



YU MING INVESTMENTS LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

2005 INTERIM RESULTS

RESULTS

The Board of Directors of Yu Ming Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2005 as follows:

Condensed Consolidated Income Statement

		Unaudited six months ended 30th June,	
	Notes	2005 HK\$	2004 HK\$
Income	3		
Interest income on available-for-sale financial assets		6,946,261	–
Interest income on financial assets at fair value through profit or loss		58,500	–
Interest income on held-to-maturity securities		–	8,601,567
Interest income on debt securities		–	388,273
Interest income on bank deposits		1,791,782	1,630,565
Dividend income		452,275	–
Gains on disposal/redemption of available-for-sale financial assets		12,319,533	–
Unrealized losses on financial assets at fair value through profit or loss		(1,638,000)	–
Gains on disposal of investment securities		–	4,093
Losses on disposal of debt securities		–	(3,585,032)
Unrealized gains on debt securities		–	1,638,000
Net exchange (loss)/gain		(1,269,659)	1,198,118
		18,660,692	9,875,584

Other income			
Loan interest income		–	949,591
Sundry income		566,168	155,137
		566,168	1,104,728
		19,226,860	10,980,312
Expenses			
Management fee expenses		5,247,830	5,107,952
Other operating expenses		2,033,804	3,426,195
		7,281,634	8,534,147
Operating profit	4	11,945,226	2,446,165
Finance costs	5	(501,485)	(1,055,137)
Share of profits less losses of associated companies		207,235,651	23,356,327
Profit before taxation		218,679,392	24,747,355
Taxation	6		
Company & subsidiaries		(65,000)	(23,018)
Associated companies		(30,331,240)	(1,896,552)
Profit attributable to shareholders		188,283,152	22,827,785
Earnings per share	7		
– Basic (<i>in cents</i>)		11.13	1.35
Interim dividend		–	–

Condensed Consolidated Balance Sheet

		Unaudited 30th June, 2005 HK\$	Audited 31st December, 2004 HK\$
	<i>Notes</i>		
Non-current assets			
Associated companies		355,182,477	132,888,066
Jointly controlled entities		104,068,816	60,980,881
Available-for-sale financial assets		337,746,522	–
Financial assets at fair value through profit or loss		5,850,000	–
Pledged bank fixed deposits	8	35,460,842	–
Investment securities		–	88,807,932
Non-trading debt securities		–	186,707,497
Debt securities		–	149,488,000
		838,308,657	618,872,376
Current assets			
Trade and other receivables	9	3,719,193	4,468,981
Deposit on investment		–	58,092,974
Pledged bank fixed deposits	8	31,128,459	119,672,111
Fixed deposits at banks		79,881,049	4,906,097
Bank balances and cash		284,276	3,090,532
		115,012,977	190,230,695
Total assets		953,321,634	809,103,071
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital			
Share capital		169,117,199	169,117,199
Share premium		311,582,062	311,582,062
		480,699,261	480,699,261
Other reserves			
Investment revaluation reserve	10	(4,660,730)	21,009,678
Capital redemption reserve		4,031,600	4,031,600
		(629,130)	25,041,278
Retained earnings	10	444,067,451	255,784,299
Total equity		924,137,582	761,524,838

	Notes	Unaudited 30th June, 2005 HK\$	Audited 31st December, 2004 HK\$
Liabilities			
Non-current liabilities			
Loan from a financial institution	8	28,022,483	-
Current liabilities			
Loan from a financial institution		-	46,270,674
Trade and other payables	11	666,569	837,921
Amounts due to a related company		300,000	339,638
Taxation payable		195,000	130,000
		<u>1,161,569</u>	<u>47,578,233</u>
Total liabilities		<u>29,184,052</u>	<u>47,578,233</u>
Total equity and liabilities		<u>953,321,634</u>	<u>809,103,071</u>
Net current assets		<u>113,851,408</u>	<u>142,652,462</u>
Total assets less current liabilities		<u>952,160,065</u>	<u>761,524,838</u>

Notes to the consolidated financial statements

1. Basis of preparation and accounting policies

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31st December, 2004 except for the new adoption of HKFRSs and HKASs as disclosed in note 2 below.

2. Impact of new/revised HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1st January, 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30th June, 2005 which are pertinent to its operations and relevant to these interim financial statements.

HKAS 1	Presentation of Financial Statement
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combination

The adoption of these new/revised HKFRSs and HKASs has resulted in the following changes to the Group's accounting policies that have affected the amount reported or disclosures for the current or prior year.

- (a) The adoption of HKAS 1 has affected the presentation of share of net after-tax results of associates and other disclosures.
- (b) The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. From the year ending 31st December, 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.
- (c) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Following the adoption of HKAS 32 and HKAS 39, the financial assets have been classified into available-for-sale financial assets, financial assets at fair value through profit or loss, and loans and receivables.

The Group has redesignated "investment securities" and "non-trading debt securities" as "available-for-sale financial assets", and "debt securities" as "available-for-sale financial assets" and "financial assets at fair value through profit or loss" at 1st January, 2005.

The effects of changes in accounting policies on the consolidated balance sheet result in the reclassification of certain assets as follows:

At 1st January, 2005	Effect on adopting		
	HKFRS 3, HKAS 36 & HKAS 38 HK\$	HKAS 32 & HKAS 39 HK\$	Total HK\$
Increase in available-for-sale financial assets	–	417,515,429	417,515,429
Increase in financial assets at fair value through profit or loss	–	7,488,000	7,488,000
Decrease in investment securities	–	(88,807,932)	(88,807,932)
Decrease in non-trading debt securities	–	(186,707,497)	(186,707,497)
Decrease in debt securities	–	(149,488,000)	(149,488,000)
Change in net assets	<u>–</u>	<u>–</u>	<u>–</u>

The adoption of these standards did not have any financial impact to the Groups' profit attributable to shareholders for the period ended 30th June, 2005.

3. Income

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

The Group considers that it operates in a single business segment of investments holding. No geographical analysis is provided as less than 10% of the consolidated income and less than 10% of the consolidated operating results of the Group are attributable to operations outside Hong Kong.

4. Operating profit

	Unaudited Six months ended 30th June,	
	2005 HK\$	2004 HK\$
Operating profit is stated after charging/(crediting) the following:		
Staff cost (excluding directors' emoluments)	114,000	160,294
Net exchange loss/(gain)	1,269,659	(1,198,118)

5. Finance costs

	Unaudited	
	Six months ended	
	30th June,	
	2005	2004
	HK\$	HK\$
Interest on bank and other borrowings	501,485	1,055,137

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited	
	Six months ended	
	30th June,	
	2005	2004
	HK\$	HK\$
Current taxation		
– Under provision in prior years	65,000	23,018
Share of taxation attributable to:		
Associated companies	30,331,240	1,896,552
Taxation charge	30,396,240	1,919,570

7. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$188,283,152 (2004: HK\$22,827,785) and the number of ordinary shares in issue during the period amounting to 1,691,171,989 (2004: 1,691,171,989) shares.

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

8. Pledged bank fixed deposits and loan from a financial institution

Fixed deposits of approximately HK\$35 million (at 31st December, 2004: approximately \$46 million) were pledged against the loan from a financial institution obtained for financing the Group's investments in available-for-sale financial assets.

Fixed deposits of approximately HK\$31 million (at 31st December, 2004: approximately \$74 million) were pledged against letters of credit issued by licensed banks for the Group's investments in jointly controlled entities.

9. Trade and other receivables

	Unaudited 30th June, 2005 <i>HK\$</i>	Audited 31st December, 2004 <i>HK\$</i>
Other receivables	<u>3,719,193</u>	<u>4,468,981</u>

10. Other reserves and retained earnings

	Unaudited			
	Investment revaluation reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Total <i>HK\$</i>	Retained earnings <i>HK\$</i>
As at 1st January, 2005	21,009,678	4,031,600	25,041,278	255,784,299
Net deficit on revaluation of available-for-sale financial assets	(25,670,408)	–	(25,670,408)	–
Profit attributable to shareholders	–	–	–	188,283,152
As at 30th June, 2005	<u>(4,660,730)</u>	<u>4,031,600</u>	<u>(629,130)</u>	<u>444,067,451</u>

11. Trade and other payables

	Unaudited 30th June, 2005 <i>HK\$</i>	Audited 31st December, 2004 <i>HK\$</i>
Other payables	<u>666,569</u>	<u>837,921</u>

INTERIM DIVIDEND

The directors have resolved not to declare an interim dividend for the period (2004: Nil), but will reconsider dividend payment again after the financial year end.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

During the period under review, the retail property market continued its strong run. Shops in Argyle Centre in Mongkok are virtually fully let, and our shops appreciated significantly in value. The overall investment portfolio reported a profit. However, the value of our bond portfolio fell slightly as the high-yield bond market had a mini crash in the first half of 2005, triggered by the rumoured downgrade of General Motors in the United States in March 2005, and the

eventual downgrade of both General Motors and Ford in May 2005. The high-yield bond market has recovered significantly since then, and, as at the date of this announcement, the value of our bond portfolio has almost completely recovered.

Operation Review

As at 30th June, 2005, the Group's major investments were in AsiaWorld-Expo, Argyle Centre, CR Airways Limited, Oriental Cashmere Limited (a cashmere manufacturer in the People's Republic of China (the "PRC")), high-yield bonds and equity securities.

AsiaWorld-Expo

In August 2003, the Group acquired a 37.85% interests in a private sector consortium ("JVP") to invest with the Hong Kong Government and the Airport Authority to develop and operate AsiaWorld-Expo, a 66,000 sqm exhibition center located at the Hong Kong International Airport, with a capacity of expanding into a 100,000 sqm exhibition facility. JVP owns 13.5% in AsiaWorld-Expo.

AsiaWorld-Expo is a column-free structure under one roof, with a dedicated Mass Transit Railway station – the "AsiaWorld-Expo Station". It is scheduled to open in December 2005, with the first exhibition to be held in January 2006. Current confirmed event bookings run well into 2008, exceeding the original budget. International Telecommunication Union's (ITU) Telecom World annual convention, the world's biggest telecom show, has selected AsiaWorld-Expo as its venue for 2006. In addition to exhibitions, a world class arena is purpose-built for concert and entertainment events which can house up to 14,500 spectators.

On 12th August, 2005, shareholders approved our acquisition of an additional 22.15% interest in JVP from Yu Ming Investment Management Limited. The Company's interest in JVP will increase to 60%.

Argyle Centre Shopping Mall

The Group owns 153 shops in Argyle Centre (over 34,000 sqft), with a virtually full occupancy rate and a steady growth in rental income.

High-Yield Bonds

Value of our bond portfolio was down by approximately 8%. The performance is in line with the high-yield bond market, which tumbled after the rumour of downgrade of General Motors, and the subsequent downgrade of both General Motors and Ford.

The Company has a diversified bond portfolio, with exposure ranging from HK\$0.5 mln to HK\$8.5 mln for each bond. Since May 2005, the high-yield market has picked up rapidly and recuperated almost all of the earlier losses from the first half of the year.

CR Airways

CR Airways is flying scheduled flights to Sanya, Haikou, Nanning, Jinan and Guilin. It is also designated the right to fly scheduled flights to Kunming, Wenzhou, Meixian and Tianjin. Outside the PRC, it is also flying scheduled to Laoag (Philippines) and chartered services to Clark and Subic Bay (Philippines).

Approval is pending for flight services to Changsha, Wuhan, Hangzhou, Nanjing and Chongqing in the PRC, and Da Nang in Vietnam.

Oriental Cashmere Limited

On 14th June, 2005, the Company completed its investment of 25% in Oriental Cashmere Limited (“OCL”) for HK\$47,190,000. OCL is the third largest cashmere knitwear manufacturer in the PRC with a good profit in 2004.

Prospects

In May 2005, an associated company of the Group entered into an agreement to acquire retail properties in Percival Street in Causeway Bay, which are at present occupied by Chuen Cheung Kui. The transaction will expand the Group’s square footage in a prime shopping location in addition to Mongkok.

AsiaWorld-Expo is expected to contribute after its full year of operation in 2006 and to generate recurrent income for the long term. The leveraged structure at the JVP level is expected to improve the return of AsiaWorld-Expo.

CR Airways is an investment aiming for a significant capital gain in the medium term, but where recurrent income would not be forthcoming in the first few years due to its start-up position. The increasing number of routes and aircrafts put CR Airways in a competitive position to serve the huge aviation market in the PRC.

The PRC textile industries in general experienced turbulence since the removal of textile quotas at the end of the Multifibre Agreement on 1st January, 2005. The surge of PRC textile exports to the United States by 86% in the first five months prompted certain importing

countries to place an annual growth cap on PRC textile imports, which were quickly filled. In July 2005, some EU nations closed their ports to PRC's textile shipment. Unless the impasse is resolved between PRC and the importing countries, we expect some volatility in the business in OCL.

Financial Position

The Group maintains a strong financial position with a low gearing.

Foreign Exchange Exposure

As at 30th June, 2005, most of the Group's investments are based in Hong Kong dollar and United States dollar and are therefore not exposed to significant foreign currency risks. The Group invests in Euro denominated debt securities from time to time, and it is the Group's intention to hedge the currency exposure of debt securities to an extent considered appropriate by the investment manager.

Interest Rate Exposure

The Group's interest-rate risk arises from long-term borrowings. Borrowing made at variable rates expose the Group to cash flow interest-rate risk.

Guarantee

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 as at 30th June, 2005 was approximately HK\$145 million (at 30th June, 2004 and 31st December, 2004: approximately HK\$262 million and HK\$230 million respectively).

The Company has given a guarantee to a financial institution to secure borrowing facilities available to a wholly-owned subsidiary in the amount not exceeding equivalent US\$15 million. The outstanding indebtedness at 30th June, 2005 was approximately Euro 3 million (at 30th June, 2004 and 31st December, 2004: approximately Euro 8.4 million and Euro 4.4 million respectively).

Staff Costs

The Group's total staff costs for the period under review amounted to approximately HK\$114,000.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with rule 3.21 of the Listing Rules.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2005. In carrying out this review, the audit committee has obtained explanations from management. At the request of the directors, the Group's external auditors have carried out a review of the unaudited interim financial review in accordance with the Statement of Auditing Standards 700 issued by the HKICPA.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report.

Code Provision B.1.1 to B.1.4

The Company has not established a remuneration committee in view of the Company's simple structure and low staff cost (since the Company is being managed by its investment manager pursuant to the terms of written management agreement approved by the shareholders). The Board will re-consider establishment of remuneration committee periodically.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the period.

By order of the Board
Peter Lee Yip Wah
Secretary

Hong Kong, 26th August, 2005

As at the date of this announcement, the Board comprises nine directors of which Mr. Tony Fung Wing Cheung, Mr. Peter Fung Yiu Fai, Mr. Warren Lee Wa Lun and Mr. Li Shi Liang as executive directors; Mr. Lee Seng Hui and Mr. Peter Lee Yip Wah as non-executive directors; Mr. Ambrose So Shu Fai, Mr. Alexander Chow Yu Chun and Mr. Albert Ho as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.