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## YU MING INVESTMENTS LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 666)

### CONNECTED TRANSACTION PROPOSED OFF-MARKET SHARE REPURCHASE & RESUMPTION OF TRADING

Financial adviser to Yu Ming Investments Limited



Yu Ming Investment Management Limited

#### **Conditional Repurchase Agreement**

On 16<sup>th</sup> September, 2007, the Company entered into the Conditional Repurchase Agreement with ASM Funds, pursuant to which, subject to the conditions set out in the announcement, the Company agreed to repurchase and ASM Funds agreed to sell the Repurchase Shares (being 160,000,000 Shares, representing approximately 7.88% of the entire issued share capital of the Company, or such fewer number of Shares, rounded down to the nearest board lot as permitted by the available distributable profits of the Company as at Completion) at a price of HK\$0.48 per Share in an off-market manner. The Consideration is HK\$76.8 million, or such less amount corresponding to the final number of the Repurchase Shares.

ASM Funds are exempted companies incorporated in Cayman Islands and currently hold 314,900,000 Shares, approximately 15.52% of the entire issued share capital of the Company. ASM, the investment manager of ASM Funds, indicated its intention to dispose of the Repurchase Shares on the market. Having considered the discount of the repurchase price to the market price of the Shares, the Board (excluding members of the Independent Board Committee, who will reserve their judgement after taking advice from the Independent Financial Adviser) believes that the Proposed Share Repurchase is fair and reasonable and in the interests of the Shareholders and the Company as a whole.

Following Completion, the Repurchase Shares will be cancelled. As a result, the number of Shares in issue following Completion will be reduced from 2,029,171,989 Shares to 1,869,171,989 Shares.

The Company is an investment company listed under Chapter 21 of the Listing Rules. According to Rule 21.13 of the Listing Rules, the provisions governing discloseable transaction under Chapter 14 of the Listing Rules does not apply to the Company. Since no Percentage Ratio exceeds 25%, the Conditional Repurchase Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

As ASM is beneficially owned by Mr. Kin Chan as to 44.45%, he has a deemed interest in the Company. As a substantial shareholder of the Company, Mr. Kin Chan is a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. Therefore, the Conditional Repurchase Agreement constitutes a connected transaction of the Company. Furthermore, the Repurchase Code stipulates that the Conditional Repurchase Agreement, which constitutes an off-market share repurchase, is conditional upon the approval of at least three-fourths of the votes cast on a poll by the Independent Shareholders at the EGM, and the approval of the Executive. An application will be made to the Executive for approval of the Proposed Share Repurchase.

A circular containing, among others, further details of the Proposed Share Repurchase, the Conditional Repurchase Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the EGM to be held to approve the Conditional Repurchase Agreement, will be despatched to the Shareholders as soon as possible.

### **Resumption of Trading**

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 17<sup>th</sup> September, 2007 pending the release of this announcement. The Company has applied for the resumption of trading in its Shares on the Stock Exchange with effect from 9:30 a.m. on 19<sup>th</sup> September, 2007.

## **CONDITIONAL REPURCHASE AGREEMENT**

### **Date**

16<sup>th</sup> September, 2007

### **Parties**

- (i) Yu Ming Investments Limited as the purchaser; and
- (ii) ASM Asia Recovery (Master) Fund and ASM Hudson River Fund as the vendors

### **Transaction**

Pursuant to the Conditional Repurchase Agreement, subject to the condition as set out below, ASM Funds agreed to sell and the Company agreed to repurchase the Repurchase Shares at a price of HK\$0.48 per Share in an off-market manner. The book cost of the Repurchase Shares to ASM Funds is HK\$64 million, or HK\$0.40 per Share.

Following Completion, the Repurchase Shares will be cancelled. As a result, the number of Shares in issue following Completion will be reduced from 2,029,171,989 Shares to 1,869,171,989 Shares (subject to the final number of Repurchase Shares).

## **Consideration**

The Consideration for the Repurchase Shares is HK\$76.8 million or such less amount corresponding to the final number of the Repurchase Shares, in cash. Upon Completion, the Company shall pay the amount in full to ASM Funds.

The Consideration has been agreed by the parties after arm's length negotiations, taking into account the recent price performance of the Shares. The repurchase price of HK\$0.48 per Share represents:

- (i) a discount of approximately 4.0% to the closing price of the Shares of HK\$0.50 per Share as quoted on the Stock Exchange on 14<sup>th</sup> September, 2007 (being the last trading day prior to the date of this announcement);
- (ii) a discount of approximately 3.1% to the average closing price of HK\$0.496 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including 14<sup>th</sup> September, 2007; and
- (iii) a discount of approximately 2.8% to the average closing price of HK\$0.494 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 14<sup>th</sup> September, 2007.

## **Conditions of the Conditional Repurchase Agreement**

The conditions of the Conditional Repurchase Agreement include, among others, the following:

- (i) at least three-fourths of the votes cast on a poll by the Independent Shareholders approving the Conditional Repurchase Agreement at the EGM (as required by the Repurchase Code);
- (ii) the Independent Shareholders' approval by way of poll (as required under Chapter 14A of the Listing Rules); and
- (iii) the Executive's approval of the Proposed Share Repurchase.

If any of the above conditions is not fulfilled by 30<sup>th</sup> November, 2007 or such later date as the parties may agree, none of the parties of the Conditional Repurchase Agreement shall be obliged to proceed with Completion.

## **Reasons for and Benefit of the Proposed Share Repurchase**

ASM Funds are exempted companies incorporated in Cayman Islands currently hold 314,900,000 Shares (representing approximately 15.52% of the entire issued share capital of the Company). We understand from ASM that as part of the portfolio adjustment for ASM Funds, ASM intends to dispose of the Repurchase Shares on the market.

As at 30<sup>th</sup> June, 2007, the Group had net cash of HK\$232 million (as per the interim report 2007 of the Company). Part of the consideration of approximately HK\$74 million from the sale of Honnex Development Limited was received after 30<sup>th</sup> June, 2007, and a further sum of approximately HK\$298 million at the completion date of sale is expected to be received on 31<sup>st</sup> December, 2007 (as per the circular of the Company dated 23<sup>rd</sup> July, 2007). Further, on 14<sup>th</sup> September, 2007, the proposed disposal of interests in IEC Investments Limited and AsiaWorld-Expo Management Limited was completed and the Company received a sum of HK\$180,000,000 as consideration (as per the announcement of the Company dated 14<sup>th</sup> September, 2007).

Considering the ample cash balance of the Group and the discount of the repurchase price to the market prices of the Shares, the Board (excluding members of the Independent Board Committee, who will reserve their judgement after taking advice from the Independent Financial Adviser) believes that the earnings per share of the Group will increase with share repurchase. However, considering the small daily trading volume (30-day average daily turnover being 4,433,390 Shares), it is difficult to repurchase a meaningful number of Shares without affecting the Share price.

ASM's intention to dispose of the Repurchase Shares at the repurchase price of HK\$0.48 offers a good opportunity to the Company. The Board (excluding members of the Independent Board Committee, who will reserve their judgement after taking advice from the Independent Financial Adviser) believes that the Proposed Share Repurchase is fair and reasonable and in the interests of the Shareholders and the Company as a whole.

### Shareholding Structure

The following table shows the shareholding structure of the Company immediately prior to and upon Completion (assuming the final number of the Repurchase Shares is 160,000,000):

Shareholders	Immediately prior to Completion		Immediately following Completion	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Allied Group Limited	429,291,800	21.16	429,291,800	22.97
ASM Funds	314,900,000	15.52	154,900,000	8.29
Mr. Tony Fung	168,254,258	8.29	168,254,258	9.00
Poly (Hong Kong) Investments Limited	118,080,000	5.82	118,080,000	6.32
Public	998,645,931	49.21	998,645,931	53.42
<b>Total</b>	<b>2,029,171,989</b>	<b>100.00</b>	<b>1,869,171,989</b>	<b>100.00</b>

There are no outstanding options, convertibles, warrants or rights to subscribe for any Shares as at the date of this announcement.

### Information of the Company

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.

The following table sets out a summary of the audited consolidated financial results of the Group for each of the two years ended 31<sup>st</sup> December, 2006, and the unaudited consolidated financial results for the first half year ended 30<sup>th</sup> June, 2007:

<i>(HK\$'000)</i>	30 <sup>th</sup> June, 2007	31 <sup>st</sup> December, 2006	31 <sup>st</sup> December, 2005
Turnover	28,944	158,036	35,473
Net profit/(loss) before taxation	66,693	(113,097)	149,929
Net profit/(loss) after taxation attributable to Shareholders	53,865	(155,693)	144,662
Total asset value	2,107,409	2,103,553	1,806,721
Net asset value	793,400	732,331	900,448
Net cash/(debt)	231,889	(772,877)	(463,226)

### **Information on ASM Funds**

ASM Funds are exempted companies incorporated in Cayman Islands with limited liabilities for the principal purpose of investing in Asian distressed assets.

ASM Funds are managed by ASM, and ASM is wholly owned by Argyle Street Management Holdings Limited. As Mr. Kin Chan owns 44.45% interests in Argyle Street Management Holdings Limited, he is deemed to have interests in the shares in which ASM Funds are interested.

### **General**

The Company is an investment company listed under Chapter 21 of the Listing Rules. According to Rule 21.13 of the Listing Rules, the provisions governing discloseable transaction under Chapter 14 of the Listing Rules does not apply to the Company. Since no Percentage Ratio exceeds 25%, the Conditional Repurchase Agreement does not constitute any notifiable transaction under Chapter 14 of the Listing Rules.

Mr. Kin Chan has a deemed interest in the Company as he beneficially owns 44.45% in ASM, the investment manager of ASM Funds. As a substantial shareholder of the Company, Mr. Kin Chan is a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. Therefore, the Conditional Repurchase Agreement constitutes a connected transaction of the Company. Chapter 14A of the Listing Rules stipulates that the Conditional Repurchase Agreement is conditional on the Independent Shareholders' approval by way of poll. Furthermore, the Rule 2 of the Repurchase Code also stipulates that the Conditional Repurchase Agreement, which constitutes an off-market share repurchase, is conditional at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at the EGM and the approval of the Executive. An application will be made to the Executive for approval of the Proposed Share Repurchase.

The Board considers Mr. Kin Chan and his associates, as interested parties to the Conditional Repurchase Agreement, have material interests in the transaction contemplated under the Conditional Repurchase Agreement and shall abstain from voting at the EGM.

To the best knowledge of the Directors, other than the following persons :

- (i) Mr. Kin Chan, parties acting in concert with him, his associates; and
- (ii) Shareholders who have material interests in the Proposed Share Repurchase which are different from the interests of all other Shareholders

no Shareholder is required to abstain from voting in the EGM.

To the best of the knowledge of the Directors, none of the Directors, chief executive or substantial shareholders of the Company other than Mr. Kin Chan has interests in ASM Funds.

A circular containing, among others, further details of the Proposed Share Repurchase, the Conditional Repurchase Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the EGM to be held to approve the Conditional Repurchase Agreement, will be despatched to the Shareholders as soon as possible.

The Independent Board Committee, comprising Mr. So Shu Fai, Ambrose, Mr. Chow Yu Chun, Alexander and Mr. Albert Ho (all being independent non-executive Directors), has been formed to advise the Independent Shareholders in respect of the Conditional Repurchase Agreement. As all non-executive Directors are not independent of the Company, they are not members of the Independent Board Committee.

An announcement will be made by the Company immediately after the appointment of the Independent Financial Adviser.

## **RESUMPTION OF TRADING**

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 17<sup>th</sup> September, 2007 pending the release of this announcement. The Company has applied for resumption of trading in its Shares on the Stock Exchange with effect from 9:30 a.m. on 19<sup>th</sup> September, 2007.

## DEFINITIONS

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

“ASM”	Argyle Street Management Limited, a company incorporated in British Virgin Islands with limited liability
“ASM Funds”	ASM Asia Recovery (Master) Fund and ASM Hudson River Fund (the vendors of the Repurchase Shares), exempted companies incorporated in the Cayman Islands with limited liability
“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 Proposed Share Repurchase pursuant to the Conditional Repurchase Agreement
“Conditional Repurchase Agreement”	the conditional off-market share repurchase agreement dated 16 <sup>th</sup> September, 2007 entered into between the Company and ASM Funds in relation to the Proposed Share Repurchase
“Consideration”	HK\$76,800,000, or such lower amount corresponding to the final number of the Repurchase Shares
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Conditional Repurchase Agreement and the transaction contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“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 Repurchase Agreement
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the Conditional Repurchase Agreement
“Independent Shareholders”	the Shareholders other than Mr. Kin Chan, his associates, his parties acting in concert, Shareholders who have material interests in the Proposed Share Repurchase which are different from the interests of all other Shareholders
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“parties acting in concert”	shall have the same meaning as is provided in the Takeovers Code
“Percentage Ratio”	the percentage ratios under Rule 14.07 of the Listing Rules
“Proposed Share Repurchase”	the proposed off-market repurchase of Repurchase Shares by the Company from ASM Funds pursuant to the Conditional Repurchase Agreement
“Repurchase Code”	the Hong Kong Code on Share Repurchases
“Repurchase Shares”	160,000,000 Shares (representing approximately 7.88% of the total issued share capital), or such lower number of Shares, rounded down to the nearest board lot as permitted by the available distributable profits of the Company as at Completion, owned by ASM Funds prior to Completion
“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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	shall have the same meaning as is provided in the Listing Rules



“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent

*As at the date of this announcement, the Board comprises 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 Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

By order of the board of  
**YU MING INVESTMENTS LIMITED**  
**Lee Wa Lun, Warren**  
*Managing Director*

Hong Kong, 18<sup>th</sup> September, 2007