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

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

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

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

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**YU MING INVESTMENTS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 666)

**MAJOR AND CONNECTED TRANSACTION  
PROPOSED DISPOSAL OF EQUITY INTERESTS IN  
HONNEX DEVELOPMENT LIMITED**

**Financial adviser to Yu Ming Investments Limited**



**Yu Ming Investment Management Limited**

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



**Upbest Securities Company Limited**

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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 9 of this circular. A letter from page 10 to 18 containing its advice to the independent board committee and the independent shareholders of Yu Ming Investments Limited is set out on pages 10 to 18 of this circular.

A notice convening an extraordinary general meeting of Yu Ming Investments Limited to be held at 4:00 p.m. on 9th August, 2007 is set out on page 37 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete this form of proxy in accordance with the instructions printed thereon and deposit the same at Secretaries Limited, the share registrars of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish.

23rd July, 2007

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## DEFINITIONS

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

“Asset Appraisal”	Asset Appraisal Limited, an independent professional surveyor and property valuer
“associates”	shall have the same meaning as is provided in the Listing Rules
“Board”	the 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
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms of the Conditional Sale and Purchase Agreement
“Completion Date”	31st December, 2007, or, subject to conditions, such earlier date as notified in writing by the Purchaser to the Vendor prior to the date of completion
“Conditional Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 3rd July, 2007 entered into between the Vendor and the Purchaser in relation to the Proposed Disposal
“Consideration”	HK\$372,000,000
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened at 4:00 p.m. on 9th August, 2007 to approve the Conditional Sale and Purchase Agreement and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Tony Fung and Mr. Peter Fung
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Honnex”	Honnex Development Limited, a company incorporated in Hong Kong with limited liability
“Independent Board Committee”	the independent board committee of the Company comprising Messrs. 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 Conditional Sale and Purchase Agreement
“Independent Shareholders”	the Shareholders other than Mr. Tony Fung, Mr. Peter Fung and their respective associates
“Latest Practicable Date”	20th July, 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Peter Fung”	Mr. Fung Yiu Fai, Peter, the non-executive director of the Company
“Mr. Tony Fung”	Mr. Fung Wing Cheung, Tony, the chairman of the Company
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“Proposed Disposal”	the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Conditional Sale and Purchase Agreement
“Purchaser”	Well Harvest Properties Limited (owned by Mr. Tony Fung and Mr. Peter Fung as to 75% and 25% respectively), a company incorporated in Hong Kong with limited liability
“Sale Shares”	600,000 ordinary shares of a nominal value of HK\$1.00 each in the total issued share capital of Honnex (representing approximately 61.22% of the total issued share capital)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	issued ordinary shares in the issued share capital of the Company from time to time, of a nominal value of HK\$0.10 each

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## DEFINITIONS

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“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Upbest”	Upbest Securities Company Limited (a licensed corporation to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) under SFO), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Conditional Sale and Purchase Agreement
“Vendor”	Odelon Limited (a wholly-owned subsidiary of the Company), a company incorporated in Hong Kong with limited liability
“%”	per cent

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## LETTER FROM THE BOARD

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# YU MING INVESTMENTS LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 666)

*Executive Directors:*

Fung Wing Cheung, Tony  
Lee Wa Lun, Warren

*Non-Executive Directors:*

Fung Yiu Fai, Peter  
Lee Seng Hui  
Chan Kin  
Lee Yip Wah, Peter

*Independent Non-Executive Directors:*

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

*Registered Office:*

Room 1901B, 19th Floor  
Allied Kajima Building  
138 Gloucester Road  
Wanchai  
Hong Kong

23rd July, 2007

*To Independent Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF EQUITY INTERESTS IN HONNEX DEVELOPMENT LIMITED**

#### **INTRODUCTION**

On 3rd July, 2007, the Board announced that the Vendor (a wholly-owned subsidiary of the Company) entered into the Conditional Sale and Purchase Agreement with the Purchaser, pursuant to which, subject to the condition set out in this circular, the Vendor agreed to sell and the Purchaser agreed to acquire approximately 61.22% of the entire issued share capital of Honnex at the Consideration of HK\$372 million in cash.

The Purchaser is owned by Mr. Tony Fung and Mr. Peter Fung. As Mr. Tony Fung is a director of the Company, he is connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. Therefore, the Conditional Sale and Purchase Agreement constitutes a connected transaction of the Company, and is subject to disclosure and approval of the Independent Shareholders by way of poll in the EGM. Since more than one of the Percentage Ratios exceed 25% but no more than 75%, the Conditional Sale and Purchase Agreement also constitutes a major transaction of the Company.

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## LETTER FROM THE BOARD

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The Independent Board Committee has been appointed to advise the Independent Shareholders, and Upbest has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Conditional Sale and Purchase Agreement.

The purpose of this circular is (i) to provide you with further information in relation to the Conditional Sale and Purchase Agreement and valuation reports in respect of properties held by Honnex, (ii) to set out the advice from Upbest to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee in respect of the Conditional Sale and Purchase Agreement, and (iii) to seek your approval of the Conditional Sale and Purchase Agreement at the EGM, a notice of which is set out in this circular.

### CONDITIONAL SALE AND PURCHASE AGREEMENT

#### Date

3rd July, 2007

#### Parties

- Purchaser : Well Harvest Properties Limited (owned by Mr. Tony Fung and Mr. Peter Fung as to 75% and 25% respectively) whose principal business is property investments
- Vendor : Odelon Limited (a wholly-owned subsidiary of the Company) whose principal business is investments holding
- Guarantors : Mr. Fung Wing Cheung, Tony and Mr. Fung Yiu Fai, Peter

#### Transaction

Pursuant to the Conditional Sale and Purchase Agreement, subject to the condition as set out in this circular, the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Shares. Immediately following Completion, the Company will have no equity interests in Honnex and the financial results of Honnex will be deconsolidated from the Group's accounts.

#### Consideration

The Consideration for the Sale Shares is HK\$372 million in cash. On 3rd July, 2007, the Purchaser paid an initial deposit of HK\$37.2 million (10% of the Consideration) to the Vendor. Within two business days after the Conditional Sale and Purchase Agreement becoming unconditional, the Purchaser shall pay a further deposit of HK\$37.2 million to the Vendor. On the Completion Date, the Purchaser shall pay the balance (HK\$297.6 million) to the Vendor.

The Consideration has been agreed by the parties after arm's length negotiations, having taken into account (i) the respective audited net asset value and shareholders' loan of Honnex attributable to the Company of approximately HK\$276 million and HK\$51 million as at 31st December, 2006; and (ii) the prevailing property market conditions.

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## LETTER FROM THE BOARD

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### Guarantors' obligation

Each of the Guarantors unconditionally, irrevocably, severally and jointly guarantees to the Vendor the punctual observance and performance by the Purchaser of all obligations of the Purchaser contained in the Conditional Sale and Purchase Agreement.

### Condition precedent

The Conditional Sale and Purchase Agreement is conditional upon the approval of the Independent Shareholders of the Conditional Sale and Purchase Agreement and the transactions contemplated thereunder.

If the condition is not fulfilled by 31st August, 2007, none of the parties of the Conditional Sale and Purchase Agreement shall be obliged to proceed with Completion, and the initial deposit shall be returned to the Purchaser with accrued interests.

### INFORMATION ON HONNEX

At present, Honnex is owned by the Company, an independent third party and Mr. Tony Fung as to approximately 61.22%, 28.57% and 10.21% respectively. Its main investments are retail properties located in Hong Kong, including Argyle Centre and Ginza Plaza in Mongkok, and timeplus in Causeway Bay.

The audited net asset value of Honnex as at 31st December, 2006 was approximately HK\$452 million. The (i) audited net profits of Honnex before and after taxation; and (ii) audited net profit of Honnex after taxation attributable to the Group are as follows:

<i>(HK\$'000)</i>	Year ended	
	31st December, 2006	2005
Honnex's net profit before taxation	11,313	451,352
Honnex's net profit after taxation	8,619	380,831
Honnex's net profit after taxation attributable to the Group	5,277	233,162

Net profit after taxation for the year 2006 mainly generated from property rental income, while that for the year 2005 was mainly contributed by a fair value adjustment on investment properties.

### REASONS FOR AND BENEFIT OF THE PROPOSED DISPOSAL

The Company is from time to time seeking a good return on its investments. It initially acquired the shares of Honnex in July 1997.

Upon Completion, the Company will receive cash proceeds of HK\$372 million, which represents a surplus of approximately HK\$45 million over the carrying cost attributable to the Group of HK\$327 million as at 31st December, 2006. According to the valuation report produced by Asset Appraisal attached in the appendix I of this circular, market values of each of the properties held by Honnex on 30th June, 2007 remained the same as on 31st December, 2006. Therefore, the Board considers that the consideration and the terms and condition of the Proposed Disposal are fair and reasonable and in the interests of the Shareholders and the Company as a whole.



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## LETTER FROM THE BOARD

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### INTENDED USE OF PROCEEDS

The estimated net proceeds of HK\$371 million will be used for other investment opportunities where appropriate. The Company is invariably seeking suitable investment opportunities, which will be announced as required by the Listing Rules or where appropriate.

### FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

Upon Completion, it is estimated that the Group will record an after-tax profit of approximately HK\$45 million over the carrying cost attributable to the Group of HK\$327 million as at 31st December, 2006. Accordingly, the consolidated net asset value of the Group is expected to increase by the same amount as compared with that as at 31st December, 2006.

### PROSPECTS OF THE GROUP

The Group is in the course of formulating a new investment strategy. Apart from the Proposed Disposal, the Group also conditionally agreed to sell its interests in IEC Investments Limited and AsiaWorld-Expo Management Limited. If both transactions are completed, cash proceeds of approximately HK\$549 million will be generated.

Positive economic outlook in the People's Republic of China and Hong Kong, and the ample liquidity around the world provide a favourable market for investment. With the increased liquidity, the Group is in a better position to actively seek suitable investment opportunities. The Board is optimistic about prospects of the Group.

### GENERAL

The Purchaser is owned by Mr. Tony Fung and Mr. Peter Fung. As Mr. Tony Fung is a director of the Company, he is connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. Therefore, the Conditional Sale and Purchase Agreement constitutes a connected transaction of the Company, and is subject to disclosure and approval of the Independent Shareholders by way of poll in the EGM. Since more than one of the Percentage Ratios exceed 25% but no more than 75%, the Conditional Sale and Purchase Agreement also constitutes a major transaction of the Company.

Mr. Tony Fung and his associates beneficially own 168,254,258 Shares, and Mr. Peter Fung owns 6,500,000 Shares (representing approximately 9.95% and 0.38% of the issued shares capital of the Company respectively). The Board considers they, as the owners of the Purchaser, have material interests in the transaction contemplated under the Conditional Sale and Purchase Agreement and shall abstain from voting at the EGM.

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

Independent Shareholders holding an aggregate of 694,191,800 Shares (representing 48.70% of the issued share capital of the Company in the hands of the Independent Shareholders) have confirmed in writing that they will vote in favour of all resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### EXTRAORDINARY GENERAL MEETING

You will find on page 37 of this circular a notice of the EGM to be held at 4:00 p.m. on 9th August, 2007 at 1001, 10th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong for the purposes of considering and, if thought fit, approving the Conditional Sale and Purchase Agreement.

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

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

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and Upbest as set out in this circular.

### RECOMMENDATION

The Board, including members of the Independent Board Committee, consider that the Consideration and the terms and conditions of the Conditional Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole, and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Conditional Sale and Purchase Agreement.

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



**YU MING INVESTMENTS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 666)

*To the Independent Shareholders*

23rd July, 2007

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
PROPOSED DISPOSAL OF EQUITY INTERESTS IN  
HONNEX DEVELOPMENT LIMITED**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Conditional Sale and Purchase Agreement, details of which are set out in the letter from the Board in the circular dated 23rd July, 2007 (the “Circular”) to the Independent 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 Upbest in respect of the Conditional Sale and Purchase Agreement as set out in the letter from Upbest in the Circular. Having taken into account the advice of Upbest, we consider that the terms and conditions of the Conditional Sale and Purchase Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the Conditional Sale and Purchase 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 Conditional Sale and Purchase Agreement.

Yours faithfully

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

*Independent Board Committee*

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## LETTER FROM UPBEST

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*The following is the text of the letter of advice from Upbest Securities Company Limited to the Independent Board Committee in relation to the Transaction for the purpose of inclusion in this circular.*



### UPBEST SECURITIES COMPANY LIMITED 美建證券有限公司

23rd July, 2007

*To: The Independent Board Committee and  
the Independent Shareholders of  
Yu Ming Investments Limited (the “Company”)*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION – PROPOSED DISPOSAL OF EQUITY INTERESTS IN HONNEX DEVELOPMENT LIMITED (THE “PROPOSED DISPOSAL”)**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect to the terms of the Conditional Sale and Purchase Agreement. Details of which are contained in the “Letter from the Board” of the circular to the Shareholders dated 23rd July, 2007 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise specifies.

Pursuant to the Conditional Sale and Purchase Agreement, the Vendor agreed to dispose of approximately 61.22% of the entire issued share capital of Honnex at the Consideration of HK\$372,000,000 for cash.

The Purchaser is owned by Mr. Tony Fung and Mr. Peter Fung as to 75% and 25% respectively. Both Mr. Tony Fung and Mr. Peter Fung are directors and shareholders of the Company. As at the date of this Circular, Mr. Tony Fung and his associates beneficially own 168,254,258 Shares and Mr. Peter Fung owns 6,500,000 shares (representing approximately 9.95% and 0.38% of the issued share capital of the Company respectively) in the Company within the meaning of Part XV of the SFO, they therefore are connected persons of the Company pursuant to Rule 14A.11 of the Listing Rules. Therefore, the Conditional Sale and Purchase Agreement constitutes a connected transaction of the Company, and is subject to disclosure and approval of the Independent Shareholders by way of poll in the EGM. Based on the applicable size tests performed regarding the Proposed Disposal, the

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## LETTER FROM UPBEST

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relevant percentage ratio under Rule 14.07 of the Listing Rules exceed 25% but no more than 75%, the Conditional Sale and Purchase Agreement also constitutes a major transaction of the Company. Mr. Tony Fung, Mr. Peter Fung and each of their associates will abstain from voting in respect of any resolution in relation to the Agreement at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE**

The Board currently consists of nine directors of which Mr. Fung Wing Cheung, Tony is the chairman and executive director, Mr. Warren Lee Wa Lun is the managing director and executive director; Mr. Fung Yiu Fai, Peter, Mr. Lee Seng Hui, Mr. Kin Chan, Mr. Lee Yip Wah, Peter are the non-executive directors; and Mr. So Shu Fai, Ambrose, Mr. Chow Yu Chun, Alexander and Mr. Albert Ho are the independent non-executive directors.

The Independent Board Committee comprising the independent non-executive Directors, Mr. So Shu Fai, Ambrose, Mr. Chow Yu Chun, Alexander and Mr. Albert Ho, has been established to consider the terms of the Conditional Sale and Purchase Agreement.

We have been appointed and approved by the Company to advise the Independent Board Committee as to whether the terms of the Conditional Sale and Purchase Agreement are fair and reasonable; and is in the interests of the Company and the Shareholders as a whole; as well as to give our opinion in relation to the terms of the Conditional Sale and Purchase Agreement for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

### **BASIS AND ASSUMPTIONS OF THE RECOMMENDATIONS**

In formulating our recommendations, we have relied solely on the statements, information and representations provided, and the opinions expressed, by the Directors and management of the Group and have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Group contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Group and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

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# LETTER FROM UPBEST

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## PRINCIPAL FACTORS AND REASONS CONSIDERED

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

### 1. Background information

#### *Principal activities of the Group*

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

Based on the audited accounts of the Group for the year ended 31st December, 2006, the Group's property investment and other investment accounted for approximately 39.73% and 60.27% respectively, of the Group's annual turnover of approximately HK\$158 million.

Based on Honnex's audited accounts for the two years ended 31st December, 2006, Honnex recorded a net income of approximately HK\$8.6 million (2005: approximately HK\$380.8 million). However, for the year 2005, the amount was mainly contributed by a fair value adjustment on investment properties and gain on disposal of investment properties amounted to HK\$362.6 million and HK\$54.8 million respectively.

As stated in the "Letter from the Board", based on the audited book value of its investment in Honnex as at 31st December, 2006, it is expected that the Company would record a gain arising from the Disposal of approximately HK\$45 million. On the basis that the Proposed Disposal will allow the Company to realize its investment in Honnex at a significant gain and provide additional resources to the Company for future potential investment, the Directors are of the view that the Proposed Disposal is in the interests of the Company and the Shareholders as a whole.

#### *Reasons for and benefit of the Proposed Disposal*

The Directors consider that the offer by the Purchaser is a good opportunity for the Group to dispose of the interest in Honnex at a profit. Shareholders' attention is drawn to the various valuations conducted by Asset Appraisal Limited, an independent property valuer, the investment properties held by Honnex was valued at approximately HK\$1,020 million as at 31st December, 2005 and HK\$1,340 million as at 31st December, 2006 (including acquisition during the financial year ended 31st December, 2006). Based on an updated valuation of the various properties as at 30th June, 2007 made by Asset Appraisal Limited, the various properties was valued at HK\$1,340 million remained unchange when compared with their value as at 31st December, 2006. Accordingly, the total net assets value of Honnex as at 31st May, 2007 was approximately HK\$465.60 million and adding back the shareholders loan will make a total value of Honnex being approximately HK\$548.50 million. The value of a 61.22% interest in Honnex would be approximately HK\$335.80 million. In this regard, the consideration of HK\$372.00 million for 61.22% interest in Honnex is considered to be fair and reasonable.

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## LETTER FROM UPBEST

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The Directors believe that the Proposed Disposal of Honnex by the Company would enhance the shareholders' value of the Company with significant cash inflow which enables the Group to meet patenting up coming investment.

The Directors are of the view that the Proposed Disposal is in the interests of the Company and the Shareholders as a whole, and the terms of the Conditional Sale and Purchase Agreement are fair and reasonable and on normal commercial terms.

Taking into account the recovery of investment and the reasons for and benefits of the Proposed Disposal as described above, we concur with the Directors' view and are of the view that the Proposed Disposal is a step consistent with the Company's stated business strategy and is in the interests of the Company and the Shareholders as a whole.

### **2. Terms of the Conditional Sale and Purchase Agreement**

#### *Consideration*

Pursuant to the Conditional Sale and Purchase Agreement, the Company has conditionally agreed to sell to the Purchaser the Sale Shares at the Consideration of HK\$372 million which will be payable by the Purchaser to the Company in the following manner:

- (1) an initial deposit of HK\$37.2 million (10% of the Consideration) paid to the Vendor by the Purchaser on 3rd July, 2007;
- (2) a further deposit of HK\$37.2 million (10% of the Consideration) will be paid to the Vendor within two business days after the Conditional Sale and Purchase Agreement becoming unconditional; and
- (3) the Purchaser shall pay the remaining balance of HK\$297.6 million to the Vendor on the Completion Date.

As advised by the Company, the Consideration has been agreed by the parties after arm's length negotiations, having taken into account (i) the audited net asset value and shareholders' loan of Honnex attributable to the Company of approximately HK\$327 million as at 31st December, 2006; and (ii) the prevailing property market conditions.

Based on an updated valuation of the various properties as at 30th June, 2007 made by Asset Appraisal was valued at HK\$1,340 million. Given that the Consideration is approximately 13.76% over the carrying cost of Honnex, and the reason for and benefits of the Proposed Disposal set out in this letter, we are of the view that the consideration to be received by the Group under the Proposed Disposal is fair and reasonable.

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## LETTER FROM UPBEST

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### *Assets to be disposed of*

Pursuant to the Conditional Sale and Purchase Agreement, the Vendor has agreed to dispose of the Sale Shares to the Purchaser at a consideration of HK\$372,000,000 for cash.

At present, Honnex's main investments are retail properties located in Hong Kong, including retail shops at Argyle Centre and Ginza Plaza in Mongkok, and Timeplus in Causeway Bay. Details of the properties are set out below:

<b>Property</b>	<b>Saleable Floor Area (sq.ft.) (Approximately)</b>	<b>Particulars of Occupancy</b>
(1) Shops A on Ground Floor of Po Wing Building Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street Hong Kong.	The property comprises a shop on G/F of a 14-storey composite building of reinforced concrete construction completed in 1967.  778 sq.ft.	The property and the adjacent shop, Shop B, are subject to a tenancy agreement for a term of two years with monthly rent of HK\$360,000 expiring on 14th December, 2008.
1/197th share of Section Z of Inland Lot No. 29.		
(2) Shop B on Ground Floor of Po Wing Building Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street, 1st and 2nd Floor of Po Wing Building No. 69 Lee Garden Road and No. 114 Percival Street and Flat No. S on 12th Floor & Flat Roof of Po Wing Building No. 69 Lee Garden Road Hong Kong.	The property comprises a shop on G/F, whole floor of 2nd and 3rd Floor of a 14-storey composite building of reinforced concrete construction completed in 1967.  Shop B G/F: 1,048 sq.ft. 1/F: 7,625 sq.ft. Flat Roof on 1/F: 43 sq.ft. 2/F: 8,048 sq.ft. Flat S 12/F: 556 sq.ft. Flat Roof: 711 sq.ft.	Shop A and the adjacent shop, Shop B, are subject to a tenancy agreement for a term of two years with monthly rent of HK\$360,000. Expiring on 14th December, 2008.  1st and 2nd floors are subject to various tenancy with total monthly rent HK\$1,310,200. The latest expiring on 8th February, 2009.
34/197th share of Section Z of Inland Lot No. 29.		12th floor is owner occupied.



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## LETTER FROM UPBEST

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<b>Property</b>	<b>Saleable Floor Area (sq.ft.) (Approximately)</b>	<b>Particulars of Occupancy</b>
<p>(3) Shops 1, 2, 3 and 4 on 2nd Floor and Shops on the 3rd Floor of Ginza Plaza No. 2A Sai Yeung Choi Street South Kowloon.</p> <p>778/12752nd share of Kowloon Inland Lot No. 11013.</p>	<p>The property comprises 4 shops on 2nd Floor and 3 shops on 3rd Floor of a 24-storey (including one basement floor) commercial building of reinforced concrete construction completed in 1996.</p> <p>The saleable floor area of the property is approximately:</p> <p>2/F: 2,720 sq.ft. 3/F: 5,662 sq.ft.</p>	<p>3rd Floor is subject to various tenancy with total monthly rent HK\$466,500 with the latest expiring on 31st July, 2007.</p> <p>2nd Floor is vacant.</p>
<p>(4) Various Shop Units on Ground, 1st, 2nd and 3rd floors of Portion B Argyle Centre Phase I No. 688 Nathan Road No. 65 Argyle Street Kowloon.</p> <p>1263/8800th Shares of and in Section A, B and H of Kowloon Inland Lot No. 1262.</p>	<p>The property comprises 159 shop units on the ground floor, first floor, second floor and third floor of a 22-storey commercial building reinforced concrete construction completed in 1982.</p> <p>As advised by the Company, the Gross Floor Area of the shop units per floor are as follows:</p> <p><b>Gross Floor Area</b> G/F: 3,852 sq.ft. 1/F: 13,548 sq.ft. 2/F: 14,361 sq.ft. 3/F: 2,285 sq.ft. Total: 34,046 sq.ft.</p>	<p>The property is fully let at a total monthly rental of HK\$4,277,756.7. The majority of leases are for 1 to 2 years.</p>

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## LETTER FROM UPBEST

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The table below sets out a summary of the audited consolidated income statement and the balance sheet of Honnex for the two years ended 31st December, 2006 and 2005 respectively:

	<b>For the year ended</b>	
	<b>31st December</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Turnover</b>		
Gross rental income	57,123,543	45,665,359
Other related charges	5,607,450	4,363,370
	<u>62,730,993</u>	<u>50,028,729</u>
<b>Other revenue</b>		
Gain on disposal of investment properties	–	54,831,190
Administration income	463,161	946,582
Interest income	157,922	85,866
Sundry income	304,509	158,103
Fair value adjustment on investment properties	1,679,625	362,614,146
	<u>2,605,207</u>	<u>418,635,887</u>
Staff costs, excluding for directors	(211,830)	–
Other operating expenses	(21,272,344)	(9,616,647)
	<u>43,852,036</u>	<u>459,047,969</u>
Profit from operations	43,852,036	459,047,969
Finance costs	(32,539,020)	(7,696,044)
	<u>11,313,016</u>	<u>451,351,925</u>
Profit before taxation	11,313,016	451,351,925
Taxation	(2,694,009)	(70,521,399)
	<u>8,619,007</u>	<u>380,830,526</u>
Profit for the year	<u>8,619,007</u>	<u>380,830,526</u>
Net assets	<u>451,790,145</u>	<u>443,171,138</u>

### *Use of proceeds*

The estimated net proceeds of HK\$371 million will be used for other investment opportunities where appropriate. The Company is invariably seeking suitable investment opportunities, which will be announced as required by the Listing Rules or where appropriate.

### **3. Expected financial impact on the Group as a result of Proposed Disposal**

Following completion of the Proposed Disposal, Honnex will no longer be a subsidiary of the Company and its financial results of Honnex and its subsidiaries will not be consolidated into the Group's financial results.

#### *Gain on disposal*

As set out in the "Letter from the Board", the Company expects to record a gain arising from the Proposed Disposal calculated with reference to the book value of its investment in Honnex as at the date of Completion. Based on the respective carrying amount of the investment in Honnex as at 31st May, 2007 and the shareholders' loan, the Company is expected to record a gain arising from the Proposed Disposal of approximately HK\$45 million. In general, the actual gain on the Proposed Disposal to be recorded by the Company will depend on the net asset value of Honnex attributable to the Company as at the date of Completion.

Given that the Proposed Disposal is expected to have a substantial positive impact on the earnings of the Group upon completion, we are of the view that the Proposed Disposal is in the interests of the Company and the Shareholders as a whole.

#### *Liquidity and financial resources*

Based on the audited balance sheet of the Group as at 31st December, 2006 set out in the Annual Report, the Group had current assets of approximately HK\$297.9 million and current liabilities of approximately HK\$87.4 million, representing a net current assets position of approximately HK\$210.5 million and a current ratio at approximately 3.41 (i.e. HK\$297.9 million divided by HK\$87.4 million) (2005: approximately 1.11). Besides, the Group's gearing ratio as at 31st December, 2006 was approximately 126% as represents the ratio of interest-bearing bank and other borrowings to equity attributable to the equity holders of the Company (2005: approximately 54%).

As advised by the Company, the net proceeds from the Proposed Disposal after deducting the related expenses are estimated to be approximately HK\$371 million. Given the substantial amount of such net proceeds, the current assets of the Group is expected to be increased by the same amount and there would be a significant improvement on both the Group's current ratio and gearing ratio as a result of the Proposed Disposal. In view of the fact that the net proceeds from the Proposed Disposal will significantly strengthen the cash position of the Group and improve its liquidity, we are of the view that the Proposed Disposal is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM UPBEST

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### *Net assets*

Based on the audited balance sheet of the Group as at 31st December, 2006 set out in the Annual Report, the audited net assets of the Group as at 31st December, 2006 was approximately HK\$924.7 million. On the assumption that the Completion had taken place on 31st December, 2006, the Group would record a gain arising from the Proposed Disposal of approximately HK\$45 million and its net assets would be increased by substantially the same amount.

In summary, the Proposed Disposal is expected to have a substantial positive impact on the financial position of the Group at Completion. In particular, the Group will recognize a substantial gain arising from the Proposed Disposal. The net proceeds from the Proposed Disposal will significantly strengthen the cash position of the Group and improve its liquidity. Due to the substantial gain on the Proposed Disposal, the net assets of the Group will also increase substantially at Completion. Having considered the expected positive financial effects of the Proposed Disposal, we are of the view that the Proposed Disposal is in the interest of the Company and the Shareholders as a whole.

### **RECOMMENDATION**

Having considered the above principal factors and reasons, we are of the opinion that the Proposed Disposal is in the interests of the Company and the Shareholders as a whole and the terms of the Conditional Sale and Purchase Agreement are fair and reasonable. Therefore, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the resolution to approve the Conditional Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,  
For and on behalf of  
**Upbest Securities Company Limited**  
**LI Kwok Cheung, George**

*The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30th June, 2007 of the property interests held by the Group.*



## Asset Appraisal Limited 資產評值有限公司

Add Rm1303 13/F Beverly House  
No. 93-107 Lockhart Road Wanchai HK  
地址 香港灣仔駱克道93-107號13字樓1303室  
Tel (852) 3528 7129  
Tel (852) 3521 9591

5th July, 2007

### The Board of Directors

#### Yu Ming Investments Limited

Room 1901B 19/F Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

Dear Sirs,

### Re: Valuation of various properties in Hong Kong (the “properties”)

In accordance with your instructions from Yu Ming Investments Limited (the “Company”) to value the property interests held by the Company or its subsidiaries (altogether referred to as the “Group”), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at **30th June, 2007** (the “date of valuation”).

### BASIS OF VALUATION

Our valuation of the properties represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

### TITLESHIP

We have caused searches to be made at the appropriate Land Registries for the Properties. However, we have not verified ownership of the properties nor the existence of any lease amendments which does not appear on the copies handed to us. All registration details disclosed herewith are for reference only. No responsibility regarding legal title to the Properties is assumed in this valuation report.

**VALUATION METHODOLOGY**

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

**ASSUMPTIONS**

Our valuation has been made on the assumption that the owners sell the properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

**LIMITING CONDITIONS**

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January, 2005.

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,  
for and on behalf of  
**Asset Appraisal Limited**

**Sandra Lau**

*MFin MHKIS AAPI RPS(GP)*

*Director*

*Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.*

## SUMMARY OF VALUATION

Property held for investment	Market Value as at 30th June, 2007 HK\$
1. Shops A on Ground Floor of Po Wing Building Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street Hong Kong.	51,000,000.-
2. Shop B on Ground Floor of Po Wing Building Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street, 1st and 2nd Floor of Po Wing Building No. 69 Lee Garden Road and No. 114 Percival Street and Flat No. S on 12th Floor & Flat Roof of Po Wing Building No. 69 Lee Garden Road Hong Kong.	309,000,000.-
3. Shops 1, 2, 3 and 4 on 2nd Floor and Shops on the 3rd Floor of Ginza Plaza No. 2A Sai Yeung Choi Street South Kowloon.	160,000,000.-
4. Various Shop Units on Ground, 1st, 2nd and 3rd floors of Portion B Argyle Centre Phase I No. 688 Nathan Road No. 65 Argyle Street Kowloon.	820,000,000.-
<b>Total:</b>	<b>1,340,000,000</b>



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value as at 30th June, 2007 HK\$
1. Shops A on Ground Floor of Po Wing Building Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street Hong Kong.	<p>The property comprises a shop on G/F of a 14-storey composite building of reinforced concrete construction completed in 1967.</p> <p>The saleable floor area of the property is approximately 778 sq.ft. (72.28 sq.m.)</p>	The property and the adjacent shop, shop B, are subject to a tenancy agreement for a term of two years with monthly rent of \$360,000. expiring on 14th December, 2008.	51,000,000.-
1/197th share of Section Z of Inland Lot No. 29.	<p>The property is held under Government Lease for a term of 982 years commencing from 25th June, 1860.</p> <p>The Government rent payable for the subject lots is HK\$44.</p>		

*Notes:*

1. The registered owner of the property is New Viking Limited vide memorial no. 05112401840167 dated 14th November, 2005.
2. The property is subject to a Mortgage in favour of the Bank of East Asia, Limited dated 21st February, 2006 vide memorial no. 06030101270414.
3. The property is zoned as "Commercial/Residential" under Causeway Bay Outline Zoning Plan No. S/H6/14.

Property	Description and tenure	Particulars of occupancy	Market Value as at 30th June, 2007 HK\$
2. Shop B on Ground Floor of Po Wing Building Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street, 1st and 2nd Floor of Po Wing Building No. 69 Lee Garden Road and No. 114 Percival Street and Flat No. S on 12th Floor & Flat Roof of Po Wing Building No. 69 Lee Garden Road Hong Kong.	<p>The property comprises a shop on G/F, whole floor of 2nd and 3rd Floor of a 14-storey composite building of reinforced concrete construction completed in 1967.</p> <p>The saleable floor area of the property is approximately:  Shop B G/F: 1,048 sq.ft. (97.36 sq.m.)  1/F: 7,625 sq.ft. (708.38 sq.m.)  Flat Roof on 1/F: 43 sq.ft. (3.99 sq.m.)  2/F: 8,048 sq.ft. (747.68 sq.m.)  Flat S 12/F: 556 sq.ft. (51.65 sq.m.)  Flat Roof: 711 sq.ft. (66.05 sq.m.)</p>	<p>Shop A and the adjacent shop, shops B, are subject to a tenancy agreement for a term of two years with monthly rent of \$360,000.- expiring on 14 December, 2008.</p> <p>1st and 2nd floors are subject to various tenancy with total monthly rent HK\$1,310,200.- with the latest expiring on 8th February, 2009.</p>	309,000,000.-
34/197th share of Section Z of Inland Lot No. 29.	<p>The property is held under Government Lease for a term of 982 years commencing from 25th June, 1860.</p> <p>The Government rent payable for the subject lots is HK\$44.</p>		

## Notes

1. The registered owner of the property is Silver Brilliant Investment Limited vide memorial no. 06031002010292 dated 21st February, 2006.
2. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited vide memorial no. 06031002010305 dated 21st February, 2006.
3. The property is zoned as "Commercial/Residential" under Causeway Bay Outline Zoning Plan No. S/H/14.

Property	Description and tenure	Particulars of occupancy	Market Value as at 30th June, 2007 HK\$
3. Shops 1, 2, 3 and 4 on 2nd Floor and Shops on the 3rd Floor of Ginza Plaza No. 2A Sai Yeung Choi Street South Kowloon.  778/12752nd share of Kowloon Inland Lot No. 11013.	<p>The property comprises 4 shops on 2nd Floor and 3 shops on 3rd Floor of a 24-storey (including one basement floor) commercial building of reinforced concrete construction completed in 1996.</p> <p>The saleable floor area of the property is approximately:</p>	<p>3rd Floor is subject to various tenancy with total monthly rent HK\$466,500.- with the latest expiring on 31st July, 2007.</p> <p>2nd Floor is vacant.</p>	160,000,000.-
	<p>2/F            2,720 sq.ft.                   (252.69 sq.m.)</p> <p>3/F            5,662 sq.ft.                   (526.01 sq.m.)</p>		
	<p>The property is held under Conditions of Exchange No. UB12311 commencing from 8th July, 1994 until 30th June, 2047.</p>		

*Note:*

1. The registered owner of the property is Full Harvest Holdings Investment Limited vide memorial no. 05120501550105 dated 15th November, 2005.
2. The property is subject to a Mortgage in favour of The Bank of East Asia, Limited vide memorial no. 0603010270429 dated 21st February, 2006.
3. The property is zoned as "Residential (Group A)" under Mong Kok Outline Zoning Plan No. S/K3/24.

Property	Description and tenure	Particulars of occupancy	Market Value as at 30th June, 2007 HK\$												
<p>4. Various Shop Units on Ground, 1st, 2nd and 3rd floors of Portion B Argyle Centre Phase I No. 688 Nathan Road No. 65 Argyle Street Kowloon.</p> <p>1263/8800th Shares of and in Section A, B and H of Kowloon Inland Lot No. 1262.</p>	<p>The property comprises 159 shop units on the ground floor, first floor, second floor and third floor of a 22-storey commercial building reinforced concrete construction completed in 1982.</p> <p>As advised by the Company, the Gross Floor Area of the shop units per floor are as follows:</p> <table style="margin-left: 20px;"> <tr> <td style="text-align: left;">Floor</td> <td style="text-align: left;">Gross Floor Area</td> </tr> <tr> <td>G/F</td> <td>3,852 sq.ft. (358 sq.m.)</td> </tr> <tr> <td>1/F</td> <td>13,548 sq.ft. (1,258 sq.m.)</td> </tr> <tr> <td>2/F</td> <td>14,361 sq.ft. (1,334 sq.m.)</td> </tr> <tr> <td>3/F</td> <td>2,285 sq.ft. (212 sq.m.)</td> </tr> <tr> <td>Total</td> <td>34,046 sq.ft. (3,162 sq.m.)</td> </tr> </table> <p>The property is held under Government Lease for a term of 75 years renewable for 75 years commencing on 18th February, 1910.</p> <p>The Government rent payable for the subject lots is HK\$1,419,198.</p>	Floor	Gross Floor Area	G/F	3,852 sq.ft. (358 sq.m.)	1/F	13,548 sq.ft. (1,258 sq.m.)	2/F	14,361 sq.ft. (1,334 sq.m.)	3/F	2,285 sq.ft. (212 sq.m.)	Total	34,046 sq.ft. (3,162 sq.m.)	<p>The property is fully let at a total monthly rental of HK\$4,277,756.7. The majority of leases are for 1 to 2 years.</p>	<p>820,000,000.-</p>
Floor	Gross Floor Area														
G/F	3,852 sq.ft. (358 sq.m.)														
1/F	13,548 sq.ft. (1,258 sq.m.)														
2/F	14,361 sq.ft. (1,334 sq.m.)														
3/F	2,285 sq.ft. (212 sq.m.)														
Total	34,046 sq.ft. (3,162 sq.m.)														

*Notes:*

- The registered owner of the property is Honnex Development Limited vide memorial nos. UB7415049, UB8898210, UB8898211, UB8898212, UB8898213 and UB9100257 dated 21st January, 1998, 20th December, 2002, 15th December, 2003 respectively.
- The property is subject to a Mortgage in favour of The Bank of East Asia, Limited vide memorial no. 0603010270429 dated 21st February, 2006.

3. The property is zoned as “Commercial” under Mong Kok Outline Zoning Plan No. S/K3/24.
  
4. The properties comprises the following units:  
Counter as GK1,GK2 and GK3 on ground floor;  
Counter as FK1, FK2, FK3,FK4, FK5, FK6, FK7, FK8, FK9 and FK10 on 1st floor;  
Counter as SK1, SK2, SK3, SK4, SK5, SK6, SK7, SK8, SK9 and SK10 on 2nd floor;  
G25A1, G25A2, G25B, G32, G34, G35, G36, G37, G38, G63B and G66 on ground floor;  
F51, F52, F53, F54, F56, F61, F68, F69, F70, F71, F73, F76, F83, F84, F85, F87, F88, F90, F116, F117, F120, F121, F123 and F124 and F125A on 1st floor;  
S50, S51, S53, S55, S57, S58, S59, S60, S63, S64, S65, S68, S71, S75, S77, S78, S79, S81, S82, S83, S84, S85, S87, S88, S90, S115, S117,S121,S122 and S124 on 2nd floor;  
T83, T84, T85, T87, T88 and T89 on 3rd floor.

**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. FINANCIAL INFORMATION OF THE GROUP****a. Indebtedness**

As at 31st May, 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had secured bank loans of approximately HK\$872 million.

The maturity of the bank loans and other loans are as follows:

	<i>HK\$'000</i>
Within one year	24,459
Between one and two years	38,500
Between two and five years	768,500
Over five years	40,301
	<u>871,760</u>

Among the total borrowings, approximately HK\$705 million was secured by investment properties and guaranteed by the Company, Mr. Peter Fung and Mr. Yu Kwok Chuen, Eddie, a director of the property holding subsidiary of the Company; and approximately HK\$167 million were secured by rental receivables from the investment properties and receivables due from JVCO or any shareholder of JVCO to a subsidiary of the Company.

**B. Contingent liabilities**

As at 31st May, 2007, the Group has guaranteed a bank to secure the outstanding indebtedness due by a subsidiary in the amount of approximately HK\$704 million.

Furthermore, the Company has guaranteed a financial institution to secure the borrowing facilities available to a wholly-owned subsidiary in the amount not exceeding US\$15 million. No outstanding indebtedness was recorded as at 31st May, 2007.

**C. Negative statement**

Save as disclosed above, apart from intra-group liabilities, the Group did not have outstanding as at 31st May, 2007 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

**D. Working capital**

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

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

*Notes:*

- i. Lee Seng Hui is one of the trustees of Lee and Lee Trust (“LLT”) which owns 39.09% interests in Allied Group Limited (“AGL”) which holds 379,291,800 Shares. Accordingly, Lee Seng Hui is deemed to have an interest in 379,291,800 Shares.
- ii. Chan Kin owns 44.45% interests in Argyle Street Management Holdings Limited (“ASMH”), which in turn wholly owns Argyle Street Management Limited (“ASM”). ASM manages ASM Hudson River Fund and the ASM Asia Recovery (Master) Fund, which holds 44,986,000 Shares and 269,914,000 Shares respectively. Therefore, Chan Kin is deemed to have interests in 314,900,000 Shares.
- iii. Megaland Development Limited (“Megaland”) hold 164,926,258 Shares. Megaland is also wholly owned by Oyster Services Limited, the trustee of the Oyster Unit Trust, which in turn Oyster Services Limited is deemed to be interested in 164,926,258 Shares.

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

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

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

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

*Note:*

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



Save as disclosed in this circular, as at the Latest Practicable Date, none of the directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

#### 4. SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Name of Shareholders	Notes	Capacity	Number of Shares	% of total issued shares
ASM Asia Recovery (Master) Fund	<i>iv</i>	Beneficial owner/ Interest of Controlled corporation	269,914,000	15.96%
Argyle Street Management Limited	<i>iv</i>	Interest of Controlled corporation	314,900,000	18.62%
Argyle Street Management Holdings Limited	<i>iv</i>	Interest of Controlled corporation	314,900,000	18.62%
HSBC International Trustee Limited	<i>v</i>	Trustee	168,254,258	9.95%
Poly (Hong Kong) Investments Limited	<i>vi</i>	Interest of Controlled corporation	118,080,000	6.98%

*Notes:*

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

## 5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, the interim management agreement between the Company and Yu Ming Investment Management Limited (the "Manager"), of which Mr. Tony Fung and Mr. Peter Fung are shareholders, is effective until the earlier of 1st October, 2007 and the date on which the new management agreement is approved. Pursuant to the interim management agreement, the Manager provides investment management services and administrative services to the Company. In return, the Company shall pay the Manager in cash a management fee equal to 0.375% of the net asset value on 1st July, 2007, which is a normal commercial term negotiated on an arm's length basis. If such an interim period expires prior to 30th September, 2007, the management fee shall be reduced and pro-rated based on the number of days over which the services are provided between 1st July, 2007 and 30th September, 2007.

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

## 6. DIRECTORS' INTERESTS IN ASSETS

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

## 7. DIRECTORS' SERVICE CONTRACTS

Under the service agreement between the Company and Lee Wa Lun, Warren, he is entitled to an annual remuneration of not less than HK\$2,500,000, comprising a basic monthly salary of HK\$150,000 and 1% of the audited net profit before tax of the Company. The package is determined with reference to his qualifications, experience, years of services with the Company and responsibilities. The term for Mr. Lee's directorship is not specified, but is terminable by either the Company or Mr. Lee giving not less than three months' notice in writing to the other party. He will also be subject to retirement by rotation and re-election pursuant to the Company's articles of association.

Save as disclosed above, none of the Directors has any service contracts with the Company or any of its subsidiaries.

## 8. COMPETING INTERESTS

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

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

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

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

## 9. EXPERTS' DISCLOSURE OF INTEREST AND CONSENT

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

**10. 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.

**11. 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.

**12. MISCELLANEOUS**

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

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the head office of the Company at Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong up to and including 9th August, 2007 and at the EGM:

- A. the Conditional Sale and Purchase Agreement;
- B. the letter from Upbest to the Independent Board Committee and the Independent Shareholders as set out on pages 10 to 18 of this circular;
- C. the valuation report from Asset Appraisal as set out in appendix I of this circular;
- D. the service agreement referred to in paragraph 7 of this appendix;
- E. the written consent referred to in paragraph 9 of this appendix;
- F. the memorandum and articles of association of the Company;
- G. all circulars of the Company issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which have been issued since 31st December, 2006; and
- H. annual report of the Company for the financial year 2006.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# 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 4:00 p.m. on 9th August, 2007 at 1001, 10th Floor, Aon China Building, 29 Queen’s Road Central, Hong Kong for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions:

### ORDINARY RESOLUTION

“**THAT** the Conditional Sale and Purchase Agreement (as defined in the circular dated 23rd July, 2007 (the “Circular”) despatched to the shareholders of the Company together with this notice of extraordinary general meeting), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose, and the transaction contemplated therein be and are hereby generally and unconditional approved and the directors of the Company be and are hereby authorized to do such things as they may consider necessary to give effect to such transaction.”

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

Hong Kong, 23rd July, 2007

*Notes:*

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