YMIM as the vendor, the principal business of which is the provision of corporate finance advisory services and investment management services to listed companies, professional and institutional clients.

Transaction:

The Company has agreed to purchase and YMIM has agreed to sell the AWE Interests at a consideration equal to the sum of:

- (a) HK\$22,150.00, as consideration for the Share Interests, which is equal to the cost of investment of YMIM in the share capital of JVP attributable to the Share Interests; and
- (b) the principal amount of the Loan Interests, as consideration for the Loan Interests, which as at the Latest Practicable Date, amount to HK\$69,335,529.24.

In addition, the Company shall reimburse YMIM for its legal and finance costs (excluding interest expenses) in connection with the investment in JVP and the procurement and maintenance of the letter of credit guaranteeing its financial commitment pursuant to the JVP Shareholders' Agreement, incurred up to the date of Completion. Such costs amount to HK\$812,975.07 as at the Latest Practicable Date. Assuming Completion takes place on 30th September, 2005, the amount to be reimbursed would be approximately HK\$850,000.

LETTER FROM THE BOARD

Based on the above figures, the aggregate consideration amounts to HK\$70,170,654.31. The final consideration for the Loans Interests may differ, depending on the outstanding amount of shareholder's loan as at the date of Completion. The reimbursement amount for the Expenses will be slightly higher because YMIM keeps incurring fee for maintaining the letter of credit until it is terminated on the date of Completion.

No deposit is payable by the Company to YMIM and the consideration shall be payable by the Company in cash on the date of Completion, which will be financed by the Company's internal resources.

Following Completion, the Company shall hold on trust for YMIM any dividend accrued up to the date of Completion and any interest accrued thereon up to the date of payment which are receivable by JVP under the Joint Venture Agreement and which are attributable to the Share Interests, and pay to YMIM up to such aggregate amount upon distribution (whether in the form of dividend or repayment of shareholders' loans) by JVP under the JVP Shareholders' Agreement.

The Share Interests represent 22.15% of the issued share capital of JVP or an approximate effective interest of 2.99% of AsiaWorld-Expo. Following Completion, JVP will become a 60% non-wholly-owned subsidiary of the Company. The Loan Interests represent 22.15% of all shareholders' loans of JVP advanced by its shareholders.

Conditions precedent:

Completion shall be conditional upon satisfaction of the following conditions precedent on or before 30th September, 2005 (or such later date as may be agreed between the Company and YMIM):

- (a) approval by the Independent Shareholders as required under the Listing Rules;
- (b) approval by Holdings of the transfer of the AWE Interests from YMIM to the Company;
- (c) compliance by the Company with Rule 21.04(3)(b) of the Listing Rules (which restricts an investment company to invest no more than 20% of its net asset value in any single investment); and
- (d) termination of the letter of credit provided by YMIM in favour of JVP pursuant to the JVP Shareholders' Agreement.

As at the Latest Practicable Date, none of the above conditions has been fulfilled. The Company does not anticipate any waiver of the above conditions to be granted by any party concerned.

Pursuant to the JVP Shareholders' Agreement, each shareholder provided a letter of credit guaranteeing their financial commitment in proportion to their respective shareholding in AsiaWorld-Expo. Based on the estimated construction cost under the Joint Venture Agreement, YMIM provided an approximate HK\$78 million letter of credit in favour of JVP pursuant to the JVP Shareholders' Agreement, which has been reduced by approximately HK\$69 million (the amount of investment made so far) to approximately HK\$9 million as at the Latest Practicable Date. Following Completion, the Company will assume YMIM's financial commitment under the JVP Shareholders' Agreement.

LETTER FROM THE BOARD

ASIAWORLD-EXPO

The sole business and asset of JVP is its holding of an approximate 13.5% interest in AsiaWorld-Expo, the exhibition center at the Hong Kong International Airport. Other than the share capital of HK\$100,000 contributed by the Company, YMIM and Dragages, shareholders of JVP shall contribute their investment in the form of interest free shareholders' loans pro rata to their shareholding in JVP according to the JVP Shareholders' Agreement. Based on its audited accounts, JVP reported a loss before and after taxation of HK\$38,796 for the period from 18th August, 2003 (being the date of incorporation) to 31st December, 2004, and a loss before and after taxation of HK\$43,522 for the five months ended 31st May, 2005. It had an audited net asset value of HK\$61,204 as at 31st December, 2004 and HK\$17,682 as at 31st May, 2005.

Based on the estimated construction cost under the Joint Venture Agreement, JVP shall invest approximately HK\$350 million in AsiaWorld-Expo. As at the Latest Practicable Date, approximately HK\$313 million has been contributed, and the balance is expected to be contributed by mid 2006. JVP shall make further capital investment only if it is called for by AsiaWorld-Expo under the Joint Venture Agreement. The Company will finance further investment by way of its own internal resources as well as the non-recourse loan to be provided to JVP mentioned below.

AsiaWorld-Expo is a new exhibition center at the Hong Kong International Airport currently under construction. Upon completion in December 2005, AsiaWorld-Expo will provide over 70,000 sq. m. of rentable space, including 10 ground-level, column-free, 10-m high halls. It also houses a purpose-built, 13,500-seat, 19-m high arena of high acoustic qualities with modular seating systems and backstage facilities. The 10 halls can be used either separately or in conjunction with each other to provide one continuous space for events.

AsiaWorld-Expo has a full range of meeting and conference facilities that can accommodate small, intimate events of 12 to mega functions for more than 30,000 delegates and visitors.

The construction is on schedule, and will be ready for occupation in December 2005.

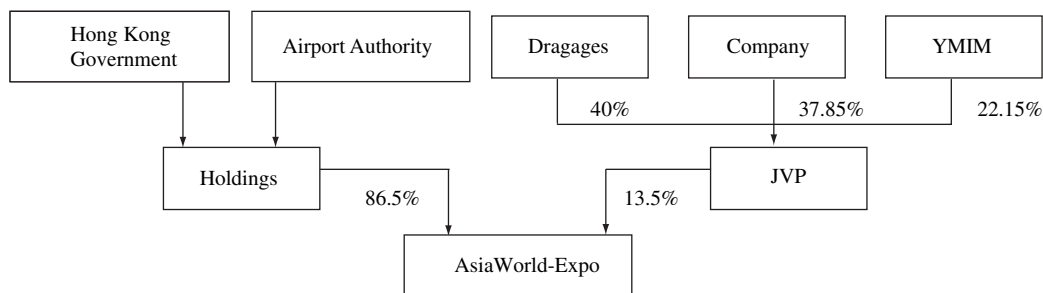
AsiaWorld-Expo has secured bookings well into 2008, exceeding the original budget. It will also be the host venue for ITU Telecom World, the most prominent global telecommunications event, for 2006.

REASONS FOR THE TRANSACTION

The Company was approached by Dragages in June 2003 to form JVP to invest with the Hong Kong Government and the Airport Authority to develop and operate AsiaWorld-Expo. At that time, 60% interest in JVP (effectively 8.1% attributable interests in AsiaWorld-Expo) was open to investors in one lot. However, in compliance with Rule 21.04(3)(b) of the Listing Rules (which restricts an investment

LETTER FROM THE BOARD

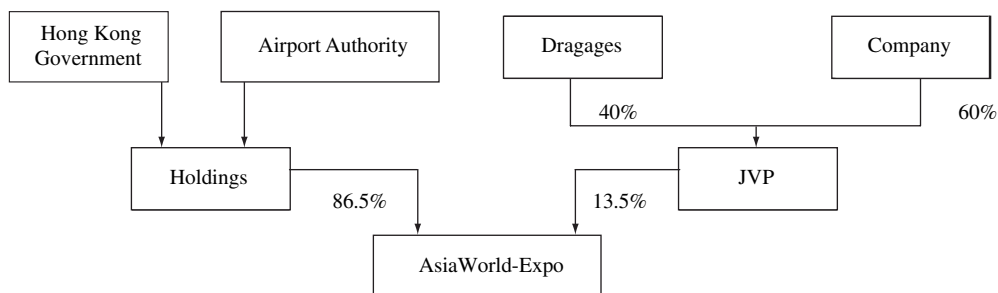
company to invest no more than 20% of its net asset value in any single investment), the Company could invest no more than 37.85% interest in JVP and so it invited YMIM to co-invest 22.15% interests in JVP. The investment was then made in August 2003 with the following shareholding structure:



Note: Shareholding of Holdings and JVP in AsiaWorld-Expo depends on the amount of their respective investment in AsiaWorld-Expo. The above shareholding of AsiaWorld-Expo is based on the HK\$2.35 billion estimated construction cost under the Joint Venture Agreement.

Recognizing that the Company has a priority in the investment, YMIM agreed in its letter dated 18th July, 2003 to sell its 22.15% interest in JVP back to the Company once it can do so without breaching Rule 21.04(3)(b) of the Listing Rules within a period of 12 months. Although the 12-month period has expired, taking into account the original intention, YMIM is willing to accommodate and agrees to enter into the Agreement.

A licensed bank in Hong Kong has agreed in principle (formal loan documents have not been signed yet) to grant a non-recourse financing to JVP to finance its investment in AsiaWorld-Expo. Shareholders of JVP would not provide guarantee on repayment of the non-recourse loan, and therefore the bank could not make any claim against the shareholders in the event of default by JVP on payment. This would effectively reduce the Company's financial commitment in AsiaWorld-Expo to approximately HK\$146 million (representing approximately 19% of its net asset value) and enable the Company to increase its interest in JVP to 60% without breaching Rule 21.04(3)(b) of the Listing Rules. As compliance with Rule 21.04(3)(b) of the Listing Rules is a conditions precedent to the Agreement, Completion would not take place if JVP fails to or decides not to obtain such non-recourse financing. Following Completion, shareholding of AsiaWorld-Expo would be as follows:



Note: Shareholding of Holdings and JVP in AsiaWorld-Expo depends on the amount of their respective investment in AsiaWorld-Expo. The above shareholding of AsiaWorld-Expo is based on the HK\$2.35 billion estimated construction cost under the Joint Venture Agreement.

LETTER FROM THE BOARD

Given the better than expected performance of AsiaWorld-Expo and that the consideration is equal to the cost of investment of YMIM, the Board considers that the entering into the Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned. As investment is the principal business of the Company, the Agreement would be entered into in the ordinary and usual course of business of the Company.

The transaction would have neutral effect on the total assets and net assets of the Company. As JVP has no borrowings other than shareholders' loans, the acquisition of the AWE Interests would have neutral effect on the liabilities of the Enlarged Group. However, as mentioned in the paragraph headed "Reasons for the Transaction", the non-recourse loan is practically a conditions precedent to the transaction. So following Completion, the liabilities of the Enlarged Group will be increased. Given the non-recourse feature of the loan, the Board believes that the financial position of the Enlarged Group would not be affected, but the return on the investment would be leveraged. Since AsiaWorld-Expo has not commenced operation yet, the transaction would not have immediate material impact on the profit of the Company. The Board expects that AsiaWorld-Expo would provide recurrent income to the Group after it commences operation in early 2006.

BUSINESS REVIEW AND PROSPECTS

The Group's investment in a leading cashmere knitwear manufacturer in the PRC has been completed. The Board believes that such investment would diversify the portfolio of the Group to tap into the cashmere market. Save for this acquisition and normal trading in bond and equity securities, the Company does not have significant acquisition or disposal since 31st December, 2004, being the date the last audited financial statements of the Group were made up.

The airline which the Company invested in last year expands its routes rapidly. In addition to Nanning, it has launched scheduled flights to Jinan, Haikou and Sanya in the PRC this year. Argyle Centre, the shopping mall in Mong Kok, continues to maintain an occupancy rate of close to 100% and provide the Group with stable recurrent income. Update on the performance of AsiaWorld-Expo can be referred to the paragraph headed "AsiaWorld-Expo" above.

EXTRAORDINARY GENERAL MEETING

You will find on page 70 of this circular a notice of the EGM to be held at 1001, 10th Floor, AON China Building, 29 Queen's Road Central, Hong Kong on Friday, 12th August, 2005 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Agreement. As YMIM is owned as to 75% by Mr. Tony Fung and as to 25% by Mr. Peter Fung, they are interested in the transaction. Mr. Tony Fung beneficially interested in 728,254,258 Shares (of which 3,328,000 Shares are held by himself, 245,000,000 Shares are held by Goldfield Venture Limited and 479,926,258 Shares are held by Megaland Development Limited) representing 43.06% of the issued share capital of the Company and Mr. Peter Fung interested in 6,500,000 Shares (all of which are held by himself) representing 0.38% of the issued share capital of the Company and their respective associates will abstain from voting in respect of the resolution for approval of the Agreement at the EGM. Mr. Tony Fung and Mr. Peter Fung control and are entitled to

LETTER FROM THE BOARD

exercise control the voting right of their respective Shares mentioned above. Pursuant to Rule 14A.52 of the Listing Rules, the Company will procure that the Chairman of the EGM will demand the resolution relating to the Agreement to be taken by a poll. You may refer to appendix IV 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, 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 Hantec 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 of the Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the 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
FUNG Yiu Fai, Peter
Managing Director



YU MING INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

To the Independent Shareholders

26th July, 2005

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
INVOLVING THE ACQUISITION OF
FURTHER INTEREST IN ASIAWORLD-EXPO**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Agreement, details of which are set out in the letter from the Board in the circular dated 26th July, 2005 (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 Hantec in respect of the Agreement as set out in the letter from Hantec in the Circular. Having taken into account the advice of Hantec, we consider that the terms of the Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the 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 Agreement.

Yours faithfully

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

Independent Board Committee

LETTER FROM HANTEC

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Hantec regarding the Agreement for the purpose of incorporation in this circular:



Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

26th July, 2005

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

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION INVOLVING THE ACQUISITION OF FURTHER INTEREST IN ASIAWORLD-EXPO

INTRODUCTION

We refer to the circular dated 26th July, 2005 (the "Circular") issued by the Company to its Shareholders of which this letter forms part and to our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement, the details of which are set out in the letter from the Board (the "Letter from the Board") contained in the Circular. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular of which this letter forms part unless the context otherwise requires.

On 4th July, 2005, the Company entered into the Agreement with YMIM to increase its interest in JVP from 37.85% to 60%. The sole business and asset of JVP is its holding of an approximate 13.5% interest in AsiaWorld-Expo, the exhibition center at the Hong Kong International Airport.

As YMIM is owned as to 75% by Mr. Tony Fung and 25% by Mr. Peter Fung who in turn are the Shareholders interested in approximately 43.06% and 0.38% respectively of the issued share capital of the Company, and YMIM, being the investment manager of the Company, is deemed to be a connected person of the Company under the Listing Rules, the entering into the Agreement constitutes a connected transaction of the Company, and is subject to reporting, announcement and the Independent Shareholders' approval requirements. Any vote of the Independent Shareholders at the EGM shall be taken by poll. As YMIM is owned as to 75% by Mr. Tony Fung and as to 25% by Mr. Peter Fung, Mr. Tony Fung and Mr. Peter Fung, being Shareholders interested in the transaction, and their respective associates will abstain from voting in respect of the resolution for approval of the Agreement at the EGM.

LETTER FROM HANTEC

The Independent Board Committee comprising Mr. So Shu Fai, Ambrose, Mr. Chow Yu Chun, Alexander and Mr. Albert Ho has been formed to consider the terms of the Agreement. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Agreement so far as the interests of the Independent Shareholders are concerned.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the information and facts including, but not limited to the Agreement and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed 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 such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Agreement, we have considered the following principal factors and reasons:

1. Information about the Company, JVP and AsiaWorld-Expo

(i) Information about the Company

The Company is incorporated in Hong Kong with principal business of investment in listed and unlisted securities.

LETTER FROM HANTEC

According to the financial information of the Group as set out in Appendix I of the Circular, the Group had audited net assets of approximately HK\$701.2 million and HK\$761.5 million as at 31st December, 2003 and 2004 respectively. The Group had audited profit attributable to Shareholders of approximately HK\$143.4 million and HK\$39.4 million for the year ended 31st December, 2003 and 2004 respectively.

(ii) *Information about JVP and AsiaWorld-Expo*

JVP is a joint venture with equity interest owned by Dragages, the Company and YMIM as to 40%, 37.85% and 22.15% respectively. The sole business and asset of JVP is holding of an approximate 13.5% interest in AsiaWorld-Expo, the exhibition center at the Hong Kong International Airport. Based on its latest audited accounts, JVP reported a loss before and after taxation of HK\$38,796 for the period from 18th August, 2003 (being the date of incorporation) to 31st December, 2004, and a loss before and after taxation of HK\$43,522 for the five months ended 31st May, 2005. It had a net asset value of HK\$61,204 as at 31st December, 2004 and HK\$17,682 as at 31st May, 2005.

As stated in the Letter from the Board, based on the estimated construction cost under the Joint Venture Agreement, JVP shall invest approximately HK\$350 million in AsiaWorld-Expo. As at the Latest Practicable Date, approximately HK\$313 million has been contributed, and the balance is expected to be contributed by mid 2006. JVP shall make further capital investment only if it is called for by AsiaWorld-Expo under the Joint Venture Agreement. The Company will finance further investment by way of its own internal resources as well as the non-recourse loan to be provided to JVP.

AsiaWorld-Expo is a new exhibition center at the Hong Kong International Airport currently under construction. Upon completion in December 2005, AsiaWorld-Expo will provide over 70,000 sq.m. of rentable space, including 10 ground-level, column-free, 10-meter high halls. It also houses a purpose-built, 13,500-seat, 19-meter high arena of high acoustic qualities with modular seating systems and backstage facilities. AsiaWorld-Expo is expected to be opened in December 2005 and AsiaWorld-Expo has secured bookings well into 2008. It will also be the host venue for ITU Telecom World for 2006.

2. The Agreement

On 4th July, 2005, the Directors announced that the Company had entered into the Agreement with YMIM, pursuant to which, the Company agreed to purchase and YMIM agreed to sell the AWE Interests at consideration equals to the sum of the Share Interests, the Loan Interests and the Expenses, which the aggregate consideration expected to be HK\$70,170,654.31 (subject to the date of Completion). Details about the consideration payable by the Company are set out in the Letter from the Board and will be discussed in the sub-paragraph headed "Basis of the consideration" below. Following Completion, JVP will become a 60% non-wholly-owned subsidiary of the Company.

Completion shall be conditional upon satisfaction of the conditions precedent on or before 30th September, 2005 (or such later date as may be agreed between the Company and YMIM). Details of the terms of the Agreement and the conditions precedent are set out in the Letter from the Board.

3. Reasons for the transaction

As stated in the Letter from the Board, the Company was approached by Dragages in June 2003 to form JVP to invest with the Hong Kong Government and the Airport Authority to develop and operate AsiaWorld-Expo. At that time, 60% interest in JVP was open to investors in one lot. However, in compliance with Rule 21.04(3)(b) of the Listing Rules (which restricts an investment company to invest no more than 20% of its net asset value in any single investment), the Company could invest no more than 37.85% interest in JVP and so it invited YMIM to co-invest 22.15% interests in JVP. Recognizing that the Company has a priority in the investment, YMIM agreed in its letter dated 18th July, 2003 to sell its 22.15% interest in JVP back to the Company once it can do so without breaching Rule 21.04(3)(b) of the Listing Rules within a period of 12 months.

With the non-recourse loan principally agreed to grant to JVP from a licensed bank in Hong Kong and shareholders of JVP would not provide guarantee on repayment of the non-recourse loan which means the bank could not make any claim against the shareholders in the event of default by JVP on payment, as a result, the Company's financial commitment in AsiaWorld-Expo is reduced and it enables the Company to increase its interest in JVP to 60% without breaching Rule 21.04(3)(b) of the Listing Rules. Although the 12-month period as stated in the letter of YMIM dated 18th July, 2003 has expired, YMIM is willing to accommodate and agrees to enter into the Agreement. Taking into consideration that the original intention of the Company since 2003 is to acquire up to 60% interest in JVP but was limited to 37.85% interest at that time to avoid breaching of the Listing Rule 21.04(3)(b), we are of the view that the entering into the Agreement is reasonable so far as the Company and the Independent Shareholders are concerned.

Considering that the Company is an investment company, we concur with the Directors that the further acquisition of the interest in JVP by the Company is line with its principal business and the Agreement was entered in ordinary and usual course of business of the Company.

According to the Letter from the Board, AsiaWorld-Expo is expected to be opened in December 2005 and AsiaWorld-Expo has secured bookings well into 2008 which exceed the original budget. Taking into consideration of the favourable response received by AsiaWorld-Expo from the international exhibition community, which demonstrated by its ability to secure bookings into 2008, we are of the view that the entering into the Agreement to increase its interest in AsiaWorld-Expo is reasonable.

According to Hong Kong Trade Development Council, Hong Kong has developed into a premier trade fair center in the region and is the world's 11th largest trading economy. Hong Kong hosted 320 conventions and exhibitions in 2004, comparing to 172 in 2003. The four main types of exhibitions held in Hong Kong are trade exhibitions for consumer goods, trade exhibitions for capital investment, trade exhibitions for soliciting overseas investment and public exhibitions. In 2004, approximately 498,000 overseas visitors were attracted to attend conventions and exhibitions in Hong Kong and another 723,000 participants took part in corporate events in Hong Kong, representing an increase of approximately 59.1% and 20.0% respectively to the relevant figures in 2003. Based on Hong Kong as a premier trade fair center in the region and the world's 11th largest trading economy and with significant growth in the number of conventions and exhibitions from 2003 to 2004, we are of the view that the investment in AsiaWorld-Expo is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM HANTEC

Given that (i) the acquisition is in line with the principal business of the Company; (ii) the acquisition of interest from YMIM enables the Company to invest up to 60% interest in JVP which is the original intention of the Company; (iii) the favourable response received by AsiaWorld-Expo from the international exhibition community which demonstrated by its ability to secure bookings to 2008 and exceeding the original budget; and (iv) Hong Kong is a premier trade fair center in the region and the world's 11th largest trading economy and with significant growth in the number of conventions and exhibitions from 2003 to 2004, we consider that the Agreement was entered in ordinary and usual course of business of the Company and the entering into the Agreement is reasonable and is in the interests of the Company and the Shareholders as a whole.

4. Basis of the consideration

As stipulated in the Letter from the Board, the Company has agreed to purchase and YMIM has agreed to sell the AWE Interests at a consideration equal to the sum of:

- (a) HK\$22,150.00, as consideration for the Share Interests, which is equal to the cost of investment of YMIM in the share capital of JVP attributable to the Share Interests; and
- (b) the principal amount of the Loan Interests, as consideration for the Loan Interests, which as at the Latest Practicable Date, amount to HK\$69,335,529.24. The final consideration for the Loans Interests may differ, depending on the outstanding amount of shareholder's loan as at the date of Completion.

We understand that the basis of the consideration is determined with reference to the historical investment cost and loan contributed to JVP made by YMIM. As discussed in the sub-paragraph headed "Reasons for the transaction" above, the acquisition of the interest in JVP from YMIM enables the Company to invest up to 60% interest in JVP which is the original intention of the Company. As such, the consideration for the Share Interests and Loan Interests payable by the Company is to pay back the actual investment cost paid by YMIM since 2003.

Apart from the consideration for the Share Interests and Loan Interests, the Company shall reimburse YMIM for its legal and finance costs in connection with the investment in JVP and the procurement and maintenance of the letter of credit guaranteeing its financial commitment pursuant to the JVP Shareholders' Agreement, incurred up to the date of Completion. Such costs amount to HK\$812,975.07 as at the Latest Practicable Date. Assuming Completion takes place on 30th September, 2005, the amount to be reimbursed would be approximately HK\$850,000. The reimbursement amount for the Expenses will be slightly higher because YMIM keeps incurring fee for maintaining the letter of credit until it is terminated on the date of Completion. As discussed above, as the original intention of the Company since 2003 is to invest up to 60% interest in JVP, which means the Company required to bear the Expenses as if the Company had acquired 60% interest in JVP since 2003. As such, we consider that the Expenses payable by the Group is to pay back the cost to YMIM and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM HANTEC

Based on the above figures, the aggregate consideration amounts to HK\$70,170,654.31. No deposit is payable by the Company to YMIM and the consideration shall be payable by the Company in cash on the date of Completion, which will be financed by the Company's internal resources. The Directors have confirmed that the Group has sufficient internal resources to satisfy the cash payment to YMIM.

Following Completion, the Company shall hold on trust for YMIM any dividend accrued up to the date of Completion and any interest accrued thereon up to the date of payment which are receivable by JVP under the Joint Venture Agreement and which are attributable to the Share Interests, and pay to YMIM up to such aggregate amount upon distribution (whether in the form of dividend or repayment of shareholders' loans) by JVP under the JVP Shareholders' Agreement. As the change in AWE Interests to the Company will not be effective until Completion, any dividend accrued up to the date of Completion and any interest accrued thereon up to the date of payment should be entitled by YMIM instead of the Company. As (i) YMIM had to incur costs for the AWE Interests during 2003 to 2005 instead of the Company; and (ii) YMIM might choose to invest in other investments instead of JVP at the time in 2003, any dividend and relevant interest for the abovementioned period should be regarded as the return of investment to YMIM instead of the Company. As the Company has not incurred costs for the AWE Interests until Completion and will not pay any consideration for any dividend accrued up to the date of Completion and relevant interest up to the date of payment, we consider that the hold on trust for any dividend accrued up to the date of Completion and relevant interest up to the date of payment is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We noted that the consideration is equivalent to the historical investment cost and loan contributed to JVP made by YMIM plus the Expenses paid by YMIM for its investment in JVP. In view of (i) AsiaWorld-Expo is still under construction and has yet to commence operation which is expected to be in December 2005; (ii) the consideration for the AWE Interests and the Expenses payable by the Company is to pay back the actual investment cost paid by YMIM since 2003; and (iii) any dividend accrued up to the date of Completion and any interest accrued thereon up to the date of payment should be entitled by YMIM instead of the Company, we are of the view that the basis of the consideration as stated in the Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Financial effects on the Group

The following sets out the impact of the acquisition on the financial position of the Group:

(i) *Net asset value*

As stipulated in the section headed "Pro-forma financial information on the Enlarged Group" in Appendix III of the Circular, the audited net asset value of the Group as at 31st December, 2004 was approximately HK\$761.5 million. Upon Completion, the unaudited pro-forma net asset value of the Group would remain materially unchanged.

(ii) Earnings

For the financial year ended 31st December, 2004, the Group recorded an audited profit attributable to the Shareholders of approximately HK\$39.4 million. For the period from 18th August, 2003 (being the date of incorporation) to 31st December, 2004 and for the five-month period ended 31st May, 2005, JVP recorded a loss before and after taxation of HK\$38,796 and HK\$43,522 respectively, which were attributable to the administrative cost incurred during the construction stage.

Since AsiaWorld-Expo has not commenced operation yet, the acquisition of further interest in AsiaWorld-Expo would not have immediate material impact on the profit of the Company. As described in the sub-paragraph headed “Reasons for the transaction” above, AsiaWorld-Expo received encouraging response from international exhibition community and secured bookings well into 2008. Despite the loss of AsiaWorld-Expo since 18th August, 2003 (being the date of incorporation) which was resulting from the expenses during the construction stage, the Directors believe that the prospects of AsiaWorld-Expo will be encouraging and the acquisition of further interest in AsiaWorld-Expo would provide positive impact to the Group after it commences operation.

In view of the acquisition contemplated under the Agreement would enhance the Group’s interest in AsiaWorld-Expo and the potential prospects of AsiaWorld-Expo, we are of the view that it is a fair expectation that the acquisition would have positive impact to the earning base of the Group.

(iii) Cashflow and liquidity

As at 31st December, 2004, the Group’s cash and cash equivalents were approximately HK\$8.0 million and the Group had a pledged bank fixed deposits amounting approximately HK\$119.7 million. Taken into account of the level of the Group’s cash and cash equivalents and pledged bank fixed deposits, we are of the view that the Group has sufficient resources to satisfy the consideration for the AWE Interests and the payment of the Expenses.

As stated in the section headed “Working capital” in Appendix I of the Circular, the Board is of the opinion that based on the internally generated funds and available banking facilities, the Group has sufficient working capital for its present requirements. According to the pro-forma financial information on the Enlarged Group set out in Appendix III of the Circular, the unaudited pro-forma net current assets of the Enlarged Group will be approximately HK\$38.0 million. Despite the working capital level of the Group would decrease as a result of the acquisition, given that the Enlarged Group possesses unaudited pro-forma net current assets after the acquisition amounting approximately HK\$38.0 million, we consider that the Group’s internal financial resources and the available banking facilities are sufficient for financing the general operation of the Group.

LETTER FROM HANTEC

(iv) *Gearing*

According to the pro-forma financial information on the Enlarged Group set out in Appendix III of the Circular, the Group recorded a loan from a financial institution of approximately HK\$46.3 million before and after Completion. With no material change on the net asset value of the Group before and after Completion, the gearing ratio (total borrowings over net asset value) of the Group would remain unchanged at approximately 6.1%. Based on the estimated construction cost under the Joint Venture Agreement, JVP shall invest approximately HK\$350 million in AsiaWorld-Expo. As at the Latest Practicable Date, approximately HK\$313 million has been contributed, and the balance is expected to be contributed by mid 2006. JVP shall make further capital investment only if it is called for by AsiaWorld-Expo under the Joint Venture Agreement. The Company will finance further investment by way of its own internal resources as well as the non-recourse loan to be provided to JVP. As (i) there is no material change in the gearing ratio; and (ii) further investment in JVP is financed by way of internal resources and the Company will not be liable for the non-recourse loan in the event of default in payment, we are of the view that the acquisition would not have material impact to the Group's financial position and we consider that the acquisition contemplated under the Agreement is in the interest of the Company so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered various factors in the above sections, we consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote for the resolution to be proposed at the EGM to approve the Agreement and advise the Independent Shareholders to vote for the resolution to be proposed at the EGM to approve the Agreement.

Yours faithfully
For and on behalf of
Hantec Capital Limited
Thomas Lai
Director

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following information is a summary of the audited consolidated profit and loss accounts of the Group for the latest three years ended 31st December, 2004, the audited consolidated balance sheets of the Group and the audited balance sheets of the Company as at 31st December, 2002, 31st December, 2003 and 31st December, 2004 and the audited cash flow statements of the Group for the two years ended 31st December, 2004. The notes are extracted from the audited accounts of the Group for the financial year ended 31st December, 2004, and are applicable for 31st December 2004 and 31st December 2003 only.

(A) CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the year ended 31st December,

	Note	2004 HK\$	2003 HK\$	2002 HK\$
TURNOVER	2			
INTEREST INCOME				
FROM NON-TRADING DEBT SECURITIES		16,230,206	–	–
AMORTISATION OF HELD-TO-MATURITY SECURITIES		6,096,388	–	–
INTEREST INCOME FROM DEBT SECURITIES		550,940	3,697,106	8,457,644
BANK INTEREST INCOME		3,811,189	3,592,553	7,711,270
DIVIDEND INCOME		904,550	389,924	686,419
		<u>27,593,273</u>	<u>7,679,583</u>	<u>16,855,333</u>
SUNDRY INCOME				
LOAN INTEREST INCOME		1,010,139	1,036,442	2,242,314
NET EXCHANGE LOSS		(281,437)	(4,391,351)	29,755,357
OTHER SUNDRY INCOME		10,989,276	2,469,638	4,100,425
		<u>11,717,978</u>	<u>(885,271)</u>	<u>36,098,096</u>
		<u>39,311,251</u>	<u>6,794,312</u>	<u>52,953,429</u>
EXPENSES				
INCENTIVE FEE EXPENSES	25	–	23,463,680	–
MANAGEMENT FEE EXPENSES	25	10,214,078	9,236,394	10,768,209
OTHER OPERATING EXPENSES		5,491,965	5,121,372	5,990,369
		<u>15,706,043</u>	<u>37,821,446</u>	<u>16,758,578</u>
		23,605,208	(31,027,134)	36,194,851

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
PROFIT ON DISPOSAL OF NON-TRADING DEBT SECURITIES		3,018,756	–	–
(LOSS)/PROFIT ON DISPOSAL OF INVESTMENT SECURITIES		(11,824,132)	108,586,564	38,613,890
(LOSS)/PROFIT ON DISPOSAL OF DEBT SECURITIES		(2,757,525)	25,728,444	6,862,147
BAD DEBT (PROVISION)/RECOVERY		(4,393,451)	19,815,374	(6,200,000)
LOSS ON DEEMED DISPOSAL OF HELD-TO-MATURITY SECURITIES		(1,893,848)	–	–
UNREALIZED PROFITS ON DEBT SECURITIES		2,808,000	10,555,783	(23,835,790)
UNREALIZED LOSSES ON OTHER INVESTMENTS		–	–	(1,459,300)
PROFIT ON DISPOSAL OF OTHER INVESTMENTS		–	2,421,240	–
IMPAIRMENT OF INVESTMENT SECURITIES		–	(582,062)	(41,172,546)
IMPAIRMENT OF ASSOCIATED COMPANIES		–	–	(3,698,481)
OPERATING PROFIT	3	8,563,008	135,498,209	5,304,771
FINANCE COSTS	9	(2,305,706)	(888,038)	(380,558)
SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES		36,318,688	3,992,343	14,110,168
PROFIT BEFORE TAXATION		42,575,990	138,602,514	19,034,381
TAXATION COMPANY & SUBSIDIARIES ASSOCIATED COMPANIES	5	(2,613,812) (584,276)	4,781,725 16,961	(648,133) (57,237)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	6, 20	<u>39,377,902</u>	<u>143,401,200</u>	<u>18,379,605</u>
BASIC EARNINGS PER SHARE	8	<u>2.33 cents</u>	<u>8.48 cents</u>	<u>1.09 cents</u>

(B) CONSOLIDATED BALANCE SHEET*As at 31st December,*

	Note	2004 HK\$	2003 HK\$	2002 HK\$
ASSOCIATED COMPANIES	11	132,888,066	100,753,654	97,744,350
JOINTLY CONTROLLED ENTITIES	12	60,980,881	9,748,477	–
INVESTMENT SECURITIES	13	88,807,932	55,931,169	162,576,838
NON-TRADING DEBT SECURITIES	14	186,707,497	–	–
DEBT SECURITIES	15	149,488,000	105,889,934	32,268,203
CURRENT ASSETS				
Trade and other receivables	16	4,468,981	88,646,615	40,889,366
Deposit on investment		58,092,974	15,296,425	–
Pledged bank fixed deposits	12 & 14	119,672,111	296,643,032	–
Fixed deposits at banks		4,906,097	134,580,025	298,276,480
Bank balances and cash		3,090,532	1,461,979	4,142,396
Other investment listed in Hong Kong		–	–	7,216,200
		<u>190,230,695</u>	<u>536,628,076</u>	<u>350,524,442</u>
CURRENT LIABILITIES				
Loan from a financial institution		46,270,674	72,163,139	–
Trade and other payables	17	837,921	11,020,341	14,511,194
Amounts due to a related company	18	339,638	24,420,174	266,983
Taxation payable		130,000	121,069	4,863,102
		<u>47,578,233</u>	<u>107,724,723</u>	<u>19,641,279</u>
NET CURRENT ASSETS		<u>142,652,462</u>	<u>428,903,353</u>	<u>330,883,163</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>761,524,838</u>	<u>701,226,587</u>	<u>623,472,554</u>
Financed by:				
SHARE CAPITAL	19	169,117,199	169,117,199	169,117,199
RESERVES	20	336,623,340	315,702,991	347,525,187
RETAINED EARNINGS	20	255,784,299	216,406,397	73,005,197
PROPOSED FINAL DIVIDEND		–	–	33,823,440
SHAREHOLDERS' FUNDS		<u>761,524,838</u>	<u>701,226,587</u>	<u>623,471,023</u>
MINORITY INTERESTS		–	–	1,531
		<u>761,524,838</u>	<u>701,226,587</u>	<u>623,472,554</u>
NET ASSET VALUE PER SHARE	21	<u>0.45</u>	<u>0.41</u>	<u>0.37</u>

(C) BALANCE SHEET*As at 31st December,*

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
SUBSIDIARIES	<i>10</i>	555,004,613	354,043,153	315,642,293
JOINTLY CONTROLLED ENTITIES	<i>12</i>	60,980,881	9,748,477	–
INVESTMENT SECURITIES		–	–	446,578
CURRENT ASSETS				
Other investments listed in Hong Kong, at market value	<i>16</i>	–	–	4,666,200
Trade and other receivables	<i>16</i>	27,948	31,332,957	37,108,733
Deposit on investment		10,902,974	15,296,425	–
Pledged bank fixed deposits	<i>12</i>	73,720,907	164,893,475	–
Fixed deposits at banks		4,703,525	116,848,686	202,024,563
Bank balances and cash		1,723,246	227,289	3,071,547
		91,078,600	328,598,832	246,871,043
CURRENT LIABILITIES				
Trade and other payables	<i>17</i>	829,799	389,368	378,352
Amounts due to a related company	<i>18</i>	339,638	24,420,174	266,983
		1,169,437	24,809,542	645,335
NET CURRENT ASSETS		89,909,163	303,789,290	246,225,708
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>705,894,657</u>	<u>667,580,920</u>	<u>562,314,579</u>
Financed by:				
SHARE CAPITAL	<i>19</i>	169,117,199	169,117,199	169,117,199
RESERVES	<i>20</i>	315,613,662	315,613,662	315,613,662
RETAINED EARNINGS	<i>20</i>	221,163,796	182,850,059	43,760,278
PROPOSED FINAL DIVIDEND	<i>20</i>	–	–	32,823,440
SHAREHOLDERS' FUNDS		<u>705,894,657</u>	<u>667,580,920</u>	<u>562,314,579</u>

(D) CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31st December,*

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
NET CASH OUTFLOW GENERATED			
FROM OPERATIONS	22	(8,852,301)	(63,922,299)
Interest received from debt securities		7,271,953	644,134
Interest received from non-trading debt securities		12,020,313	–
Bank interest received		3,793,489	3,915,254
Dividend received		904,550	389,924
Loan interest received		1,185,481	955,347
Loan interest paid		(2,509,286)	(676,309)
Hong Kong profits tax (paid)/refund		(2,604,881)	4,790,172
		<u>11,209,318</u>	<u>(53,903,777)</u>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
INVESTING ACTIVITIES			
Purchase of debt securities		(140,000,000)	(80,561,836)
Sale/redemption/conversion of debt securities		96,452,409	43,922,667
Purchase of non-trading debt securities		(246,768,860)	–
Sale/redemption of non-trading debt securities		80,109,355	–
Purchase of investment securities		(48,305,715)	(34,619,040)
Sale of investment securities		15,812,066	216,201,015
Sale of other investment		–	9,637,440
Investments in jointly controlled entities		(51,232,404)	(9,748,477)
Decrease in amount due from associated companies		3,600,000	1,000,000
Decrease/(increase) in pledged bank fixed deposit		176,970,921	(296,643,032)
		<u>(113,362,228)</u>	<u>(150,811,263)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES			
		<u>(102,152,910)</u>	<u>(204,715,040)</u>

	<i>Note</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
FINANCING ACTIVITIES			
(Repayment to)/loan from a financial institution		(25,892,465)	72,163,139
Amount due from a minority shareholder		–	(1,531)
Dividends paid		–	(33,823,440)
		<u> </u>	<u> </u>
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		<u>(25,892,465)</u>	<u>38,338,168</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(128,045,375)	(166,376,872)
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY		<u>136,042,004</u>	<u>302,418,876</u>
CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER		<u><u>7,996,629</u></u>	<u><u>136,042,004</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged fixed deposits at banks with original maturity less than three months		4,906,097	134,580,025
Bank balances and cash		3,090,532	1,461,979
		<u> </u>	<u> </u>
		<u><u>7,996,629</u></u>	<u><u>136,042,004</u></u>

(E) NOTES TO THE ACCOUNTS**1. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment securities, debt securities and other investments are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December, 2004. The Group is assessing the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The board of directors of the Company (the “Board”) confirm that they have assessed the value at which the Group’s investment in its associate, Honnex Development Limited (“Honnex”), was stated in the Group’s consolidated accounts as at 31st December, 2004 and they believe that to the best of their knowledge, the Group’s investment in Honnex is correctly stated as at 31st December, 2004.

The Board further confirm that they have assessed the valuation of the investment properties held by Honnex as at 31st December, 2004 and confirm that to the best of their knowledge the value of these investment properties as stated in the financial statements of Honnex as at 31st December, 2004 represent the fair valuation of these assets as at that date.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Investments

- (i) An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

- (ii) A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

The jointly controlled entities have not started operation.

- (iii) Investment securities and debt securities including those listed and unlisted securities which are held for non-trading purpose are stated at fair value and directors' valuation respectively at the balance sheet date. Changes in the fair value or directors' valuation of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired the cumulative loss recorded in the investment revaluation reserve is taken to the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

(iv) Other investments and debt securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments and debt securities are recognised in the profit and loss account. Profits or losses on disposal of other investments and debt securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(d) Trade and other receivables

Provision is made against trade and other receivables to the extent they are considered to be doubtful. Trade and other receivables in the balance sheet are stated net of such provision.

(e) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(f) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(g) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy which requires retrospective application. However, the effect of this change in accounting policy is considered not material to the Group's results in prior years and therefore the opening balances and comparative figures herein have not been restated.

(h) Revenue recognition

Dividend income is recognised when the right to receive payment is established. Bank interest income, interest income from non-trading debt securities and debt securities are recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. Discount or premium on acquisition of held-to-maturity securities is amortised over the period to maturity.

(i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

(j) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

2. TURNOVER

The principal activity of the Company and its subsidiaries is the holding of listed and unlisted securities.

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Interest income from non-trading debt securities	16,230,206	–
Amortisation of held-to-maturity securities	6,096,388	–
Interest income from debt securities	550,940	3,697,106
Bank interest income	3,811,189	3,592,553
Dividend income from		
– listed investments	904,550	107,600
– unlisted investments	–	282,324
	<u>27,593,273</u>	<u>7,679,583</u>

The Group operates in a single business segment of investments holding.

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to operations outside Hong Kong.

3. OPERATING PROFIT

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Operating profit is stated after charging the following:		
Staff cost (excluding directors' emoluments)	358,294	390,332
Auditors' remuneration	330,000	225,000
Net exchange loss	<u>281,437</u>	<u>4,391,351</u>

4.(a) DIRECTORS' EMOLUMENTS

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Fees:		
Executive directors	100,000	100,000
Non-executive directors	<u>330,000</u>	<u>80,000</u>
	<u>430,000</u>	<u>180,000</u>

The above fees were paid to all directors, executive and non-executive, in respect of their length of service to the Group.

The emoluments of directors fell within the following band:

Emolument band (HK\$)	Number of directors	
	2004	2003
nil – 1,000,000	<u>11</u>	<u>9</u>

4.(b) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four directors whose emoluments are reflected in the analysis presented in 4(a). The emoluments payable to one (2003: two) employee during the year are as follows:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Basic salaries	246,294	280,300
Bonus	100,000	20,000
Retirement scheme contribution	12,000	13,000
Termination benefits	<u>–</u>	<u>77,032</u>
	<u>358,294</u>	<u>390,332</u>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the year.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Current taxation		
– Under/(over) provisions in prior years	2,613,812	(4,781,725)
Share of taxation attributable to:		
Associated companies	584,276	(16,961)
Taxation charge/(credit)	<u>3,198,088</u>	<u>(4,798,686)</u>

Deferred tax is not recognised as the temporary difference between the tax bases of assets and liabilities and their carrying amounts are not material to the Group.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December, 2004, the Group has unrecognised estimated tax losses of HK\$2,145,217 (2003: HK\$2,145,217) to carry forward against future taxable income. These tax losses have no expiry date.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation (excluding share of profits less losses of associated companies)	6,257,302	134,610,171
Calculated at a taxation rate of 17.5% (2003: 17.5%)	1,095,028	23,556,780
Income not subject to taxation	(4,119,561)	(30,494,332)
Expenses not deductible for taxation purposes	3,024,533	7,361,269
Utilisation of previously unrecognised tax losses	–	(423,717)
Under/(over) provisions in prior years	2,613,812	(4,781,725)
Taxation charge/(credit) before share of taxation of associated companies	2,613,812	(4,781,725)
Share of taxation of associated companies	584,276	(16,961)
Taxation charge/(credit)	<u>3,198,088</u>	<u>(4,798,686)</u>

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$38,313,737 (2003: HK\$139,089,781).

7. DIVIDENDS

The Board have resolved not to declare a dividend for the year (2003: Nil).

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$39,377,902 (2003: HK\$143,401,200) and the number of ordinary shares in issue during the year amounting to 1,691,171,989 (2003: 1,691,171,989) shares.

No diluted earnings per share is presented as the Group had no dilutive potential ordinary share.

9. FINANCE COSTS

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Interest on loan from a financial institution	2,305,706	762,596
Bank charges	–	125,442
	<u>2,305,706</u>	<u>888,038</u>

10. SUBSIDIARIES

	Company	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	1,503,177	1,503,177
Amounts due from subsidiaries	1,021,919,788	883,172,263
Amounts due to subsidiaries	(10,666,340)	(136,969,989)
Impairment	(457,752,012)	(393,662,298)
	<u>555,004,613</u>	<u>354,043,153</u>

Amounts due from subsidiaries and amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the subsidiaries are as follows:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Group's equity interest
Asia Vision Holdings Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$0.01 each	100%
Capital Sharp Investment Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Contana Investment Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Grand Fast Investments Limited	British Virgin Islands	Dormant	1 ordinary share of US\$1	100%
The Hong Kong Equity Guarantee Corporation Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Long Lead Investments Limited	Hong Kong	Deregistration	2 ordinary shares of HK\$1 each	100%
Long Oceanic Development Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Long Rainbow Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Long Resources Limited	Hong Kong	Dormant	2 ordinary shares of HK\$1 each	100%
Long Scene Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Long Set Investments Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Longfine Investment Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Longjoy Development Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Longson Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Mark Light Limited	Hong Kong	Deregistration	2 ordinary shares of HK\$1 each	100%

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Group's equity interest
Mix Limited	Hong Kong	Investment holding	1,400,000 ordinary shares of HK\$1 each	100%
NV Limited	Hong Kong	Dormant	7,846 ordinary shares of HK\$1 each	100%
			2,154 preference shares of HK\$8,755 each	100%
Odelon Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Odino Limited	Hong Kong	Deregistration	2 ordinary shares of HK\$1 each	100%
Kickradio.com Limited*	Hong Kong	Internet radio broadcasting	13,125,000 ordinary shares of HK\$0.01 each	79%

All subsidiaries, except NV Limited, are held directly by the Company.

* *This subsidiary is not audited by PricewaterhouseCoopers.*

11. ASSOCIATED COMPANIES

	Group	
	2004 HK\$	2003 HK\$
Share of net assets	38,098,277	2,363,865
Loans to associated companies	133,428,135	137,028,135
Loans from an associated company	(220,305)	(220,305)
	171,306,107	139,171,695
Impairment	(38,418,041)	(38,418,041)
	<u>132,888,066</u>	<u>100,753,654</u>
Investments in unlisted associated companies, at cost	<u>11,127</u>	<u>11,127</u>

The loans to/from associated companies are unsecured, interest free and have no fixed terms of repayment.

Details of the indirectly held associated companies are as follows:

Name	Place of incorporation	Principal activities/ Place of business	Particulars of issued share capital	Group's equity interest
Honnex Development Limited*	Hong Kong	Investment holding, property investment, trading and letting in Hong Kong	Ordinary shares of HK\$1 each	30%
China Power Investment Limited	British Virgin Islands	Dormant	Ordinary shares of US\$1 each	50%
Advance Super International Limited	Hong Kong	Deregistration	Ordinary shares of HK\$1 each	50%
Long Vocation Investments Limited#	British Virgin Islands	Investment holding in Hong Kong	Ordinary shares of HK\$1 each	33.3%
J.J. Richardson (Holdings) Limited	Hong Kong	Dormant	Ordinary shares of HK\$1 each	33%

* *The principal activities of Honnex Development Limited ("Honnex") are investment holding, property investment, trading and letting.*

The activity of Long Vocation Investments Limited is the holding of Honnex.

No dividend was received from Honnex during the year.

12. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Share of net assets	77,850	77,850	77,850	77,850
Loans to jointly controlled entities	60,903,031	9,670,627	60,903,031	9,670,627
	<u>60,980,881</u>	<u>9,748,477</u>	<u>60,980,881</u>	<u>9,748,477</u>
Unlisted shares, at cost	<u>77,850</u>	<u>77,850</u>	<u>77,850</u>	<u>77,850</u>

Name	Place of incorporation	Principal activities	Percentage of interest in ownership
IEC Investments Limited	Hong Kong	Investment holdings	37.85%
AsiaWorld-Expo Management Limited (Previously IEC Operations Limited)	Hong Kong	Management and operation of exhibition facilities	40.00%

In August 2003, the Group formed a jointly controlled entity (“JCE”) to invest with the Hong Kong Government and the Airport Authority to develop and operate the Hong Kong International Exhibition Centre (“IEC”) at the Hong Kong International Airport. As at 31st December, 2004, the Group had 37.85% interest in JCE and has a right to increase its interest in JCE to 60% at cost from a connected person. That JCE in turn has 13.5% interest in IEC.

As at 31st December, 2004, the Group had pledged bank deposits of approximately HK\$74 million to banks for the issuance of standby letters of credit to JCE.

13. INVESTMENT SECURITIES

	Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Shares listed in Hong Kong, at market value	14,533,363	10,159,904
Shares listed outside Hong Kong, at market value	23,250,947	–
Unlisted shares, at directors’ valuation	2	2
Listed investments, at market value	51,023,620	21,929,565
Unlisted investments, at directors’ valuation	–	23,841,698
	<u>88,807,932</u>	<u>55,931,169</u>

Particulars of major investments in investment securities:

MYM High Yield Bond Trust (“MYMBT”)

The principal business activities of MYMBT is to achieve medium term capital growth through investments primarily in a diversified portfolio of high yield debt instruments available on the secondary market and going through restructuring exercises.

The Group holds 101.46 units (2003: 101.46 units) in MYMBT. The cost of investment is approximately US\$2.9 million. No dividend was received during the year (2003: Nil). Based on the weekly report as at 31st December, 2004, our share of net asset value of MYMBT was approximately US\$3.29 million (2003: approximately US\$2.8 million).

MYMBT is managed by MYM Management Limited (“MYMML”). A director of MYMML is also a director of the Company.

MYM China Trust (“MYMCT”)

The principal business activities of MYMCT is to achieve short to medium term capital growth through equity and equity-related investments primarily in companies managed and operated from Hong Kong and/or the southern part of China.

The Group holds 136.10 units (2003: N/A) in MYMCT. The cost of investment is approximately US\$3 million. No dividend was received during the year (2003: N/A). Based on the weekly report at 31st December, 2004, our share of net asset value of MYMCT was approximately US\$3.25 million (2003: N/A).

MYMCT is managed by MYMML. A director of MYMML is also a director of the Company.

MCI Inc. (“MCI”)

MCI provides business and residential communications services. The Company owns and operates network facilities throughout North America, Latin America, Europe, Africa, and the Asia-Pacific region. MCI is the successor by merger to Worldcom Inc.

The Group currently holds 144,960 shares (2003: N/A) in MCI, representing 0.05% interest in the issued share capital of MCI. The cost of investment is approximately HK\$19 million. Dividend of US\$115,968 was received during the year (2003: N/A). Based on the quarterly report of MCI at 30th September, 2004, the net assets of MCI were approximately US\$4,502 million.

As at 31st December, 2004, the market value of the investment in MCI was approximately HK\$22,800,000 (2003: N/A).

14. NON-TRADING DEBT SECURITIES

	Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
At market value		
– listed outside Hong Kong	62,667,999	–
– unlisted outside Hong Kong	124,039,498	–
	<u>186,707,497</u>	<u>–</u>

As at 31st December, 2004, the Group had pledged bank deposit of approximately HK\$46 million to a financial institution to secure borrowing facilities available for financing the investment of non-trading debt securities.

Particulars of major investments in non-trading debt securities:

Waterford Wedgwood Plc. (“Waterford”)

Waterford is the holding company for Waterford Crystal (founded in 1783) and the Wedgwood Group (founded in 1759). The Waterford Crystal business comprises the manufacturing, distribution, and retailing of high quality crystal products. The Wedgwood Group manufactures, distributes and retails high quality bone china tableware and giftware. Waterford owns a portfolio of prestige brand names.

The Group holds a nominal value of EUR1,000,000 bond in Waterford (the “Waterford Bond”). The Waterford Bond maturing in 2010 carries a coupon rate of 9.875% per annum payable semi-annually. Moody’s credit rating of the Waterford Bond is Caa2. The cost of investment is approximately EUR880,000. Coupon interest of approximately EUR45,800 was received during the year (2003: N/A). As at 31st December, 2004, the market value of the Waterford Bond was approximately EUR850,000 (2003: N/A).

Vertis Inc. (“Vertis”)

Vertis provides integrated marketing that combine advertising, direct marketing, media, imaging and progressive technology solutions.

The Group holds a nominal value of US\$1,000,000 bond in Vertis (the “Vertis Bond”). The Vertis Bond maturing in 2009 carries a coupon rate of 13.5% per annum payable semi-annually. Moody’s credit rating of the Vertis Bond is Caa2. The cost of investment is approximately US\$1,040,000. Coupon interest of approximately US\$110,000 was received during the year (2003: N/A). As at 31st December, 2004, the market value of the Vertis Bond is approximately US\$1,060,000 (2003: N/A).

United Refining Company (“United Refining”)

United Refining refines and markets petroleum products primarily in western New York and north-western Pennsylvania in the United States. United Refining produces gasoline, diesel fuel, kerosene, jet fuel, heating oil and asphalt. United Refining sells gasoline and diesel fuel under the Kwik Fill brand name at a network of company-operated retail units. It also operates convenience stores.

The Group holds a nominal value of US\$1,000,000 bond in United Refining (the “United Bond”). The United Bond maturing in 2012 carries a coupon rate of 10.5% per annum payable semi-annually. Moody’s credit rating of the Bond is B3. The cost of investment is approximately US\$965,000. No coupon interest was received during the year (2003: N/A). As at 31st December, 2004, the market value of the United Bond was approximately US\$1,050,000 (2003: N/A).

Avecia Group Plc (“Avecia”)

The principal business activity of Avecia is manufacturing of speciality chemicals. It has seven core business including electrophotography, ink jet printing, lifescience molecules, chemicals, pigments and additives, Neoresins and Stahl which supply businesses in the healthcare, agrochemical, coatings, graphic arts, leather, imaging, mining, plastics, biotechnology, inks and automotive sectors.

The Group holds a nominal value of US\$1,000,000 bond in Avecia (the “Avecia Bond”). The Avecia Bond maturing in 2009 carries a coupon rate of 11% per annum payable semi-annually. Moody’s credit rating of the Avecia Bond is Caa3. The cost of investment is approximately US\$900,000. Coupon interest of US\$38,500 was received during the year (2003: N/A). As at 31st December, 2004, the market value of the Avecia Bond was approximately US\$1,028,000 (2003: N/A). Subsequent to the year end date, Avecia announced that it would call a portion of the Avecia Bond at 107.25% of its face value.

Sbarro Inc. (“Sbarro”)

Sbarro operates and franchises family-style Italian restaurants. It currently operates restaurants worldwide under the Sbarro and Sbarro The Italian Eatery names.

The Group holds a nominal value of US\$1,000,000 bond in Sbarro (the “Sbarro Bond”). The Sbarro Bond maturing in 2009 carries a coupon rate of 11% per annum payable semi-annually. Moody’s credit rating of the Bond is Caa2. The cost of investment is approximately US\$860,000. Coupon interest of approximately US\$42,000 was received during the year (2003: N/A). As at 31st December, 2004, the market value of the Sbarro Bond was approximately US\$1,003,000 (2003: N/A).

Calpine Corporation (“Calpine”)

Calpine acquires, owns, and operates power generation facilities, as well as sells electricity in the United States. It also provides thermal energy for industrial customers.

The Group holds a nominal value of US\$1,000,000 bond in Calpine (the “Calpine Bond”). The Calpine Bond maturing in 2006 carries a coupon rate of 10.5% per annum payable semi-annually. Moody’s credit rating of the Calpine Bond is Caa1. The cost of investment is approximately US\$995,000. Coupon interest of approximately US\$83,000 was received during the year (2003: N/A). As at 31st December, 2004, the market value of the Calpine Bond was approximately US\$990,000 (2003: N/A).

15. DEBT SECURITIES

	Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Convertible notes	142,000,000	4,000,000
Bonds	7,488,000	101,889,934
	<u>149,488,000</u>	<u>105,889,934</u>

Particulars of major investments in debt securities:

CR Airways Limited (“CR Airways”)

CR Airways is designated to fly to Jinan, Nanning, Wenzhou, Meixian in the PRC and Laoag in Philippines. It is presently flying scheduled services to Nanning and scheduled chartered to Laoag, and chartered services to various Southeast Asian cities including Clark (Philippines) and Siem Reap (Cambodia). Approval is pending for routes to 10 more PRC cities.

The Group invested HK\$140 million in Class A convertible bonds issued by CR Airways (the “CB”), the third passenger airline in Hong Kong. The CB maturing in 2009 carries no coupon interest. The cost of investment is HK\$140 million. As at 31st December, 2004, directors’ valuation of the CB is HK\$140 million (2003: N/A).

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other receivables	<u>4,468,981</u>	<u>88,646,615</u>	<u>27,948</u>	<u>31,332,957</u>

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other payables	<u>837,921</u>	<u>11,020,341</u>	<u>829,799</u>	<u>389,368</u>

18. AMOUNTS DUE TO A RELATED COMPANY

Amounts due to a related company are unsecured, interest free and have no fixed terms of repayment.

19. SHARE CAPITAL

	2004 HK\$	2003 HK\$
<i>Authorised:</i>		
2,100,000,000 (2003: 2,100,000,000) ordinary shares of HK\$0.10 each	<u>210,000,000</u>	<u>210,000,000</u>
<i>Issued and fully paid:</i>		
1,691,171,989 (2003: 1,691,171,989) ordinary shares of HK\$0.10 each	<u>169,117,199</u>	<u>169,117,199</u>

20. RESERVES

(a) Group

	Share premium HK\$	Investment revaluation reserve HK\$	Capital redemption reserve HK\$	Retained earnings HK\$	Total HK\$
At 1st January, 2003	311,582,062	31,911,525	4,031,600	106,828,637	454,353,824
Net deficit on revaluation of investment securities	–	(31,822,196)	–	–	(31,822,196)
Profit attributable to shareholders	–	–	–	143,401,200	143,401,200
2002 Final dividend paid	–	–	–	(33,823,440)	(33,823,440)
	<u>311,582,062</u>	<u>89,329</u>	<u>4,031,600</u>	<u>216,406,397</u>	<u>532,109,388</u>
<i>Representing:</i>					
2003 Final dividend proposed (<i>note 7</i>)				–	
Other				<u>216,406,397</u>	
Retained earnings at 31st December, 2003				<u>216,406,397</u>	
<i>Retained by:</i>					
Company and subsidiaries	311,582,062	89,329	4,031,600	254,050,964	569,753,955
Associated companies	–	–	–	(37,644,567)	(37,644,567)
	<u>311,582,062</u>	<u>89,329</u>	<u>4,031,600</u>	<u>216,406,397</u>	<u>532,109,388</u>

	Share premium <i>HK\$</i>	Investment revaluation reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Retained earnings <i>HK\$</i>	Total <i>HK\$</i>
At 1st January, 2004	311,582,062	89,329	4,031,600	216,406,397	532,109,388
Net surplus on revaluation of investment securities	–	12,207,246	–	–	12,207,246
Net surplus on revaluation of non-trading debt securities	–	8,713,103	–	–	8,713,103
Profit attributable to shareholders	–	–	–	39,377,902	39,377,902
At 31st December, 2004	<u>311,582,062</u>	<u>21,009,678</u>	<u>4,031,600</u>	<u>255,784,299</u>	<u>592,407,639</u>
Representing:					
2004 Final dividend proposed (<i>note 7</i>)				–	
Other				<u>255,784,299</u>	
Retained earnings at 31st December, 2004				<u>255,784,299</u>	
Retained by:					
Company and subsidiaries	311,582,062	21,009,678	4,031,600	257,694,454	594,317,794
Associated companies	–	–	–	(1,910,155)	(1,910,155)
	<u>311,582,062</u>	<u>21,009,678</u>	<u>4,031,600</u>	<u>255,784,299</u>	<u>592,407,639</u>

(b) Company

	Share premium <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Retained earnings <i>HK\$</i>	Total <i>HK\$</i>
At 1st January, 2003	311,582,062	4,031,600	77,583,718	393,197,380
Profit attributable to shareholders	–	–	139,089,781	139,089,781
2002 Final dividend paid	–	–	(33,823,440)	(33,823,440)
At 31st December, 2003	<u>311,582,062</u>	<u>4,031,600</u>	<u>182,850,059</u>	<u>498,463,721</u>
At 1st January, 2004	311,582,062	4,031,600	182,850,059	498,463,721
Profit attributable to shareholders	–	–	38,313,737	38,313,737
At 31st December, 2004	<u>311,582,062</u>	<u>4,031,600</u>	<u>221,163,796</u>	<u>536,777,458</u>

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Representing:		
2004 (2003) Final dividend proposed (<i>note 7</i>)	–	–
Other	<u>221,163,796</u>	<u>182,850,059</u>
Retained earnings at 31st December	<u><u>221,163,796</u></u>	<u><u>182,850,059</u></u>

21. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets of HK\$761,524,838 (2003: HK\$701,226,587) and the 1,691,171,989 (2003: 1,691,171,989) ordinary shares in issue as at 31st December, 2004.

22. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to net cash outflow generated from operations:

	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Operating profit	8,563,008	135,498,209
Impairment of investment securities	–	582,062
Provision for bad debt	4,393,451	1,700,000
Interest income from non-trading debt securities	(16,230,206)	–
Interest income from debt securities	(550,940)	(3,697,106)
Bank interest income	(3,811,189)	(3,592,553)
Dividend income	(904,550)	(389,924)
Loan interest income	(1,010,139)	(1,036,442)
Loss/(profit) on disposal of investment securities	11,824,132	(108,586,564)
Loss/(profit) on disposal of debt securities	2,757,525	(25,728,444)
Profit on disposal of other investments	–	(2,421,240)
Amortisation of held-to-maturity securities	(6,096,388)	–
Gain on disposal of non-trading debt securities	(3,018,756)	–
Loss on deemed disposal of held-to-maturity securities	1,893,848	–
Effect of foreign exchange rate changes on non-trading debt securities	(4,113,593)	–
Effect of foreign exchange rate changes on debt securities	–	(5,448,815)
Unrealized on debt securities	(2,808,000)	(10,555,783)
Decrease/(increase) in trade and other receivables	77,115,421	(61,942,308)
Increase in deposit on investment	(42,796,549)	–
Decrease in trade and other payables	(9,978,840)	(2,456,582)
(Decrease)/increase in amounts due to a related company	<u>(24,080,536)</u>	<u>24,153,191</u>
Net cash outflow generated from operations	<u><u>(8,852,301)</u></u>	<u><u>(63,922,299)</u></u>

23. CONTINGENT LIABILITIES

- (a) The Company has given a guarantee to a bank to secure the outstanding indebtedness due by an associated company holding the Argyle Centre, for an amount attributable to the Group's equity interests. The amount of outstanding indebtedness due by the associated company to this bank at 31st December, 2004 was approximately HK\$230 million (at 31st December, 2003: approximately HK\$393 million).
- (b) The Company has given a guarantee to a financial institution to secure the borrowing facilities available to a wholly-owned subsidiary in the amount not exceeding US\$15 million. The outstanding indebtedness at 31st December, 2004 was approximately Euro 4.4 million (at 31st December, 2003: approximately Euro 7.4 million).

Management anticipates that no material liabilities will arise from the above material guarantees given to the bank and the financial institution which arose in the ordinary course of business.

- (c) In September 2001, the Company, together with Chow Tai Fook Nominee Limited and Mr. Fung Wing Cheung, Tony together referred to as the "Plaintiffs", issued a statement of claim against three independent third parties (the "Defendants") for the refund of a deposit made to the Defendants and related damages as a result of a breach of terms in an offer (the "Offer") relating to the sale and purchase of shares in Kowloon Development Company Limited. The deposit attributable to the Company amounts to approximately HK\$17 million. Subsequently in October 2001, the Defendants served a counterclaim on the Plaintiffs for loss and damages as a result of the non-completion of the Offer.

The claim was subsequently settled by agreement in January, 2005 resulting in a net loss of approximately HK\$6 million.

Save as disclosed above, the directors are not aware of any litigation or claims of material importance pending or threatened against the Company or any of its subsidiaries.

24. COMMITMENTS

	Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Capital commitments for investments in investment securities		
Authorised but not contracted for	–	12,221,625
Capital commitments for investments in jointly controlled entities		
Contracted but not provided for	<u>72,870,744</u>	<u>123,917,598</u>

25. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with its related company during the year:

	Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Management fee expenses to a related company	10,214,078	9,236,394
Incentive fee expenses to a related company	<u> —</u>	<u>23,463,680</u>

Under the management agreement (“Existing Investment Management Agreement”) approved by shareholders on 27th March, 1997 and dated 5th March, 1997 between the Group and YMIM, YMIM agreed to assist the board of directors with the day-to-day management of the Group for a period of five years commencing 27th March, 1997. YMIM will be entitled to a management fee equal to 0.375% of the net asset value on each quarter date and an incentive fee equal to 20% of such amount (if any) by which the audited consolidated profit before tax for each financial year completed (before adjusting for the incentive fee) exceeds such amount as is equal to 6% of average monthly net asset value of the Group for each such financial year. For the calculation of management fee and incentive fee, the associated companies of the Group will not be equity accounted for the purpose of calculating such quarterly and average monthly net asset value and consolidated profit before tax.

On 4th March, 2002, a supplemental agreement (“Supplemental Agreement”) was approved by independent shareholders to extend the expiry date of the Existing Investment Management Agreement to 31st March, 2007. Under the Supplemental Agreement, the management fee remains unchanged. Pursuant to the Supplemental Agreement, YMIM will not be entitled to the incentive fee if the Group reports an accumulated loss during the term of the Supplemental Agreement at the time of the incentive fee computation. Therefore, the incentive fee will be equivalent to 20% of the amount by which the audited consolidated profit before tax for each year ending 31st December (before adjusting for the incentive fee), and after offsetting the accumulated losses during the term of the Supplemental Agreement, if any, exceeds 6% of the average monthly net asset value of the Group for such financial year. For the calculation of management fee and incentive fee, the associated companies of the Group will not be equity accounted for the purpose of calculating such quarterly and average monthly net asset value and consolidated profit before tax.

In addition, the Group occupies office space of YMIM and reimburses to YMIM 40% of its office and equipment expenses in accordance with the Existing Investment Management Agreement. Such expenses reimbursed to YMIM amounted to HK\$1,155,984 (2003: HK\$921,054). The Group utilises certain staff employed by YMIM and reimbursed staff costs of HK\$559,217 to YMIM for 2004 (2003: HK\$527,192).

26. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 22nd March 2005.

2. INDEBTEDNESS

As at 30th June, 2005, the latest practicable date prior to the printing of this circular for the purpose of ascertaining information relating to the indebtedness of the Group, the Group had outstanding borrowings of approximately HK\$28 million, the entirety of which were loans from a financial institution.

As at 30th June, 2005, the Group had bank facilities of approximately HK\$117 million which were secured by debt securities with a face value of approximately HK\$6.24 million and cash deposits of approximately HK\$35.1 million. The Company has given a guarantee in respect of such facilities available to a wholly-owned subsidiary of the Company.

The Group has given a guarantee to a bank to secure the outstanding indebtedness due by an associated company for an amount attributable to the Company's equity interests. The outstanding amount of such indebtedness was approximately HK\$145 million as at 30th June, 2005.

Save for shareholders' loans, as at 30th June, 2005, JVP had no outstanding borrowings.

Save as disclosed above, apart from intra-group liabilities, as at the close of business of 30th June, 2005, the Enlarged Group had no outstanding mortgages or charges or debentures or other loan capital or bank overdrafts, loans or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptance or credits or any guarantees or material contingent liabilities.

3. WORKING CAPITAL

The Board is of the opinion that based on internally generated funds and available banking facilities, the Group has sufficient working capital for its present requirements.

The following is the accountants' report of JVP for the period from 18th August, 2003 (being the date of incorporation) to 31st December, 2004 and for the five months ended 31st May, 2005, which was prepared for the purpose of this circular and received from PricewaterhouseCoopers.

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

26th July 2005

The Directors,
Yu Ming Investment Limited

Dear Sirs,

We set out below our report on the financial information relating to IEC Investments Limited ("JVP") for the period from 18th August 2003 (date of incorporation) to 31st December 2004 and the five months ended 31st May 2004 and 31st May 2005 (the "Relevant Periods") for inclusion in the circular of Yu Ming Investments Limited (the "Company") dated 26th July 2005 (the "Circular") in connection with the major transaction for the acquisition of 22.15% equity interest in JVP by the Company.

JVP was incorporated in Hong Kong on 18th August 2003 and has adopted 31st December as its financial year end date.

We have audited the accounts of JVP for the period from 18th August 2003 (date of incorporation) to 31st December 2004.

The financial information as set out in sections I to III below ("Financial Information") has been prepared based on the audited accounts or, where appropriate, the unaudited management accounts of JVP. The directors of JVP are responsible for these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

We have examined the financial information for the Relevant Periods and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have reviewed the financial information for the five months ended 31st May 2004, in accordance with Statements of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of the JVP's management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting

policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information for the five months ended 31st May 2004.

The directors of JVP are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination and review, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of JVP as at 31st December 2004 and 31st May 2005 and of the results and cash flows of JVP for the period from 18th August 2003 (date of incorporation) to 31st December 2004 and the five months ended 31st May 2005.

Moreover, on the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the financial information for the five months ended 31st May 2004.

I. FINANCIAL INFORMATION OF JVP

(a) Profit and loss accounts

The following is a summary of the profit and loss accounts of JVP for the Relevant Periods:

		For the period from 18th August 2003 (date of incorporation) to 31st December 2004	Five months ended 31st May 2004	Five months ended 31st May 2005
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other revenue — bank interest income		43	13	—
Administrative expenses		<u>(38,839)</u>	<u>(11,769)</u>	<u>(43,522)</u>
Loss for the period	3	<u><u>(38,796)</u></u>	<u><u>(11,756)</u></u>	<u><u>(43,522)</u></u>

(b) Balance sheets

The following is a summary of the balance sheets of JVP as at 31st December 2004 and 31st May 2005:

	<i>Note</i>	As at 31st December 2004 HK\$	As at 31st May 2005 HK\$
Non-current assets			
Available-for-sale financial assets	6	–	274,256,233
Investment securities	6	<u>160,417,567</u>	<u>–</u>
Current assets			
Prepayments		2,333	1,971
Cash and cash equivalents		<u>69,371</u>	<u>41,461</u>
		<u>71,704</u>	<u>43,432</u>
Current liabilities			
Accruals and other payables		<u>12,000</u>	<u>27,250</u>
Net current assets		<u>59,704</u>	<u>16,182</u>
Total assets less current liabilities		<u>160,477,271</u>	<u>274,272,415</u>
Capital and reserves attributable to JVP's equity holders			
Share capital	7	100,000	100,000
Accumulated losses		<u>(38,796)</u>	<u>(82,318)</u>
		61,204	17,682
Non-current liabilities			
Amounts due to shareholders	8	<u>160,416,067</u>	<u>274,254,733</u>
		<u>160,477,271</u>	<u>274,272,415</u>

(c) Statements of changes in equity

The following is a summary of the statements of changes in equity of JVP for the Relevant Periods:

	For the period from 18th August 2003 (date of incorporation) to 31st December 2004	Five months ended 31st May 2004	Five months ended 31st May 2005
	<i>HK\$</i>	<i>HK\$</i> (Unaudited)	<i>HK\$</i>
Total equity at beginning of the period	–	100,000	61,204
Issuance of shares	100,000	–	–
Loss for the period	<u>(38,796)</u>	<u>(11,756)</u>	<u>(43,522)</u>
Total equity at end of the period	<u>61,204</u>	<u>88,244</u>	<u>17,682</u>

(d) Cash flow statements

The following is a summary of the cash flow statements of JVP for the Relevant Periods:

		For the period from 18th August 2003 (date of incorporation) to 31st December 2004	Five months ended 31st May 2004	Five months ended 31st May 2005
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
			(Unaudited)	
Net cash used in operations	<i>9(a)</i>	(29,172)	(15,132)	(27,910)
Cash flows from investing activities				
Purchase of available-for-sale financial assets		–	–	(113,838,666)
Purchase of unlisted securities		(160,417,567)	(45,447,843)	–
Interest received		43	13	–
Net cash used in investing activities		(160,417,524)	(45,447,830)	(113,838,666)
Cash flows from financing activities	<i>9(b)</i>			
Issuance of shares		100,000	–	–
Increase in amounts due to shareholders		160,416,067	45,446,343	113,838,666
Net cash generated from financing activities		160,516,067	45,446,343	113,838,666
Increase/(decrease) in cash and cash equivalents		69,371	(16,619)	(27,910)
Cash and cash equivalents at beginning of period		–	100,041	69,371
Cash and cash equivalents at end of period		69,371	83,422	41,461

II. NOTES TO THE FINANCIAL INFORMATION

1. Principal accounting policies

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The Financial Information has been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets at fair value through profit or loss.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying JVP's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 2.

JVP adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of new/revised HKASs 1, 7, 8, 10, 24 and 36 did not result in substantial changes to JVP's accounting policies. The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets.

The accounting policies set out below have been consistently applied throughout the Relevant Periods.

(a) Revenue recognition

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which JVP commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and JVP has transferred substantially all risks and rewards of ownership. Available for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss accounts as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), JVP establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

JVP assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss accounts – is removed from equity and recognised in the profit and loss accounts. Impairment losses recognised in the profit and loss accounts on equity instruments are not reversed through the profit and loss accounts.

(c) *Cash and cash equivalents*

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(d) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. **Financial risk management – Fair value estimation**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. JVP use estimated discounted cash flows method to determine fair value for the available-for-sale financial assets.

The carrying amounts of JVP's financial assets including cash and cash equivalents and prepayments and financial liabilities including accruals and other payables approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

3. Loss for the period

Loss for the period is stated after charging the following:

	For the period from 18th August 2003 (date of incorporation) to 31st December 2004 HK\$	Five months ended 31st May 2004 HK\$ (Unaudited)	Five months ended 31st May 2005 HK\$
Auditors' remuneration	<u>12,000</u>	<u>–</u>	<u>13,000</u>

4. Taxation

No provision for Hong Kong profits tax has been provided for as JVP has no assessable profit for the Relevant Periods.

The taxation on JVP's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	For the period from 18th August 2003 (date of incorporation) to 31st December 2004 HK\$	Five months ended 31st May 2004 HK\$ (Unaudited)	Five months ended 31st May 2005 HK\$
Loss before taxation	<u>(38,796)</u>	<u>(11,756)</u>	<u>(43,522)</u>
Calculated at a taxation rate of 17.5%	(6,789)	(2,057)	(7,616)
Income not subject to taxation	(8)	(2)	–
Unrecognised tax losses	<u>6,797</u>	<u>2,059</u>	<u>7,616</u>
Taxation charge	<u>–</u>	<u>–</u>	<u>–</u>

Deferred income tax asset is recognised for tax loss carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. JVP has unrecognised tax losses of HK\$82,361 as at 31st May 2005 (31st December 2004: HK\$38,840).

5. Directors' and senior management's emoluments

None of the directors received or will receive any fees or other emoluments in respect of their services to JVP during the Relevant Periods. JVP did not have non-director employees during the Relevant Periods.

6. Available-for-sale financial assets

Investment securities were reclassified as available-for-sale financial assets with effect from 1st January 2005 in accordance with HKAS39.

There were no disposals or impairment provisions on available-for-sale financial assets for the Relevant Periods. The available-for-sale financial assets as at 31st December 2004 and 31st May 2005 represented solely the interests in Hong Kong IEC Limited.

At 31st May 2005, the carrying amount of interests in the following company exceeded 10% of total assets of JVP.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held ¹
Hong Kong IEC Limited	Hong Kong	Development and holding of property for long term investment purposes	Preference share capital	13.12%

1 The interest held will reach 13.5% upon completion of the construction of the underlying property which is expected to be early 2006.

7. Share capital

	As at 31st December 2004 HK\$	As at 31st May 2005 HK\$
Authorised, issued and fully paid ordinary shares of HK\$1 each:		
At beginning of the period	–	100,000
Issuance of shares	100,000	–
At end of the period	<u>100,000</u>	<u>100,000</u>

JVP was incorporated on 18th August 2003 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. On incorporation, 2 ordinary shares of HK\$1 each were issued at par for cash to the subscribers.

By an ordinary resolution passed at an extraordinary general meeting held on 22nd August 2003, the authorised share capital of JVP was increased to HK\$100,000 by the creation of additional 90,000 ordinary shares of HK\$1 each. On the same date, the issued share capital of JVP was increased to HK\$100,000 by the issuance of 99,998 ordinary shares of HK\$1 each at par for increasing working capital. These shares rank pari passu with the existing shares.

8. Amounts due to shareholders

The amounts due to shareholders are unsecured, interest-free and are not be repayable within the next twelve months from the balance sheet date.

9. Note to the cash flow statement*(a) Reconciliation of loss for the period to net cash used in operations*

	For the period from 18th August 2003 (date of incorporation) to 31st December 2004 HK\$	Five months ended 31st May 2004 HK\$ (Unaudited)	Five months ended 31st May 2005 HK\$
Loss for the period	(38,796)	(11,756)	(43,522)
Interest income	(43)	(13)	–
Loss for the period before working capital changes	(38,839)	(11,769)	(43,522)
(Increase)/decrease in prepayments	(2,333)	(3,363)	362
Increase in accruals and other payables	12,000	–	15,250
Net cash used in operations	<u>(29,172)</u>	<u>(15,132)</u>	<u>(27,910)</u>

(b) Analysis of changes in financing during the period

	Share capital			Amounts due to shareholders		
	For the period from 18th August 2003 (date of incorporation) to 31st December 2004 HK\$ (Unaudited)	Five months ended 31st May 2004 HK\$ (Unaudited)	Five months ended 31st May 2005 HK\$ (Unaudited)	For the period from 18th August 2003 (date of incorporation) to 31st December 2004 HK\$ (Unaudited)	Five months ended 31st May 2004 HK\$ (Unaudited)	Five months ended 31st May 2005 HK\$ (Unaudited)
At beginning of the period	–	–	–	–	25,549,873	160,416,067
Cash inflows	100,000	–	–	160,416,067	45,446,343	113,838,666
At end of the period	<u>100,000</u>	<u>–</u>	<u>–</u>	<u>160,416,067</u>	<u>70,996,216</u>	<u>274,254,733</u>

10. Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is approximately as follows:

	As at 31st December 2004 HK\$	As at 31st May 2005 HK\$
Available-for-sales financial assets		
- Contracted but not provided for	<u>193,000,000</u>	<u>79,000,000</u>

11. Distributable reserves

As at 31 December 2004 and 31 May 2005, there were no reserves available for distribution to the shareholders of JVP.

12. Significant subsequent events

There were no significant subsequent events after 31 May 2005.

III. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared by JVP in respect of any period subsequent to 31 December 2004. In addition, no dividend or distribution has been declared or paid by JVP in respect of any period subsequent to 31 May 2005.

Yours faithfully
PricewaterhouseCoopers
Certified public accountants
 Hong Kong

1. UNAUDITED PRO-FORMA COMBINED BALANCE SHEET OF THE ENLARGED GROUP

The unaudited pro-forma combined balance sheet of the Enlarged Group below does not purport to present the actual consolidated balance sheet of the Enlarged Group if JVP had been consolidated into the Group, or to project the future financial information, and is included to comply with the requirement of the Listing Rules. It was prepared for illustrative purpose only, and because of its nature, may not give a true picture of the financial position of the Enlarged Group.

The unaudited pro-forma combined balance sheet of the Enlarged Group shall be read in conjunction with the historical financial information of the Group and JVP included in appendices I and II of this circular.

The unaudited pro-forma combined balance sheet of the Enlarged Group has been prepared based on the audited balance sheet of the Group as at 31st December, 2004 as set out in appendix I of this circular and the audited balance sheet of JVP as at 31st May, 2005 as set out in appendix II of this circular.

The Directors have considered seasonal factors affecting the Group's business and observed that there were no significant seasonal variations or obvious seasonal trend during the period between 31st December, 2004 and 31st May, 2005. Accordingly, the Directors considered that seasonal variations would not make the financial position of the Group as at 31st December, 2004 significantly different from that as at 31st May, 2005.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards which are applicable to accounting period beginning on or after 1st January, 2005. The pro forma financial information of the Enlarged Group has not taken into account the impact of the new accounting standards. The adoption of the new accounting standards may result in changes as to how the pro forma financial information is prepared and presented.

	The Group as at 31st Dec 04 HK\$'000 (Note 1)	JVP as at 31st May 05 HK\$'000 (Note 2)	Combined HK\$'000	Proforma adjustments HK\$'000	Notes	Enlarged Group HK\$'000
Non-current assets						
Goodwill	–	–	–	1,047,916	3, 4(d)	1,047,916
Associated companies Jointly controlled entities	132,888,066	–	132,888,066			132,888,066
Investment securities	60,980,881	–	60,980,881	(60,940,881)	4(c)	40,000
Available-for-sale financial assets	88,807,932	–	88,807,932	274,256,233	4(a)	363,064,165
Non-trading debt securities	–	274,256,233	274,256,233	(274,256,233)	4(a)	–
Debt securities	186,707,497	–	186,707,497			186,707,497
	149,488,000	–	149,488,000			149,488,000
	<u>618,872,376</u>	<u>274,256,233</u>	<u>893,128,609</u>			<u>833,235,644</u>
Current assets						
Trade and other receivables	4,468,981	–	4,468,981			4,468,981
Deposit on investment	58,092,974	–	58,092,974			58,092,974
Prepayment	–	1,971	1,971			1,971
Pledged bank fixed deposits	119,672,111	–	119,672,111	(104,670,483)	4(b) & 5	15,001,628
Fixed deposits at banks	4,906,097	–	4,906,097			4,906,097
Bank balances and cash	3,090,532	41,461	3,131,993			3,131,993
	<u>190,230,695</u>	<u>43,432</u>	<u>190,274,127</u>			<u>85,603,644</u>
Current liabilities						
Loan from a financial institution	46,270,674	–	46,270,674			46,270,674
Trade and other payables	837,921	27,250	865,171			865,171
Amount due to a related company	339,638	–	339,638			339,638
Taxation payable	130,000	–	130,000			130,000
	<u>47,578,233</u>	<u>27,250</u>	<u>47,605,483</u>			<u>47,605,483</u>
Net current assets	<u>142,652,462</u>	<u>16,182</u>	<u>142,668,644</u>			<u>37,998,161</u>
	<u><u>761,524,838</u></u>	<u><u>274,272,415</u></u>	<u><u>1,035,797,253</u></u>			<u><u>871,233,805</u></u>
Share capital	169,117,199	100,000	169,217,199	(100,000)	4(c)	169,117,199
Share premium	311,582,054	–	311,582,054			311,582,054
Other reserve	8	–	8			8
Revaluation reserve	21,009,678	–	21,009,678			21,009,678
Capital redemption reserve	4,031,600	–	4,031,600			4,031,600
Retained earnings	255,784,299	(82,318)	255,701,981	82,318	4(c)	255,784,299
Shareholders' fund	<u>761,524,838</u>	<u>17,682</u>	<u>761,542,520</u>			<u>761,524,838</u>
Non-current liabilities						
Amount due to shareholders	–	274,254,733	274,254,733	(274,254,733)	4(c)	–
Minority interest	–	–	–	109,708,967	4(c)	109,708,967
	<u>761,524,838</u>	<u>274,272,415</u>	<u>1,035,797,253</u>			<u>871,233,805</u>

Notes to the unaudited pro-forma consolidated balance sheet

1. Extracted from financial information of the Group as set out in Appendix I. The audited accounts of the Group for the year ended 31st December 2004 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in its audited accounts for the year ended 31st December 2004. The adoption of these new HKFRSs may have significant impact on the financial information of the Group.
2. Extracted from the accountant’s report of JVP as set out in Appendix II. The accountants’ report of JVP was prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), including all the new HKFRSs.
3. Goodwill represents the excess of the sum of the total purchase consideration and the related acquisition costs over the estimated fair value of the underlying net assets of JVP resulting from the acquisition. The adjustment reflects the recording of the goodwill resulting from the acquisition of approximately HK\$1,047,916 as if the acquisition had taken place on 31st December 2004.

The final amount of goodwill, which may be different to the one presented, or as appropriate, in case there is an excess of the estimated fair value of the underlying net assets of JVP resulting from the acquisition over the sum of the total purchase consideration and the related acquisition costs, to be recorded by the Group on completion of the acquisition will be determined under HKFRS 3 - Business Combination, which has become effective from 1st January 2005. It will basically be subject to the consideration paid by the Company and the Group’s interest in the fair value of the identifiable assets and liabilities, including contingent liabilities (if any) of JVP at the date of completion of the acquisition, after consideration of the new HKFRSs effective from 1st January 2005.

4. The pro-forma consolidation adjustments, derived using the accounting policies as adopted in the audited accounts of the Group for the year ended 31st December 2004, reflect the following:
 - (a) restatement of the balance sheet of JVP pursuant to the accounting policies as adopted in the audited accounts of the Group for the year ended 31st December 2004;
 - (b) cash payment of HK\$61,582,548 for the Company’s acquisition of YMIM’s interests, including issued shares and shareholder’s loans, in JVP based on the amount of shareholders’ loan as of 31st May 2005;
 - (c) elimination of the Company’s interests in JVP, including issued shares and shareholder’s loans and computation of minority interests, upon consolidation; and
 - (d) goodwill arising from the acquisition of JVP
5. The pro-forma adjustment relates to shareholder’s loan of HK\$43,087,935 advanced by the Company to JVP during the five months ended 31st May 2005.

2. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is the text of the letter from PricewaterhouseCoopers regarding the unaudited pro-forma combined balance sheet of the Enlarged Group for the purpose of incorporation in this circular:

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

The Directors
Yu Ming Investments Limited
1001, 10th Floor
AON China Building
29 Queen's Road Central
Hong Kong

26th July 2005

Dear Sirs,

We report on the unaudited pro forma financial information of Yu Ming Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 58 to 60 under the headings of unaudited pro forma combined balance sheet of the Enlarged Group in Appendix III of the Company's circular dated 26th July, 2005 in connection with the major transaction for acquisition of 22.15% interests in IEC Investments Limited (the "Acquisition"). The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Group as at 31st December 2004.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 14.67 and paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the basis set out on pages 58 to 60 for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of:

- the Enlarged Group had the Acquisition occurred on 31st December 2004, or
- the Enlarged Group at any future date.

OPINION

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully
PricewaterhouseCoopers
Certified public accountants
Hong Kong

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		
Fung Wing Cheung, Tony	3,328,000	724,926,258 <i>(Note 1)</i>	728,254,258	43.06%
Lee Seng Hui	–	379,291,800 <i>(Note 2)</i>	379,291,800	22.42%
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	300,000	–	300,000	0.02%

Notes:

1. Goldfield Venture Limited (“Goldfield”) and Megaland Development Limited (“Megaland”) hold 245,000,000 and 479,926,258 Shares respectively. Since Goldfield is wholly owned by Megaland, Megaland is deemed to be interested in 724,926,258 Shares in total. 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 724,926,258 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 Js 1 Trust are, inter alia, Fung Wing Cheung, Tony’s children under 18. As such, Fung Wing Cheung, Tony is deemed to be interested in 724,926,258 Shares in which his children under 18 have ultimate beneficial interest under the above arrangement.
 2. 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 and LLT are deemed to have an interest in the said Shares in which AGL is interested.
- ii. Interests in the issued ordinary shares and underlying shares of associated corporations

Name of Director	Name of corporation	Number of shares	
		Interests	% of total issued shares
Fung Wing Cheung, Tony	Honnex Development Limited	500	5%
	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, Fung Wing Cheung, Tony’s children under 18. As such, Fung Wing Cheung, Tony 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. As at the Latest Practicable Date, save for the transfer of the AWE Interests as detailed in this circular, none of the Directors had any direct or indirect interests in any assets which have since 31st December, 2004 (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. As at the Latest Practicable Date, save for the Agreement, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.
- d. 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	1	Beneficial owner/ Interest of Controlled corporation	272,856,000	16.13%
Shipsape Investments Limited	1	Interest of Controlled corporation	272,856,000	16.13%
Sun Hung Kai & Co. Limited	1	Beneficial owner/ Interest of Controlled corporation	379,291,800	22.42%
AP Emerald Limited	2	Interest of Controlled corporation	379,291,800	22.42%
AP Jade Limited	2	Interest of Controlled corporation	379,291,800	22.42%
Allied Properties (H.K.) Limited	2	Interest of Controlled corporation	379,291,800	22.42%
Allied Group Limited	2	Interest of Controlled corporation	379,291,800	22.42%
Lee Su Hwei	3	Interest of Controlled corporation	379,291,800	22.42%
Lee Seng Huang	3	Interest of Controlled corporation	379,291,800	22.42%
Poly (Hong Kong) Investments Limited	4	Interest of Controlled corporation	119,380,000	7.05%
HSBC International Trustee Limited	5	Trustee	735,455,058	43.49%

Notes:

1. 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.
2. Sun Hung Kai & Co. Limited is a 74.99% 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 74.79% 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.
3. Lee Su Hwei and Lee Seng Huang are trustees of Lee and Lee Trust which owns 39.09% 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.
4. The interest of Poly (Hong Kong) Investments Limited was attributable on account through a number of wholly-owned subsidiaries.
5. Out of these 735,455,058 Shares, 724,926,258 Shares are deemed to be interested 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.
6. Mr. Li Shi Liang, an executive Director, is the managing director of Poly (Hong Kong) Investments Limited.
7. Mr. Lee Seng Hui, a non-executive Director, is the chief executive of Allied Group Limited.

4. EXPERTS' DISCLOSURE OF INTEREST AND CONSENTS

- a. As at the Latest Practicable Date, neither Hantec, a licensed corporation under SFO permitted to engage in types 1 and 6 of the regulated activities as stipulated in the SFO, nor PricewaterhouseCoopers, certified public accountants, 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, Hantec and PricewaterhouseCoopers had no direct or indirect interests in any assets which have since 31st December, 2004 (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. Hantec and PricewaterhouseCoopers have given and have not withdrawn their written consent to the issue of this circular with the inclusion therein of their letters and references to their names in the form and context in which they appear.

5. 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.

6. 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.

7. MATERIAL CONTRACTS

There is no contract, not being contracts entered into in the ordinary course of business, entered into by the Company and its subsidiaries within the two years immediately preceding the issue of this circular which is or may be material.

8. MISCELLANEOUS

- a. The Directors are not aware of any material adverse change in the Group's financial or trading position since 31st December, 2004, 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 Mr. Louie Chun Kit who is a fellow 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.

9. 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 1001, 10th Floor, AON China Building, 29 Queen's Road Central, Hong Kong up to and including 12th August, 2005 and at the EGM:

- a. the Agreement;
- b. the JVP Shareholders' Agreement;
- c. the letter from Hantec to the Independent Board Committee and the Independent Shareholders as set out on pages 12 to 19 of this circular;
- d. the written consent referred to in paragraph 4 of this appendix;
- e. the memorandum and articles of association of the Company;
- f. the letter from PricewaterhouseCoopers as set out on pages 46 to 62 of this circular;
- g. 2004 annual report of the Company; and
- h. audited accounts of JVP as set out in appendix II of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



YU MING INVESTMENTS LIMITED

(incorporated in Hong Kong with 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 1001, 10th Floor, AON China Building, 29 Queen’s Road Central, Hong Kong on Friday, 12th August, 2005 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution:

AS AN ORDINARY RESOLUTION

“**THAT** the Agreement (as defined in the circular dated 26th July, 2004 (the “Circular”) despatched to the shareholders of the Company), 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.”

By Order of the Board
Lee Yip Wah, Peter
Secretary

Hong Kong, 26th July, 2005

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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.