THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

YU MING INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

CONNECTED TRANSACTION
PROPOSED OFF-MARKET SHARE REPURCHASE

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

CENTURION CORPORATE FINANCE LIMITED

A letter from the independent board committee of Yu Ming Investments Limited containing its recommendation to the independent shareholders of Yu Ming Investments Limited is set out on page 12 of this circular. A letter from Centurion Corporate Finance Limited containing its advice to the independent board committee and the independent shareholders of Yu Ming Investments Limited is set out on pages 13 to 28 of this circular.

A notice convening an extraordinary general meeting of Yu Ming Investments Limited to be held at 4:00 p.m. on 2nd November, 2007 is set out on page 135 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.

9th October, 2007

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

"Announcement"	the announcement dated 18th September, 2007 made by the Company in relation to, among others, the Conditional Repurchase Agreement
"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
"Centurion"	Centurion Corporate Finance Limited (a licensed corporation to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) under SFO), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Conditional Repurchase Agreement
"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 16th 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 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
"Latest Practicable Date"	6th October, 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
"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

"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$0.10 each
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	shall have the same meaning as is provided in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"YMIM"	Yu Ming Investment Management Limited (a licensed corporation to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) under SFO), the financial adviser appointed to advise the Company in respect of the Conditional Repurchase Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

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
Hong Kong

9th October, 2007

To Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
PROPOSED OFF-MARKET SHARE REPURCHASE

INTRODUCTION

On 18th September, 2007, the Board announced that the Company entered into the Conditional Repurchase Agreement with the ASM Funds on 16th September, 2007, pursuant to which, subject to the conditions set out in this circular, ASM Funds agreed to sell and the Company agreed to repurchase the Repurchase Shares (being 160,000,000 Shares, representing approximately 7.88% of the entire issued share capital of 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 the Consideration of HK$76.8 million, or such less amount corresponding to the final number of the Repurchase Shares in cash.

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.

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.

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, and Centurion has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Conditional Repurchase Agreement. Each of the members of the Independent Board Committee is not an associate of and not party acting in concert with the Company and the ASM Funds. As all other non-executive Directors are considered not independent of the Company, they are not members of the Independent Board Committee. Mr. Lee Seng Hui is a deemed substantial shareholder of the Company. Mr. Fung Yiu Fai, Peter had been the managing director of the Company until 31st May, 2007. Mr. Kin Chan is the deemed shareholder of the ASM Funds. Mr. Lee Yip Wah, Peter is the company secretary of the Company.

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

CONDITIONAL REPURCHASE AGREEMENT

Date

16th 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 14th September, 2007, being the last trading day prior to the publication of the 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 14th September, 2007, being the last trading day prior to the publication of the Announcement; 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 14th September, 2007, being last trading day prior to the publication of the Announcement.

The estimated expenses incurred in the Proposed Share Repurchase are expected to be approximately HK$1.5 million. The Proposed Share Repurchase is intended to be financed by internal resources of the Company. YMIM is satisfied that the Company has sufficient financial resources to implement that in full.

Conditions of the Conditional Repurchase Agreement

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

(a) 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);

(b) the Independent Shareholders' approval by way of poll (as required under Chapter 14A of the Listing Rules); and

(c) the Executive's approval of the Proposed Share Repurchase.

If any of the above conditions is not fulfilled by 30th 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 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 30th 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 30th June, 2007, and a further sum of approximately HK$298 million at the completion date of sale is expected to be received on 31st December, 2007 (as per the circular of the Company dated 23rd July, 2007). Further, on 14th 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 14th September, 2007).

Considering the ample cash balance of the Group and the discount of the repurchase price to the reference market prices of the Shares, the Board 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 believes that the Proposed Share Repurchase is fair and reasonable and in the interests of the Shareholders and the Company as a whole.

FINANCIAL EFFECTS OF PROPOSED SHARE REPURCHASE ON THE GROUP

(i) Earnings per Share

Assuming that the Proposed Share Repurchase had taken place on 1st January, 2007, the Group's earnings per Share for the six months ended 30th June, 2007 (the interim period 2007 for the Group) would have increased from HK$0.0319 to HK$0.0341.

(ii) Net asset value per Share

Assuming that the Proposed Share Repurchase had taken place on 30th June, 2007, the Group's net asset value per Share as at 30th June, 2007 would have dropped from HK$0.469 to HK$0.467.

(For details in relation to the financial effects on earnings per Share and net asset value per Share of the Group, please refer to Section 6 of Appendix I headed "Statement of unaudited pro forma financial effects of the Proposed Share Repurchase".)

(iii) Gearing

Assuming that the Proposed Share Repurchase had taken place on 30th June, 2007, the Group's gearing (defined as the ratio of interest bearing bank borrowings and other borrowings to equity attributable to Shareholders) as at 30th June, 2007 would have increased from 110% to 122%, with the borrowings unchanged but the equity attributable to Shareholders down by HK$78.3 million (representing the Consideration plus expenses incurred in the Proposed Share Repurchase).

However, all borrowings of the Group belong to two subsidiaries, IEC Investments Limited and Honnex Development Limited. The sale of IEC Investments Limited was completed on 14th September, 2007. Meanwhile, the Shareholders approved the sale of Honnex Development Limited at a consideration of HK$372 million on 9th August, 2007 and its completion is expected in December 2007, after which the gearing of the Group would be nil if the Group does not take on any additional borrowings during the period.

(iv) Working capital

Assuming that the Proposed Share Repurchase had taken place on 30th June, 2007, the Group's working capital as at 30th June, 2007 would have dropped by HK$78.3 million from HK$928.3 million to HK$851.5 million.

However, as mentioned in the Section headed "Reasons for and Benefit of Proposed Share Repurchase" of this "Letter from the Board", substantial cash have been or will be generated following 30th June, 2007. The Group will then have sufficient working capital following Completion.

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	
	No. of Shares	*%*	*No. of Shares*	*%*
Allied Group Limited	441,949,800	21.78	441,949,800	23.64
ASM Funds	314,900,000	15.52	154,900,000	8.29
Fung Wing Cheung, Tony	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	985,987,931	48.59	985,987,931	52.75
Total	2,029,171,989	100.00	1,869,171,989	100.00

There are no outstanding options, convertibles, warrants or rights to subscribe for any Shares as at the Latest Practicable Date.

DIVIDEND

The Company paid dividends of HK$0.02 per Share for the year ended 31st December, 2005. The Company's ability to pay dividends to Shareholders depends on whether the perspective investment opportunities will materialize. If there is cash remaining after suitable investments are pursued, the Group will consider paying dividends to Shareholders. At this stage, the Company would like to maintain its current dividend policy.

PUBLIC FLOAT

The Company intends to maintain its listing on the Stock Exchange and to continue to meet the public float requirements under Rule 8.08 of the Listing Rules.

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 31st December, 2006, and the unaudited consolidated financial results for the first half year ended 30th June, 2007:

(HK$'000)	**30th June, 2007**	**31st December, 2006**	**31st 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 which invest in deep value opportunities originated from Asia companies or entrepreneurs. The asset classes of the ASM Funds' investments are unrestricted, including but not limited to distressed equities or debt, real estates and portfolios.

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;

(ii) Shareholders who have material interests in the Proposed Share Repurchase which are different from the interests of all other Shareholders; and

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.

EXTRAORDINARY GENERAL MEETING

You will find on page 135 of this circular a notice of the EGM to be held at 4:00 p.m. on 2nd November, 2007 at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, approving the Conditional Repurchase Agreement.

Pursuant to Rule 14A.52 of the Listing Rules and Rule 2(a) of the Repurchase Code, the Company will procure that the chairman of the EGM demand the resolutions in relation to the Conditional Repurchase Agreement to be taken by a poll. You may refer to the appendix IV of this circular for the procedure by which for you may demand a poll pursuant to the articles of association of the Company.

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

ADDITIONAL INFORMATION

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

RECOMMENDATION

The Board, including members of the Independent Board Committee, consider that the Consideration and the terms and conditions of the Conditional Repurchase 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 Repurchase Agreement.

Yours faithfully
For and on behalf of the Board
YU MING INVESTMENTS LIMITED
Warren Lee
Managing Director

YU MING INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

To the Independent Shareholders

9th October, 2007

Dear Sir or Madam,

CONNECTED TRANSACTION
PROPOSED OFF-MARKET SHARE REPURCHASE

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Conditional Repurchase Agreement, details of which are set out in the letter from the Board in the circular dated 9th October, 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 Centurion in respect of the Conditional Repurchase Agreement as set out in the letter from Centurion in the Circular. Having taken into account the advice of Centurion, we consider that the terms and conditions of the Conditional Repurchase Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the Conditional Repurchase 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 Repurchase Agreement.

Yours faithfully

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

Albert Ho

Independent Board Committee

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

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

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

香港中環
威靈頓街14 - 24號
威靈頓公爵大廈7樓

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

9th October, 2007

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

Dear Sirs,

CONNECTED TRANSACTION
PROPOSED OFF-MARKET SHARE REPURCHASE

INTRODUCTION

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms and conditions of the Conditional Repurchase Agreement in relation to the Proposed Share Repurchase, details of which are outlined in the "Letter From The Board" set out from pages 4 to 11 of the circular dated 9th October, 2007 to the Shareholders ("Circular") of which this letter forms a part.

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

The Company announced on 18th September, 2007 the entering into of the Conditional Repurchase Agreement and for the reasons set out in this letter, the transactions contemplated thereunder constitute a "connected transaction" of the Company under the Listing Rules. The Proposed Share Repurchase, which constitutes an off-market share repurchase, is also subject to the rules set out in the Repurchase Code. Under Rule 2 of the Repurchase Code, the Proposed Share Repurchase must be approved by the Executive. Such approval will normally be conditional upon approval of the Proposed Share Repurchase by at least three-fourths of the votes cast on a poll by Independent Shareholders in attendance in person or by proxy at the EGM. As set out in the "Letter From The Board", an application will be made to the Executive for approval of the Proposed Share Repurchase.

Independent Shareholders are all the Shareholders other than Mr. Kin CHAN, his associates, his parties acting in concert and Shareholders who have material interests in the Proposed Share Repurchase which are different from the interests of all other Shareholders. 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. Each of the members of the Independent Board Committee is not an associate of and not party acting in concert with the Company and the ASM Funds. As all non-executive Directors are considered not independent of the Company, they are therefore not members of the Independent Board Committee. Mr. LEE Seng Hui is a deemed substantial shareholder of the Company. Mr. FUNG Yiu Fai, Peter had been the managing director of the Company until 31st May, 2007. Mr. Kin CHAN is the deemed shareholder of the ASM Funds. Mr. LEE Yip Wah, Peter is the company secretary of the Company.

BASIS OF OUR OPINION

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

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background to and reason for the proposed share repurchase

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

ASM Funds are exempted companies incorporated in Cayman Islands currently holding 314,900,000 Shares (representing approximately 15.52% of the entire issued share capital of the Company). The Company understands from ASM that as part of the portfolio adjustment for ASM Funds, ASM intends to dispose of the Repurchase Shares on the market. The book cost of the Repurchase Shares to ASM Funds is HK$0.40 per Share. The Repurchase Shares are to be sold by ASM Funds free from any encumbrance and together with all rights attaching thereto at and after the date of the Conditional Repurchase Agreement.

The Company issued an "Unusual Trading Volume in Shares" announcement on 28th November, 2006 and in which, it was disclosed that 430 million Shares were placed at HK$0.40 by a company wholly owned by a trust, the beneficiaries of which are the children of Mr. Tony FUNG Wing Cheung, who together with his family trust, represented the then largest Shareholder of the Company. We have been advised by the Company that ASM Funds were some of the placees in that placing exercise and thus began to have an interest in the Shares, including the Repurchase Shares. This we believe, resulted in the announcement made by the Company on 1st March, 2007 disclosing the appointment of Mr. V-Nee YEH as a non-executive Director with effect from the date of such announcement.

As set out in the Company's 2006 annual report, Mr. V-Nee YEH is, among other positions, a non-executive chairman of ASM and a non-executive director of Argyle Street Management Holdings Limited, both companies have interests in the Repurchase Shares and Shares. ASM Funds are formed 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. Mr. Kin CHAN replaced Mr. V-Nee YEH as a non-executive Director beginning on 21st June, 2007. As Mr. Kin CHAN owns 44.45% interests in Argyle Street Management Holdings Limited, he is deemed to have interests in the Company and the Repurchase Shares, in which ASM Funds are interested. As a substantial shareholder of the Company, Mr. Kin CHAN is a connected person of the Company pursuant to the Listing Rules and, therefore, the Conditional Repurchase Agreement constitutes a connected transaction of the Company.

The Company has appointed YMIM as its investment manager since 5th March, 1997 and the Board is of the view that continuity is important for the management of the Company. In this regard, an interim agreement was entered into on 22nd June, 2007 so that YMIM could remain as the Company's investment manager for the interim period, pending the approval of a management agreement by the independent Shareholders (which was subsequently approved on 3rd August, 2007).

Subsequently, YMIM, the investment manager appointed to the Company, was sold to Allied Group Limited by Mr. Tony FUNG Wing Cheung and Mr. Peter FUNG Yiu Fai. Your attention is also drawn to the Company's announcement dated 11th June, 2007 disclosing that Allied Group Limited was proposing to acquire the 22.42% equity interest in the Company then held by Sun Hung Kai & Co. Limited, a 74.93%-owned subsidiary of Allied Properties (HK) Limited, itself a 77.94%-owned subsidiary of Allied Group Limited. Allied Group Limited has therefore, become the largest Shareholder upon completion of its acquisition of the said equity interest in the Company, which represented 21.16% as at the Latest Practicable Date. The 15.52% equity interest in the Company held by ASM Funds as at the Latest Practicable Date made it the second largest Shareholder.

On 3rd July, 2007, the Company announced a major and connected transaction in relation to the proposed disposal of equity interests in Honnex Development Limited to a company owned as to 75% and 25% by Mr. Tony FUNG and Mr. Peter FUNG respectively, for a cash consideration of HK$372 million. Honnex Development Limited invests in local retail properties and a valuation report on such properties is set out in Appendix III to this circular. An earlier announcement published by the Company dated 26th June, 2007 also disclosed a proposed major and connected transaction in respect of the proposed disposal of Group's various equity interests in AsiaWorld-Expo, for a total cash consideration of HK$180 million. Upon completion, these transactions will further enhance the additional ample cash position that the Group already enjoys.

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

For the six-month period ended 30th June, 2007, the unaudited consolidated profit from continuing operations and discontinued operations were HK$51,176,977 and HK$15,516,448 respectively, totaling HK$66,693,425 in net profit attributable to the Group. Consolidated unaudited net assets of the Group as at 30th June, 2007 represented mostly cash or for-sale assets which will turn into cash shortly, details of which are as follows:–

Current Assets	
Cash and cash equivalents	$231,889,241
Receivables and deposits	$2,596,997
Available for sale financial assets (current portion)	$78,000
Assets classified as held for sale *(Note 1)*	$1,802,562,211
Total Current Assets	$2,037,126,449
Non-current Assets	
Available for sale financial assets *(Note 2)*	$70,282,351
Total Assets	$2,107,408,800
Less:	
Payables, accrued expenses and deposits received	($762,492)
Liabilities associated with assets classified as held for sale *(Note 1)*	($1,108,032,363)
Minority interests	($205,214,229)
Total Net Assets Attributable To The Shareholders	$793,399,716

Note 1: These assets (and associated liabilities) classified as held for sale were (i) the disposal of equity interests in Honnex Development Limited for a cash consideration of HK$372 million. Honnex Development Limited invests in local retail properties; and (ii) the disposal of Group's various equity interests in AsiaWorld-Expo, for a total cash consideration of HK$180 million.

Note 2: These assets were mostly listed equity securities in Hong Kong.

In view of the above, the HK$793,399,716 net assets of the Group (or approximately HK$0.47 per Share) as at 30th June, 2007 represented cash or assets that will shortly become cash. As set out in the "Letter From The Board", part of the consideration of approximately HK$74 million from the sale of Honnex Development Limited was received after 30th June, 2007, and a further sum of approximately HK$298 million at the completion date of sale is expected to be received on 31st December, 2007. Further, on 14th September, 2007, the disposal of the Group's various interests in AsiaWorld-Expo was completed and the Company received a sum of HK$180 million as consideration.

As set out in the Company's announcement dated 18th September, 2007, citing the ample cash balance of the Group, the discount of the repurchase price to the market prices of the Shares, the increase in earnings per share of the Group as a result of the Proposed Share Repurchase and the lack of small trading volume of the Shares as reasons, the Board (excluding members of the Independent Board Committee) believed that the Proposed Share Repurchase would be fair and reasonable and in the interests of the Shareholders and the Company as a whole.

The ample cash position of the Group, and the contributing reasons to such liquid position, have been unequivocally set out above in this section. We therefore concur with the view of the Board that the Group does have an ample cash position and insofar as this particular reason is concerned, we are of the view that the ample cash reason cited by the Board is fair and reasonable. The following sections deal with each of the other reasons, effects and market comparables in turn for the Proposed Share Repurchase.

2. Comparison of the repurchase price to market price

The repurchase price for the Repurchase Shares is HK$0.48 each. On the basis that the Repurchase Shares totaling 160,000,000 Shares, the Consideration is HK$76.8 million. The HK$0.48 price has been agreed by the parties after arm's length negotiations, taking into account the recent price performance of the Shares.

During the twelve months from the beginning of October 2006 to the Latest Practicable Date ("Review Period"), the repurchase price of HK$0.48 per Repurchase Share represents a premium/discount as follows:

(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 14th September, 2007, being the last trading day prior to the publication of the 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 14th September, 2007, being the last trading day prior to the publication of the Announcement;

(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 14th September, 2007, being the last trading day prior to the publication of the Announcement;

(iv) a discount of approximately 13.4% to the average closing price of HK$0.554 per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including 14th September, 2007;

(v) a discount of approximately 1.2% to the average closing price of HK$0.486 per Share as quoted on the Stock Exchange for the 6-month period from 15th March, 2007 up to and including 14th September, 2007;

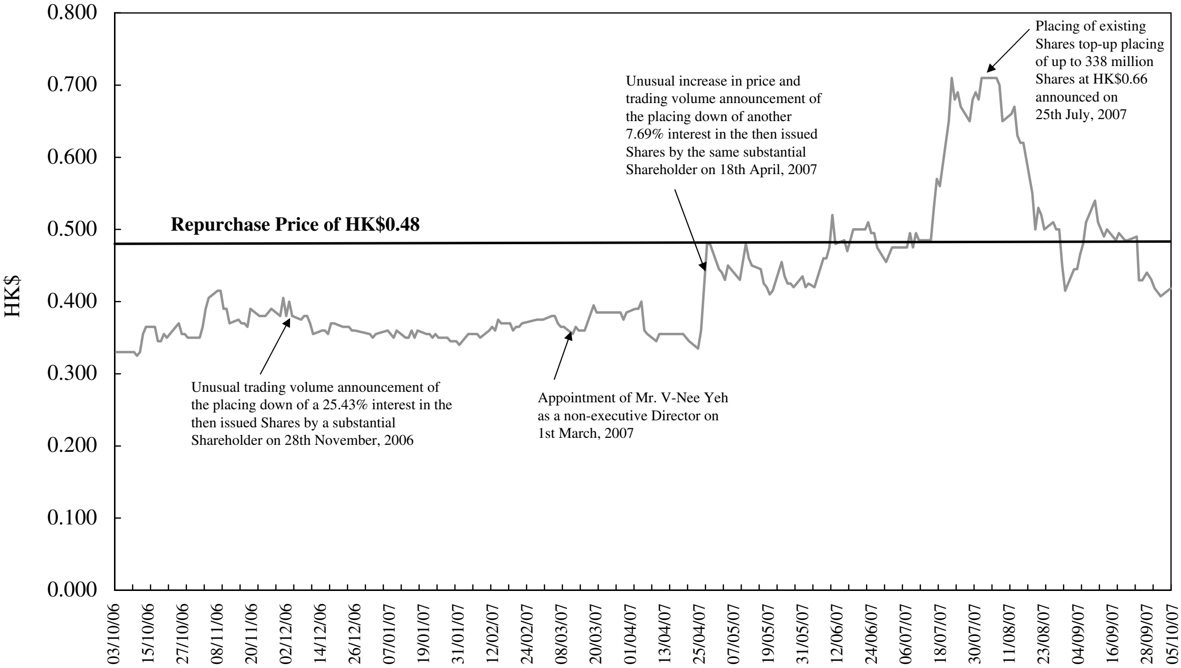
(vi) a premium of approximately 13.5% to the average closing price of HK$0.423 per Share as quoted on the Stock Exchange for the 12-month period from 15th September, 2006 up to and including 14th September, 2007;

(vii) a premium of 20.0% to the average book cost of HK$0.40 per Share to ASM Funds since their acquisition of the Repurchase Shares almost one year ago in November 2006; and

(viii) a nil discount/premium to the average closing price of HK$0.480 per Share as quoted on the Stock Exchange for the 30 consecutive trading days from 23rd August, 2007 up to 5th October, 2007, being the last trading day prior to the Latest Practicable Date.

The following chart illustrates the repurchase price as compared to the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period:

Daily closing price of Shares during the Review Period



The above chart illustrates that during the Review Period, the closing price of the Shares on the Stock Exchange ranged between HK$0.325 to HK$0.710 per Share. The closing price per Share on 5th October, 2007, being the last trading day immediately preceding the Latest Practicable Date was HK$0.430.

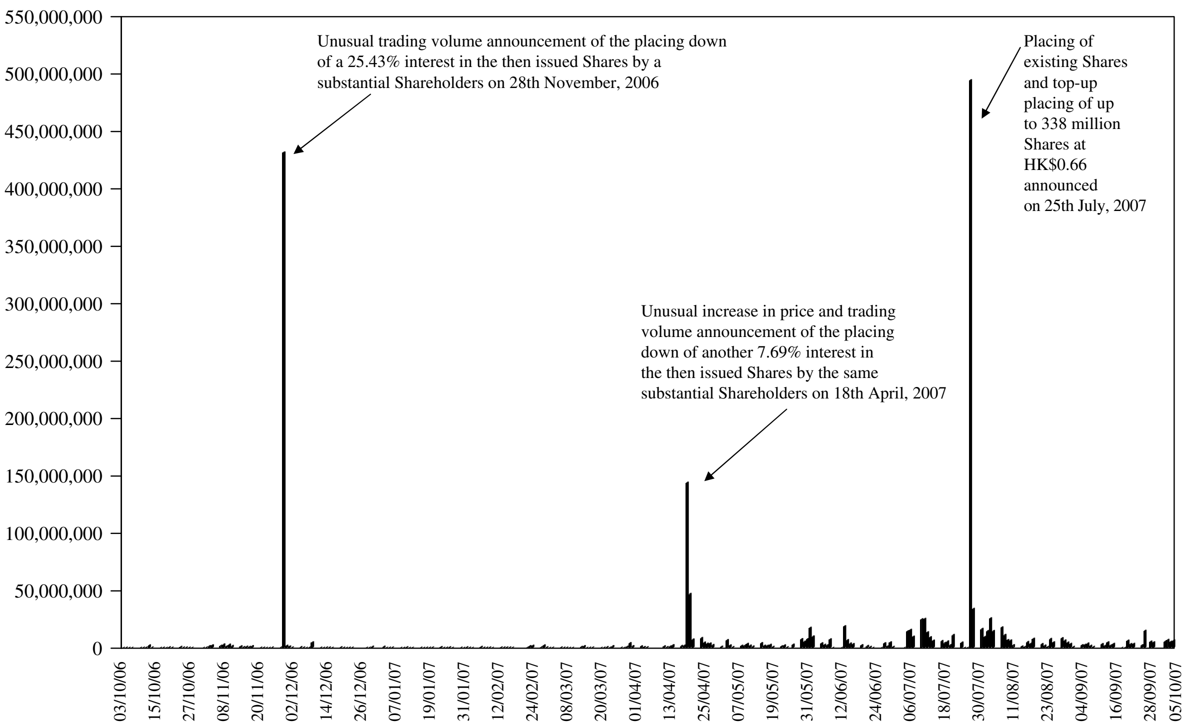
The daily closing price of the Shares during the Review Period has shown considerable volatility. During the Review Period, the first trading date on which the daily closing price per Share was at par with the repurchase price of HK$0.48 per Repurchase Share was on 19th April, 2007. This, as set out in the chart above, was marked by an "Unusual increase in price and trading volume" announcement of the Company on 18th April, 2007 disclosing the placing down of another 7.69% interest in the then issued Shares at HK$0.42 per Share by a substantial Shareholder, who first placed down another 25.43% block of Shares at HK$0.40 per Share on 28th November, 2006. We further note that subsequent to such second placing down of Shares, the daily closing price of the Shares are generally trading at the range close to the HK$0.48, except during the month of July 2007 when the highest daily closing price of HK$0.71 was reached on 10th July, 2007. This period of increase in closing Share price preceded the placing of existing Shares and the top-up placing exercise of up to 338 million Shares of the Company at HK$0.66 each announced on 25th July, 2007. Subsequent to the top-up placing exercise, the closing price per Share has since fallen back to the range close to the price of HK$0.48 per Repurchase Share.

In light of the above analysis, we are of the opinion that the HK$0.48 repurchase price does reflect the recent Share price movements, and that the increasing Share price trends between April and July 2007 can be rationalised by expectations as perceived by the investing public and certain Shareholders in respect of the various "milestone" events as set out in the chart above and in the section headed "Background to and reason for the Proposed Share Repurchase" above. In particular, since the announcement of the Proposed Share Repurchase, the daily closing prices per Share are consistently above that of the HK$0.48 repurchase price until up to 24 September 2007.

3. Trading volume of the Shares

The chart below illustrates the trading volume of the Shares on the Stock Exchange during the Review Period:

Daily trading volume during the Review Period



As set out in the above chart, excluding unusual increase in trading volumes due to placings, the daily trading volume of the Shares on the Stock Exchange during the Review Period was very thinly traded, usually well below 0.5 million Shares during the beginning months of the Review Period and in particular, October, November 2006 and January 2007. Daily and monthly trading volume began to increase beginning from February 2007, although the overall daily and monthly trading volumes are still considerably thin.

The following table highlights the number of Shares traded on the Stock Exchange in each calendar month during the Review Period:

Monthly adjusted trading volume of the Shares on the Stock Exchange during the Review Period

	Total number of Shares traded		% to the weighted average no. of Shares in issue	% to the weighted average no. of Shares held in public
October 2006	6,320,000		0.37%	1.08%
November 2006	25,670,000	*Note 1*	1.52%	4.31%
December 2006	9,894,000		0.59%	1.42%
January 2007	5,524,000		0.33%	0.79%
February 2007	10,094,800		0.60%	1.44%
March 2007	13,856,269		0.82%	1.98%
April 2007	104,290,000	*Note 2*	6.17%	12.60%
May 2007	76,505,000		4.52%	7.67%
June 2007	74,610,000		4.41%	7.48%
July 2007	369,439,200	*Note 3*	21.85%	36.61%
August 2007	161,042,000		8.25%	12.53%
September 2007	67,605,760		3.33%	5.26%

Note 1: Adjusted for the 430 million Shares placement by a substantial Shareholder on 28th November, 2006

Note 2: Adjusted for the 130 million Shares placement by a substantial Shareholder on 18th April, 2007

Note 3: Adjusted for the 338 million placing of existing Shares and top-up subscription of new Shares on 26th July, 2007

The above table shows that the number of Shares traded on the Stock Exchange during the Review Period as compared to the weighted average number of total issued Shares ranges from 0.37% to 8.25% excluding the month of July 2007, which has an unusually high percentage of 21.85%, as a result of the placing of 338 million existing Shares to the public. Taking into account the sudden surge in the trading volume of the Shares during the Review Period due to private placements of the Shares, the placing of existing Shares and top-up subscription of new Shares, their respective effects on such trading volume, we are of the view that the usual liquidity of the Shares as evidenced by its daily or monthly trading volume is relatively low.

In light of the above, we concur with the Directors that given the small daily trading volume of the Shares, it would be difficult to repurchase a meaningful number of Shares without affecting the Share price, in particular, a block of Shares as large as the Repurchase Shares. If the Company were to try to repurchase up to 160 million Shares in the marketplace, it would be unlikely that the Company could acquire all of such Shares without pushing up the price per Share, in this case, the repurchase price of HK$0.48 per Repurchase Share.

4. Financial effects of the Proposed Share Repurchase

For illustrative purposes only, unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out in the "Letter From The Board" and below to illustrate the effect of the Proposed Share Repurchase on (i) the pro forma earnings per Share for the six months ended 30th June, 2007 as if it had taken place on 1st January, 2007; and (ii) the net asset value of the Group as if it had taken place on 30th June, 2007.

(a) The unaudited pro forma consolidated earnings per Share of the Group

The unaudited pro forma earnings per Share table below has been prepared for illustrative purposes, on the basis of the notes set out herein, to illustrate the effect of the Proposed Share Repurchase on the Group's earnings per Share for the six months ended 30th June, 2007 as if it had taken place on 1st January, 2007.

Unaudited consolidated earnings per Share for profit attributable to the equity holders of the Company for the six months ended 30th June, 2007	Unaudited consolidated net profit attributable to the equity holders of the Company for the six months ended 30th June, 2007	Less: Loss of interest income accrued on the Consideration	Unaudited pro forma adjusted consolidated net profit attributable to the equity holders of the Company for the six months ended 30th June, 2007	Divided by: Weighted average number of Shares in issue	Unaudited pro forma earnings per Share for profit attributable to the equity holders of the Company
Hong Kong cents	*HK$'000*	*HK$'000 (note i)*	*HK$'000*	*'000 (note ii)*	*Hong Kong cents*
3.19	53,865	(1,588)	52,277	1,531,172	3.41

Notes:

i. This represents the estimated interest income that the Company would have earned if there had been no such Proposed Share Repurchase. This is based on the assumption that the Company settles the Consideration on 1st January, 2007 by drawing down its bank balances. The interest loss on the Consideration of HK$76,800,000 is calculated based on the interest rate of 4.17% per annum, the average deposit rate of the Group for the six months ended 30th June, 2007.

ii. Assuming that the final number of the Repurchase Shares had been 160,000,000 Shares, and the Completion had taken place on 1st January, 2007, the weighted average number of Shares had been 1,531,171,989 during the six months ended 30th June, 2007.

Based on the above, the Proposed Share Repurchase would have the pro forma effect of improving the unaudited consolidated earnings per Share of the Group by approximately 6.9%.

(b) The unaudited pro forma consolidated net asset value per Share of the Group

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net asset value per Share of the Group, which has been prepared based on the unaudited consolidated net assets of the Group as at 30th June, 2007. It has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial results of the Group.

Unaudited consolidated net asset value per Share attributable to the equity holders of the Company as at 30th June, 2007	Unaudited consolidated net asset value attributable to the equity holders of the Company as at 30th June, 2007	Less: Consideration	Less: Expenses of the Proposed Share Repurchase	Unaudited pro forma adjusted consolidated net asset value attributable to the equity holders of the Company as at 30th June, 2007	Divided by: Number of Shares in issue	Unaudited pro forma adjusted consolidated net asset value per Share attributable to the equity holders of the Company as at 30th June, 2007
HK$	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*'000*	*HK$*
		(note i)	*(note ii)*		*(note iii)*	
0.469	793,400	(76,800)	(1,500)	715,100	1,531,172	0.467

Notes:

i. It is assumed that the final number of the Repurchase Shares had been 160,000,000 Shares, and the Consideration had been paid in full on 30th June, 2007.

ii. The expenses include, among others, professional fees and documentation fees.

iii. It is assumed that the final number of the Repurchase Shares had been 160,000,000 Shares.

Based on the above, the Proposed Share Repurchase would have almost no effect on the net asset value of the Group on a pro forma basis as at 30th June, 2007.

(c) Gearing

Assuming that the Proposed Share Repurchase had taken place on 30th June, 2007, the Group's gearing (defined as the ratio of interest bearing bank borrowings and other borrowings to equity attributable to Shareholders) as at 30th June, 2007 would have increased from 110% to 122%, with the borrowings unchanged but the equity attributable to Shareholders down by HK$78.3 million (representing the Consideration plus expenses incurred in the Proposed Share Repurchase).

However, all borrowings of the Group belong to two subsidiaries, IEC Investments Limited and Honnex Development Limited. The sale of IEC Investments Limited was completed on 14th September, 2007. Meanwhile, the Shareholders approved the sale of Honnex Development Limited at a consideration of HK$372 million on 9th August, 2007 and its completion is expected in December 2007, after which the gearing of the Group would be nil if the Group does not take on any additional borrowings during the period.

We therefore are of the view that effects of the Proposed Share Repurchase on the Group's gearing is not applicable, after the completion of the sale of Honnex Development Limited in December 2007.

(d) Working capital

Assuming that the Proposed Share Repurchase had taken place on 30th June, 2007, the Group's working capital as at 30th June, 2007 would have dropped by HK$78.3 million from HK$928.3 million to HK$851.5 million.

However, as mentioned in the section headed "Reasons for and Benefit of the Proposed Share Repurchase" in the "Letter from the Board", substantial cash have been or will be generated following 30th June, 2007. We therefore concur with the Directors that working capital of the Group is still comfortable following Completion.

5. Market comparables

To determine whether or not the terms under the Proposed Share Repurchase are comparable to certain market practices, we have reviewed the following off-market repurchase transactions carried out by companies whose shares are listed on the Stock Exchange as set out in the table below. These transactions are reasonably exhaustive since 2002. Transactions that have been excluded are the off-market share repurchases carried by Neolink Cyber Technology (Holding) Limited, Applied International Holdings Limited and The National Lacquer And Paint Products Company, Limited, on the grounds that the repurchase consideration was of nominal value, the share repurchase was incidental to the disposal of a company and the repurchase shares were not listed respectively. The companies in the table below are however, not investment companies principally engaged in investment activities similar to that of the Company under Chapter 21 of the Listing Rules as there was none of such comparable.

Notwithstanding the difference between the Company and the other non investment companies as set out in the table below, we are of the view that these off-market share repurchase transactions carried out in recent years, which were driven by the same overall market fundamentals in Hong Kong, still offer reasonable, albeit not perfect, market comparables to that of the Proposed Share Repurchase.

Off-market share repurchase transactions

Company name (Stock Code)	Date of announcement of the share repurchase	Closing price of the share on the trading date immediately before the announcement *HK$*	Repurchase price *HK$*	(Discount)/ premium
Hang Fung Gold Technology Limited (870)	16th December, 2002	0.092	0.077	(16.3%)
Lee Hing Development Limited (68)	19th November, 2003	1.510	2.280	51.0%
Lee Hing Development Limited (68)	28th August, 2007	3.310	3.000	(9.37%)
Orient Overseas (International) Limited (316)	7th August, 2003	10.250	9.800	(4.40%)
RBI Holdings Limited (566)	17th June, 2005	1.520	1.560	2.63%
Yip's Chemical Holdings Limited (408)	23rd September, 2002	0.900	0.880	(2.20%)
The Company	**18th September, 2007**	**0.500**	**0.480**	**(4.00%)**

As set out above, most of these comparables indicate that the repurchase price for various share repurchase transactions were undertaken at a small discount and as such, such findings support the pricing of the Repurchase Shares of HK$0.48, representing a discount of 4% to the closing price of the Shares on the last trading day prior to the date of the announcement of the Proposed Share Repurchase.

To further establish the relationship between share price vs. net asset value of companies whose shares are listed on the Stock Exchange which are principally engaged in investment activities similar to that of the Company under Chapter 21 of the Listing Rules, we look at the following investment companies which we believe are reasonably comparable in terms of investment objectives to that of the

Company. Whilst we have not in general excluded investment companies whose market capitalization are not comparable, we did exclude certain companies whose market capitalization are far too small, to that of the Company. Our findings are set out in the table below.

Market price and net asset value comparison

Company	Stock Code	Market Cap. as at the Latest Practicable Date *(HK$'million)*	Net asset value per share (as at 31st August, 2007) *(HK$)*	Closing share price on the trading date the announcement of such NAV per share was published	Premium/ (Discount) to NAV as represented by share price
China Assets (Holdings) Limited	170	642	US$2.5757	9.000	(54.2%)
China Investment Fund Company Limited	612	256	HK$0.13	0.425	226.9%
Earnest Investments Holdings Limited	339	83	HK$2.7633	1.200	(56.6%)
Golden 21 Investment Holdings Limited	2312	422	HK$0.016	0.260	15.3%
Opes Asia Development Limited	810	213	HK$0.7282	1.000	37.3%
Radford Capital Investment Limited	901	101	HK$0.629	0.249	(60.4%)
Shanghai International Shanghai Growth Investment Limited	770	27	US$3.02	2.510	(89.3%)
UBA Investments Limited	768	159	HK$0.165	0.155	(6.1%)
United Investments Holdings Limited	913	275	K$0.185	0.150	(18.9%)
The Company	**666**	**873**	**HK$0.48**	**0.50**	**4.2%**

The findings set out above on the relationship between share price and net asset value support the generally accepted view that close-end funds, the likes of which include the Company, tend to trade at a discount to their respective net asset value. In so far as the exceptions as represented by China Investment Fund Company Limited, Golden 21 Investment Holdings Limited and Opes Asia Development Limited are concerned, we have reviewed published information of each of these three companies and we are not aware of the reason(s) for their respective share price being traded at a premium to net asset value. We take the view that such exceptions are not unusual for a comparable grouping of listed issuers in any industry sector in Hong Kong and in the case of these three exceptions, they represent the minority cases. In the case of the Company, since its published net asset value comprised of mainly cash or assets that will turn into cash shortly, the relative small premium of 4.2% to net assets is understandable. In this regard, we are also of the view that the repurchase price of HK$0.48 reflects the underlying fundamentals of the Shares, namely the nearly all cash composition of the net asset of the Company. Consequently, neither a large premium nor discount in the market price per Share is warranted or likely.

6. Shareholding structure and listing status

Following Completion, the Repurchase Shares will be cancelled and the number of issued Shares will be reduced from 2,029,171,989 to 1,869,171,989 (assuming the final number of the Repurchase Shares is 160,000,000). The following table sets out the shareholding structure of the Company immediately prior to and upon Completion:

Shareholders	**Immediately prior to Completion**		**Immediately following Completion**	
	No. of Shares	*%*	*No. of Shares*	*%*
Allied Group Limited	441,949,800	21.78	441,949,800	23.64
ASM Funds	314,900,000	15.52	154,900,000	8.29
Fung Wing Cheung, Tony	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	985,987,931	48.59	985,987,931	52.75
Total	**2,029,171,989**	**100.00**	**1,869,171,989**	**100.00**

There are no outstanding options, convertibles, warrants or rights to subscribe for any Shares as at the Latest Practicable Date. The Proposed Share Repurchase will have no effect on the control or listing status of the Company.

RECOMMENDATION

Having considered the principal factors and reasons set out above, in particular that:

- the repurchase price of HK$0.48, which is arrived at after arm's length negotiations, is reasonable when viewed against the market price of the Shares over the Review Period and the book cost to ASM Funds, and ASM intends to dispose the Repurchase Shares on the market as part of the portfolio adjustment;

- given the small daily trading volume of the Shares, it would be difficult to repurchase a meaningful number of Shares without affecting the Share price, in particular, a block of Shares as large as the Repurchase Shares;

- the Share Repurchase will be funded by the considerable liquidity of the Group, which will achieve a nearly all cash position shortly and the repurchase price of HK$0.48 reflects such underlying fundamentals of the Shares; and

- the positive financial effects of the Proposed Share Repurchase insofar as earnings per Share is concerned and that there is no impact on the control or listing status of the Company,

we consider that the terms and conditions of the Conditional Repurchase Agreement and the transactions contemplated there under are on normal commercial basis, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the special resolution approving the Conditional Repurchase Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
for and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the consolidated income statement of the Group for each of the three years ended 31st December, 2006, as extracted from the 2005 and 2006 published annual reports of the Company (the financial statements contained in the annual reports were audited and the auditors' report in respect of which contained no qualification). PricewaterhouseCoopers were the auditors of the Group for the year ended 31st December, 2004 and Grant Thornton were the auditors of the Group for the year ended 31st December, 2005 and 31st December, 2006. There were no extraordinary items nor exceptional items in respect of the summary of the consolidated income statement of the Group for each of the three years ended 31st December, 2006. Due to the adoption of new Hong Kong Financial Reporting Standards in 2005, the 2004 financial information has been restated to conform with the new accounting policies adopted by the Group in 2005.

CONSOLIDATED INCOME STATEMENT
Year ended 31st December

	Notes	**2006** *HK$*	**2005** *HK$*	**2004** *HK$* (Restated)
Revenue	*5*	158,035,679	35,473,390	27,593,273
Other net income	*6*	17,601,909	20,890,087	17,826,171
Administrative and other operating expenses		(54,806,294)	(64,778,440)	(36,856,436)
Operating profit/(loss)		120,831,294	(8,414,963)	8,563,008
Derecognition of available-for-sale financial assets and other receivable	*8*	(190,190,000)	–	–
Valuation surplus on investment properties		1,679,625	–	–
Finance costs	*9*	(37,955,608)	(8,725,732)	(2,305,706)
Share of results of associates		(11,920,177)	167,115,652	35,734,412
Share of results of jointly controlled entities		4,458,157	(45,986)	–
(Loss)/profit before income tax	*10*	(113,096,709)	149,928,971	41,991,714
Income tax expense	*11*	(2,499,009)	(3,223,883)	(2,613,812)
(Loss)/profit for the year		(115,595,718)	146,705,088	39,377,902
Attributable to:				
– Equity holders of the Company	*12*	(155,693,187)	144,661,745	39,377,902
– Minority interests		40,097,469	2,043,343	–
(Loss)/profit for the year		(115,595,718)	146,705,088	39,377,902
Dividends	*13*	–	33,823,440	–
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (HK cents)	*14*			
– Basic		(9.21)	8.55	2.33
– Diluted		N/A	N/A	N/A

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2006

Set out below are the audited consolidated balance sheet and balance sheet of the Group as at 31st December, 2005 and 31st December, 2006 and consolidated statement of changes in equity and consolidated cash flow statement of the Group for the two years ended 31st December, 2006 together with the relevant notes as extracted from the annual report of the Group for the year ended 31st December, 2006.

CONSOLIDATED BALANCE SHEET

At 31st December, 2006

	Note	2006 HK$	2005 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	17	1,340,000,000	1,020,113,993
Long term deposits	18	–	31,478,562
Interests in associates	20	–	11,926,269
Interests in jointly controlled entities	21	1,438,648	40,000
Available-for-sale financial assets	22	464,219,216	688,332,547
Goodwill	23	–	–
		1,805,657,864	1,751,891,371
Current assets			
Trade and other receivables and deposits paid	24	101,133,077	20,223,755
Available-for-sale financial assets	22	663,000	4,412,500
Loans to minority interests	25	25,600,000	–
Financial assets at fair value through profit or loss	26	17,082,000	7,868,250
Pledged bank fixed deposits	27	10,537,895	16,813,031
Cash and cash equivalents	27	142,878,833	5,511,805
		297,894,805	54,829,341

	Note	2006 HK$	2005 HK$
Current liabilities			
Other payables, accrued expenses and deposits received	28	26,081,851	11,860,166
Borrowings	29	38,322,174	10,496,176
Taxation payable		22,996,019	26,832,724
		87,400,044	49,189,066
Net current assets		210,494,761	5,640,275
Total assets less current liabilities		2,016,152,625	1,757,531,646
Non-current liabilities			
Borrowings	29	887,971,818	475,054,574
Loans from minority interests	25	120,172,611	157,391,656
Rental deposits received		14,791,198	5,470,038
Deferred tax liabilities	33	68,500,354	66,878,763
		1,091,435,981	704,795,031
Net Assets		924,716,644	1,052,736,615
Equity			
Equity attributable to the equity holders of the Company			
Share capital	30	169,117,199	169,117,199
Reserves	31	563,213,846	697,507,846
Proposed final dividend	13	–	33,823,440
		732,331,045	900,448,485
Minority interests		192,385,599	152,288,130
Total equity		924,716,644	1,052,736,615
Net asset value per share attributable to the equity holders of the Company	32	0. 43	0. 53

BALANCE SHEET

As at 31st December, 2006

	Note	2006 HK$	2005 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	2,470,906	2,470,909
Interests in jointly controlled entities	21	40,000	40,000
		2,510,906	2,510,909
Current assets			
Amounts due from subsidiaries	19	317,240,634	624,515,240
Other receivables		1,887,856	224,694
Cash and cash equivalents	27	93,405,675	2,535,127
		412,534,165	627,275,061
Current liabilities			
Other payables, accrued expenses and deposits received	28	963,085	850,251
Amounts due to subsidiaries	19	9,808,031	9,040,188
		10,771,116	9,890,439
Net current assets		401,763,049	617,384,622
Total assets less current liabilities		404,273,955	619,895,531
Equity			
Share capital	30	169,117,199	169,117,199
Reserves	31	235,156,756	416,954,892
Proposed final dividend	13	–	33,823,440
Total equity		404,273,955	619,895,531

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2006

	Equity attributable to equity holders of the Company								Minority Interests	Total
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	Proposed final dividend	Retained earnings	Total		
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st January, 2005	169,117,199	311,582,062	4,031,600	–	21,009,678	–	255,784,299	761,524,838	–	761,524,838
Realisation of revaluation surplus of available-for-sale financial assets on disposal	–	–	–	–	(8,565,897)	–	–	(8,565,897)	–	(8,565,897)
Fair value loss on available-for-sale financial assets	–	–	–	–	(17,767,122)	–	–	(17,767,122)	–	(17,767,122)
Net expense recognised directly in equity	–	–	–	–	(26,333,019)	–	–	(26,333,019)	–	(26,333,019)
Profit for the year	–	–	–	–	–	–	144,661,745	144,661,745	2,043,343	146,705,088
Total recognised income and expense for the year	–	–	–	–	(26,333,019)	–	144,661,745	118,328,726	2,043,343	120,372,069
2005 proposed final dividend *(note 13)*	–	–	–	–	33,823,440	–	(33,823,440)	–	–	–
Impairment loss written-off to the income statement	–	–	–	–	20,228,149	–	–	20,228,149	–	20,228,149
Statutory reserve – associates	–	–	–	366,772	–	–	–	366,772	–	366,772
Amount arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	150,244,787	150,244,787
At 31st December, 2005	169,117,199	311,582,062*	4,031,600*	366,772*	14,904,808*	33,823,440	366,622,604*	900,448,485	152,288,130	1,052,736,615

	Equity attributable to equity holders of the Company								Minority Interests	Total
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	Proposed final dividend	Retained earnings	Total		
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st January, 2006	169,117,199	311,582,062	4,031,600	366,772	14,904,808	33,823,440	366,622,604	900,448,485	152,288,130	1,052,736,615
Realisation of revaluation surplus of available-for-sale financial assets on disposal	–	–	–	–	(2,329,542)	–	–	(2,329,542)	–	(2,329,542)
Fair value gain on available-for-sale financial assets	–	–	–	–	7,326,927	–	–	7,326,927	–	7,326,927
Net income recognised directly in equity	–	–	–	–	4,997,385	–	–	4,997,385	–	4,997,385
Loss for the year	–	–	–	–	–	–	(155,693,187)	(155,693,187)	40,097,469	(115,595,718)
Total recognised income and expense for the year	–	–	–	–	4,997,385	–	(155,693,187)	(150,695,802)	40,097,469	(110,598,333)
Impairment loss written-off to the income statement	–	–	–	–	16,401,802	–	–	16,401,802	–	16,401,802
2005 final dividend paid *(note 13)*	–	–	–	–	–	(33,823,440)	–	(33,823,440)	–	(33,823,440)
At 31st December, 2006	169,117,199	311,582,062*	4,031,600*	366,772*	36,303,995*	–	210,929,417*	732,331,045	192,385,599	924,716,644*

* *The aggregate amount of these balances of HK$563, 213, 846 (2005: HK$697, 507, 846) represents the reserves in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2006

	Note	2006 HK$	2005 HK$
Cash flows from operating activities			
(Loss)/profit before income tax		(113,096,709)	149,928,971
Adjustments for:			
Interest income from available-for-sale financial assets	5	(3,267,645)	(14,120,649)
Interest income on accrued dividend income	5	(2,268,949)	–
Interest income from bank deposits	5	(3,214,463)	(3,148,755)
Dividend income	5	(86,462,629)	(452,275)
Derecognition of available-for-sale financial assets and other receivable	8	190,190,000	–
Gain on disposal/redemption of available-for-sale financial assets	6	(7,122,477)	(18,389,333)
Valuation surplus on investment properties		(1,679,625)	–
Impairment loss of goodwill arising from acquisition of associates	10	–	35,963,702
Impairment loss of goodwill arising from acquisition of subsidiaries	10	–	1,037,788
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combination	10	–	(11,900,206)
Impairment of available-for-sale financial assets		16,401,802	20,228,149
Fair value gain on financial assets at fair value through profit or loss	6	(9,213,750)	(380,250)
Impairment of interests in associates		106,092	–
Interest on bank and other borrowings paid	9	37,108,152	8,725,732
Fair value loss on financial instruments of interest rate swap contracts	9	847,456	–
Share of results of associates		11,920,177	(167,115,652)
Share of results of jointly controlled entities		(4,458,157)	45,986

	Note	2006 HK$	2005 HK$
Operating profit before working capital changes		25,689,275	423,208
Increase in trade and other receivables and deposits paid		(706,812)	(14,062,445)
Decrease in deposit on investment		–	10,902,974
Decrease in deposits received		–	5,470,038
Increase/(decrease) in other payables, accrued expenses and deposits received		13,931,631	(3,096,867)
Cash generated from/(used in) in operations		38,914,094	(363,092)
Interest received from available-for-sale financial assets		5,428,045	14,494,468
Bank interest received		3,001,733	3,148,091
Dividend received		1,280,563	452,275
Interest on bank and other borrowings paid		(36,650,717)	(8,724,484)
Income taxes paid		(4,714,123)	(4,323,043)
Net cash generated from operating activities		7,259,595	4,684,215
Cash flows from investing activities			
Purchase of available-for-sale financial assets		(26,158,068)	(76,596,885)
Proceeds from disposal of available-for-sale financial assets		92,617,428	108,065,873
Purchase of investment properties		(286,727,820)	(216,592,315)
Acquisition of subsidiaries		–	(141,916,230)
Advances to jointly controlled entities		–	(57,577,771)
Repayment of amounts due from associates		–	1,800,000
Decrease in pledged bank fixed deposits		6,275,136	102,859,080
Net cash used in investing activities		(213,993,324)	(279,958,248)

	Note	2006 HK$	2005 HK$
Cash flows from financing activities			
Dividends paid to the Company's equity holders		(33,823,440)	–
Loan from bank and other borrowings		440,743,242	294,565,076
(Advances to)/repayment from minority interests		(25,600,000)	28,500
Repayment of loans from minority interests		(37,219,045)	(21,804,367)
Net cash generated from financing activities		344,100,757	272,789,209
Net increase/(decrease) in cash and cash equivalents		137,367,028	(2,484,824)
Cash and cash equivalents at 1st January		5,511,805	7,996,629
Cash and cash equivalents at 31st December		142,878,833	5,511,805

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2006

1. GENERAL INFORMATION

Yu Ming Investments Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of the Company's registered office is 1001, 10th Floor, AON China Building, 29 Queen's Road Central, Hong Kong and, its principal place of business is in Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (together referred to as the "Group") include the investments in listed and unlisted securities and properties.

The financial statements on pages 33 to 122 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31st December, 2006 were approved by the board of directors on 28th March, 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSS

From 1st January, 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1st January, 2006 and relevant to the Group.

The adoption of these new and amended HKFRSs did not result in significant changes in the Company's and the Group's accounting policies but gave rise to additional disclosures.

New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
HK (IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK (IFRIC) – Int 8	Scope of HKFRS 2[3]
HK (IFRIC) – Int 9	Reassessment of Embedded Derivates[4]
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]
HK (IFRIC) – Int 11	Group and Treasury Share Transactions[6]
HK (IFRIC) – Int 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1st January, 2007
2 Effective for annual periods beginning on or after 1st March, 2006
3 Effective for annual periods beginning on or after 1st May, 2006
4 Effective for annual periods beginning on or after 1st June, 2006
5 Effective for annual periods beginning on or after 1st November, 2006
6 Effective for annual periods beginning on or after 1st March, 2007
7 Effective for annual periods beginning on or after 1st January, 2009
8 Effective for annual periods beginning on or after 1st January, 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. 1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the investment properties and certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or are as where assumptions and estimates are significant to the financial statements, are described on Note 4.

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. 2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

3. 3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves there valuation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets, liabilities and contingent liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3. 4 Associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a share holding of between 20% and 50% of voting rights but which are neither subsidiaries nor investments in a joint venture.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In consolidated financial statements, investments in associates and jointly controlled entities are initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interests in the associate and jointly controlled entities are carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or the jointly controlled entity's net assets less any identified impairment loss. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate or the jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in associate or jointly controlled entity recognised for the year.

When the Group's share of losses in an associate or a jointly controlled entity equals or exceeds its interest in the associate or the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or jointly controlled entities. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate or jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see Note 3. 10) of the associate or the jointly controlled entity and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's or the jointly controlled entity's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate or jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or the jointly controlled entity's accounting policies to those of the Group when the associate's or the jointly controlled entity's financial statements are used by the Group in applying the equity method.

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

3. 5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and loss resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the currency translation reserve inequity.

3. 6 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised as follows:

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. 7 Borrowing costs

All borrowing costs are expensed as incurred.

3. 8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate or a jointly controlled entity is set out in Note 3.4.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 3. 10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3. 9 Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property. Any changes between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Gains or losses arising from either changes in the fair value or the sale of an investment property is included in the profit or loss for the period in which they arise.

3. 10 Impairment of assets

Goodwill arising on an acquisition of subsidiary, interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing.

Goodwill with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, there cover able amount is determined for the smallest group of assets that generate cash inflows independently (i. e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

3. 11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 3. 9); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3. 12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, associates and jointly controlled entities are set out below.

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognitionas at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(a) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i. e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(b) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(c) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3. 13 Accounting for hedging activities

Derivatives financial instruments are initially recognisedat fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Fair value hedges secure the Group against the exposure to changes in the fair value of a recognised asset or liability or a firm commitment or an identifiable portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Changes in the fair value of derivatives that are designated and qualify as the hedging instruments of fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The corresponding adjustments are to the carrying amounts of the hedged items.

Where the hedged item is a financial instrument carried at amortised cost, the adjustment to carrying value is amortised to profit or loss. The adjustment is amortised fully by maturity of the financial instrument.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or when the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

3. 14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3. 15 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as bank deposits with original maturities of three months or less.

3. 16 Share Capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

3. 17 Pension obligations and short term employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees and those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. 18 Financial liabilities

The Group's financial liabilities include borrowings, loans from minority interests, other payables, accrued expenses and deposits received and amount due to a related company.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Other financial liabilities

Other financial liabilities are recognized initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3. 19 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instruments.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i. e. the amount initially recognised less accumulated amortisation, where appropriate.

3. 20 Related Parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. 21 Segment Reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. 1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimate fair value of investment properties

The best evidence of fair value of the Group's investment properties is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

4. 2 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statement:

Impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the issuer/investee.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

5. REVENUE

	2006	**2005**
	HK$	*HK$*
Interest income from available-for-sale financial assets	3,267,645	14,120,649
Interest income from bank deposits	3,214,463	3,148,755
Interest income from financial assets at fair value through profit or loss	117,000	117,000
Dividend income		
– listed investments	–	452,275
– unlisted investments	86,462,629	–
–Interest income on accrued dividend income	2,268,949	–
–Rental Income	62,704,993	17,634,711
	158,035,679	35,473,390

6. OTHER NET INCOME

	2006	**2005**
	HK$	*HK$*
Gain on disposal/redemption of other available-for-sale financial assets	7,122,477	18,389,333
Fair value gain on financial assets at fair value through profit or loss	9,213,750	380,250
Sundry income	1,265,682	2,120,504
	17,601,909	20,890,087

7. SEGMENT INFORMATION

Segment information is presented by way of the Group's business segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segment represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments.

No geographical analysis is presented as the Group's revenue, operating results and assets in geographical segments other than Hong Kong are less than 10% of the aggregate amount of all segments.

	Property investment		Other Investment		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	62,793,385	17,634,711	95,242,294	17,838,679	158,035,679	35,473,390
Segment result	42,172,411	35,020,570	78,658,883	(43,435,533)	120,831,294	(8,414,963)
Derecognition of available-for-sale financial assets and other receivable	–	–	(190,190,000)	–	(190,190,000)	–
Valuation surplus on investment properties	1,679,625	–	–	–	1,679,625	–
Finance costs	(32,539,020)	(5,158,634)	(5,416,588)	(3,567,098)	(37,955,608)	(8,725,732)
Share of results of						
– associates	–	166,788,545	(11,920,177)	327,107	(11,920,177)	167,115,652
– jointly controlled entities	–	–	4,458,157	(45,986)	4,458,157	(45,986)
(Loss)/profit before income tax	11,313,016	196,650,481	(124,409,725)	(46,721,510)	(113,096,709)	149,928,971
Income tax expense	(2,694,009)	(3,158,883)	195,000	(65,000)	(2,499,009)	(3,223,883)
(Loss)/profit for the year	8,619,007	193,491,598	(124,214,725)	(46,786,510)	(115,595,718)	146,705,088
Segment assets	1,345,007,269	1,062,755,207	757,106,752	731,999,236	2,102,114,021	1,794,754,443
Interests in associates	–	–	–	11,926,269	–	11,926,269
Interests in jointly controlled entities	–	–	1,438,648	40,000	1,438,648	40,000
Total assets	1,345,007,269	1,062,755,207	758,545,400	743,965,505	2,103,552,669	1,806,720,712
Segment liabilities	868,168,298	587,226,792	310,667,727	166,757,305	1,178,836,025	753,984,097
Other information						
Capital expenditure	318,206,382	220,113,993	–	–	318,206,382	220,113,993
Impairment of available-for-sale financial assets	–	–	16,401,802	20,228,149	16,401,802	20,228,149
Impairment loss of goodwill	–	–	–	37,001,490	–	37,001,490
Excess arising from acquisition of subsidiaries	–	(11,900,206)	–	–	–	(11,900,206)

8. DERECOGNITION OF AVAILABLE-FOR-SALE FINANCIAL ASSETS AND OTHER RECEIVABLE

During the year, the Group entered into an agreement with Grand China Air Company Limited ("Grand China") (the "Grand China Agreement") and pursuant to which, among other things, the Group agreed to dispose of the 34.2% equity interest in CR Airways Limited (now known as Hong Kong Airlines Limited) (the "CR Airways") held by the Group at the consideration of HK$190,000,000 in return for the 97,850,000 shares of Grand China of RMB1 each at RMB2 each (the "Grand China Shares").

In connection with the execution of the Grand China Agreement, the Group agreed to (i) convert a partial principal amount of HK$62,181,818 of the CR Airways' Class A convertible debentures into 62,181,818 ordinary shares of HK$1 each of CR Airways (the "Converted Shares"), which represented 34.22% of the equity holdings in CR Airways, and to dispose of the Converted Shares to Grand China in return for 97,850,000 shares of RMB1 each of Grand China ; (ii) waive its remaining investments in CR Airways' Class A, Class C and Class D convertible debentures in the aggregate amount of HK$111,151,515 (the "Remaining Debentures"); (iii) waive all its rights in relation to the entire principal amount and accrued interest of promissory note of HK$16,666,667 (the "Promissory Note") due from Mr Yip Kwong ("Mr Yip"), shareholder of CR Airways and (iv) waive the option granted by a company wholly owned by Mr Yip to purchase its interests in CR Airways (the "Option Shares").

In June 2006, the Group completed the transfer of the Converted Shares to Grand China and waived the Remaining Debentures, Promissory Note and Option Shares (the transferred Converted Shares and waived assets collectively referred to as the "CR Airways Financial Assets"). However, the statutory registration procedures of the Grand China Shares to the Group are still in progress. The Group was informed by Grand China that Grand China encountered difficulty in registration of the Grand China Shares. In addition, the registration process is required to have the approval of the local authority of Hainan Province, which did not expressly support the registration of the Grand China Shares. As a result, the statutory approval of the registration of the Grand China Shares has not been obtained and the Group is not registered as an equity shareholder of Grand China as of the date of financial statements. Prior to the execution of the Grand China Agreement, as stipulated under the Grand China Agreement, Grand China undertook to produce a PRC legal opinion confirming essentially, the legality of parties' intention and performance of the Grand China Agreement under the PRC laws (the "Pre-execution Legal Opinion"). The Pre-execution Legal Opinion was produced and among other things, stated that no approval was required from shareholders of Grand China or government authority or organisation for Grand China to increase its registered capital or obtain the Converted Shares. After seeking for further professional advices from the Group's legal advisers, the Group is in the process of negotiating with Grand China in respect of the registration of the Grand China Shares or other remedies and considering any possible legal action against Grand China, if necessary. However, the Group experienced difficulties in negotiating with Grand China.

In view of the title uncertainty and the lack of cooperation from Grand China, the Group did not recognise the Grand China Shares and made a decision to derecognise the CR Airways Financial Assets. As a result of the derecognition of the CR Airways Financial Assets and the failure to recognise the Grand China Shares, the carrying value of the CR Airways Financial Assets in the aggregate amount of HK$190.19 million was charged to the income statements during the year.

9. FINANCE COSTS

	2006	2005
	HK$	*HK$*
Interest on bank borrowings wholly repayable within five years	36,753,441	7,917,251
Interest on other borrowings	354,711	808,481
	37,108,152	8,725,732
Fair value loss on financial instruments of interest rate swap contracts	847,456	–
	37,955,608	8,725,732

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2006	2005
	HK$	*HK$*
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Impairment loss of goodwill		
– arising on acquisition of associates	–	35,963,702
– arising on acquisition of subsidiaries	–	1,037,788
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combination	–	(11,900,206)
Impairment of interest in associates	6,092	–
Impairment of available-for-sale financial assets	16,401,802	20,228,149
Auditors' remuneration		
– charge for the year	425,400	353,800
– under provision in prior year	–	200,000
Rentals receivable from investment properties less direct outgoings of HK$6,905,476 (2005: HK$1,320,705)	55,799,517	16,314,006
Employee benefit expense (including directors' emoluments *(note 16)) (note 15)*	913,830	632,492
Management fee *(note 37)*	13,306,316	11,288,498
Exchange (gain)/loss	(30,250)	1,691,290

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year.

	2006	2005
	HK$	*HK$*
Current tax		
Current year	1,072,418	221,122
(Over)/under provision in prior years	(195,000)	65,000
	877,418	286,122
Deferred tax	1,621,591	2,937,761
Total income tax expense	2,499,009	3,223,883

Reconciliation between income tax expense and (loss)/profit before income tax at applicable tax rates is as follows:

	2006	2005
	HK$	*HK$*
(Loss)/profit before income tax	(113,096,709)	149,928,971
Tax calculated at the applicable rate of 17.5% (2005: 17.5%)	(19,791,924)	26,237,570
Tax effect of non-deductible expenses	42,495,892	12,820,863
Tax effect of non-taxable revenue	(23,804,940)	(35,899,550)
Tax effect of unused tax losses not recognised	3,794,981	–
(Over)/under provision in respect of prior years	(195,000)	65,000
Income tax expense	2,499,009	3,223,883

12. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss for the year attributable to equity holders of the Company of HK$155,693,187 (2005: profit of HK$144,661,745), a loss of HK$181,798,136 (2005: loss of HK$85,999,126) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The Group had not declared any dividends during the year ended 31st December, 2006. The dividends attributable to the previous financial year, approved and paid during the year amounted to HK$33,823,440 of HK2 cents per ordinary share.

14. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$155,693,187 (2005: profit of HK$144,661,745) and 1,691,171,989 (2005: 1,691,171,989) ordinary shares in issue.

Diluted (loss)/earnings per share for the years ended 31st December, 2006 and 2005 were not presented as there were no dilutive potential ordinary shares.

15. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	**2005**
	HK$	*HK$*
Basic salaries	809,000	590,492
Discretionary bonuses	85,830	80,000
Contributions to defined contribution plans	19,000	12,000
	913,830	682,492

16. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

16.1 Directors' emoluments – Executive directors and non-executive directors

The emoluments paid or payable to the directors were as follows:

	Fees	**Other emoluments**	**Total**
	HK$	*HK$*	*HK$*
Year ended 31st December, 2006			
Executive directors			
Fung Wing Cheung, Tony	20,000	–	20,000
Fung Yiu Fai, Peter	20,000	–	20,000
Lee Wa Lun, Warren	20,000	–	20,000
Li Shi Liang *(Deceased on 5th July, 2006)*	20,000	–	20,000
Non-executive directors			
Lee Seng Hui	70,000	–	70,000
Lee Yip Wah, Peter	20,000	–	20,000
Independent non-executive directors			
So Shu Fai, Ambrose	20,000	–	20,000
Chow Yu Chun, Alexander	120,000	–	120,000
Albert Ho	70,000	–	70,000
	380,000	–	380,000

	Fees	Other emoluments	Total
	HK$	*HK$*	*HK$*
Year ended 31st December, 2005			
Executive directors			
Fung Wing Cheung, Tony	20,000	–	20,000
Fung Yiu Fai, Peter	20,000	–	20,000
Lee Wa Lun, Warren	5,246	–	5,246
Li Shi Liang *(Deceased on 5th July, 2006)*	20,000	–	20,000
Non-executive directors			
Lee Seng Hui	70,000	–	70,000
Lee Yip Wah, Peter	20,000	–	20,000
Independent non-executive directors			
So Shu Fai, Ambrose	20,000	–	20,000
Chow Yu Chun, Alexander	120,000	–	120,000
Albert Ho	55,246	–	55,246
	350,492	–	350,492

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

16.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2005: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2005: one) individuals during the year are as follows:

	2006	2005
	HK$	*HK$*
Basic salaries	429,000	240,000
Discretionary bonuses	85,830	80,000
Contributions to defined contribution plans	19,000	12,000
	533,830	332,000

The emoluments of the remaining two (2005: one) individual fell within the emolument band of "Nil – HK$1,000,000".

During the year ended 31st December, 2006, no emoluments were paid by the Group to the directors or the remaining two (2005: one) highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

17. INVESTMENT PROPERTIES

Group

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

Changes to the carrying amounts presented in the consolidated balance sheet can be summarised as follows:

	2006	**2005**
	HK$	*HK$*
Carrying amount at 1st January	1,020,113,993	–
Arising on acquisition of a subsidiary	–	800,000,000
Additions	318,206,382	220,113,993
Net gain from fair value adjustments	1,679,625	–
Carrying amount at 31st December	1,340,000,000	1,020,113,993

The investment properties at fair values of HK$1,340,000,000 (31st December, 2005: HK$800,000,000) were valued at 31st December, 2006 by Asset Appraisal Limited, an independent firm of professional valuers, based on current prices in an active market.

Bank borrowings of HK$713,909,140 (2005: HK$445,171,016) are secured by the above investment properties (note 29).

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	2006	**2005**
	HK$	*HK$*
Long term leases	1,180,000,000	852,437,737
Medium term leases	160,000,000	167,676,256
	1,340,000,000	1,020,113,993

18. LONG TERM DEPOSITS

As at 31st December, 2005, the Group's long term deposit represents the deposit paid by the Group for the acquisition of investment properties. The transaction was completed during the year ended 31st December, 2006.

19. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

Company

	2006 *HK$*	2005 *HK$*
Unlisted shares, at cost	2,574,031	2,574,034
Less: Impairment loss recognised	(103,125)	(103,125)
	2,470,906	2,470,909
Amounts due from subsidiaries	729,027,894	864,345,788
Less: Impairment loss recognised	(411,787,260)	(239,830,548)
Portion due within one year included under current assets	317,240,634	624,515,240
Amounts due to subsidiaries, due within one year included under current liabilities	(9,808,031)	(9,040,188)

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. Accordingly, the amounts are classified as current assets/(liabilities).

Particulars of the principal subsidiaries at 31st December, 2006 are as follows:

Name	Place/Country of incorporation and kind of legal entity	Particulars of issued share capital	Percentage of issued capital held by the Company *Directly*	*Indirectly*	Principal activities and place of operations
Asia Vision Holdings Limited	Hong Kong, limited liability company	2 ordinary shares of HK$0.01 each	100%	–	Investment holding, Hong Kong
Capital Sharp Investment Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Contana Investment Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
IEC Investments Limited*	Hong Kong, limited liability company	100,000 ordinary shares of HK$1 each	60%	–	Investment holding, Hong Kong

Name	Place/Country of incorporation and kind of legal entity	Particulars of issued share capital	Percentage of issued capital held by the Company		Principal activities and place of operations
			Directly	*Indirectly*	
Honnex Development Limited*	Hong Kong, limited liability company	980,000 ordinary shares of HK$1 each	–	61.22%	Investment holding, property investment and letting, Hong Kong
The Hong Kong Equity Guarantee Corporation Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Long Rainbow Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Long Scene Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Long Set Investments Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Longfine Investment Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Longson Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Mix Limited	Hong Kong, limited liability company	1,400,000 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Odelon Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong

* *Subsidiaries not audited by Grant Thornton.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES

Group

	2006	2005
	HK$	*HK$*
Share of net assets	8	11,920,185
Goodwill	35,963,702	35,963,702
	35,963,710	47,883,887
Loans to associates	25,636,188	25,636,188
	61,599,898	73,520,075
Less: Impairment loss	(61,599,898)	(61,593,806)
	–	11,926,269

The loans to associates are unsecured, interest free and no fixed terms of repayment.

Included in the cost of investment in associates was goodwill of HK$35,963,702 (2005: HK$35,963,702) arising on acquisition of an associate during the year ended 31st December, 2005. The movement of goodwill is set out below:

	2006	2005
	HK$	*HK$*
Carrying amount at 1st January	–	–
Arising from acquisition of an associate	–	35,963,702
Impairment loss	–	(35,963,702)
Carrying amount at 31st December	–	–
At 31st December		
Gross amount	35,963,702	35,963,702
Accumulated impairment	(35,963,702)	(35,963,702)
Carrying amount	–	–

Particulars of the associates at 31st December, 2006 are as follows :

Name	Particulars of issued shares held	Country of incorporation	Principal activities	Group's equity interest
China Power Investment Limited	1 ordinary share of US$ 1 each	British Virgin Islands	Dormant	50%
Long Vocation Investments Limited	30 ordinary shares of US$ 1 each	British Virgin Islands	Dormant	33.33%
Oriental Cashmere Limited	2,000 ordinary shares of US$1 each	British Virgin Islands	Manufacturing and trading of cashmere products	25%

The summarised financial information in respect of the interests in associates attributable to the Group is set out below:

	2006 *HK$*	2005 *HK$*
Total assets	33,523,468	76,253,702
Total liabilities	(87,555,482)	(85,967,991)
Revenue	61,186,765	65,374,163
(Loss)/profit for the year	(44,591,525)	805,076

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2006 *HK$*	2005 *HK$*	2006 *HK$*	2005 *HK$*
Unlisted shares, at cost	–	–	40,000	40,000
Share of net assets	1,438,648	40,000	–	–
	1,438,648	40,000	40,000	40,000

Particulars of the jointly controlled entity at 31st December, 2006 are as follows:

Name	Particulars of issued shares held	Country of incorporation	Group's equity interest	Principal activities
Asia World-Expo Management Limited (formerly known as IEC Operations Limited)	80,000 Class A ordinary shares of HK$1 each 20,000 Class B ordinary shares of HK$1 each	Hong Kong	40%	Management and operation of exhibition facilities

The summarised financial information in respect of the interests in jointly controlled entity attributable to the Group is set out below:

	2006	2005
	HK$	*HK$*
Total assets	4,160,972	25,875,750
Total liabilities	(2,722,324)	(25,875,750)
Revenue	5,390,798	–
Profit for the year	4,458,157	–

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2006	2005
	HK$	*HK$*
Non-current		
Listed equity securities *(note 22.1)*	105,687,326	69,662,368
Unlisted equity and debt securities *(note 22.2)*	358,531,890	618,670,179
	464,219,216	688,332,547
Current		
Unlisted debt securities *(note 22.2)*	663,000	4,412,500
Total	464,882,216	692,745,047

22.1 Listed equity securities

The amounts presented for the listed equity securities have been determined directly by reference to published price quotations in active markets.

	2006	2005
	HK$	*HK$*
Listed equity securities		
– Listed in Hong Kong	28,573,377	15,294,312
– Listed outside Hong Kong	77,113,949	54,368,056
	105,687,326	69,662,368
Market value of listed equity securities	105,687,326	69,622,368

These financial assets are subject to financial risk exposure in terms of price risk.

Particulars of the major investment in listed equities at 31st December, 2006 are as follows:

MYM High Yield Bond Trust ("MYMBT")

MYMBT is a leveraged open-ended fund incorporated in the Cayman Islands. The Fund's objective is to achieve medium term capital growth through investments primarily in a diversified portfolio of high yield debt instruments available on the secondary market, issued by companies registered and operating in countries with well-developed and enforced bankruptcy laws.

As at 31st December, 2006, the Group held 101.4612 units (2005: 101.4612 units) in MYMBT. The cost of investment is approximately US$2.921 million. No dividend was received during the year (2005:Nil). Based on the weekly report as at 31st December, 2006, our share of net asset value of MYMBT was approximately US$3.668 million (2005: approximately US$3.181 million).

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

MYM China Trust ("MYMCT")

MYMCT is an open-ended trust incorporated in the Cayman Islands. The Fund's objective is to achieve absolute returns with low volatility. The Fund invests in equity and equity-related instruments of companies directly exposed to the China economy, and hedges through derivative instruments and active cash management.

As at 31st December, 2006, the Group held 136.097 units (2005: 136.097) in MYMCT. The cost of investment is approximately US$3 million. No dividend was received during the year (2005: Nil). Based on the weekly report at 31st December, 2006, our share of net asset value of MYMCT was approximately US$5.823 million (2005: approximately US$3.731 million).

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

Wagon Plc ("Wagon")

Wagon is an engineering company. The Company designs, builds and manufactures automotive products and structures for major automobile manufactures. Products include roller sunblinds, windows, roof racks, seat rails, pedestrian control systems, energy absorption devices, and power chucks for machine tools.

As at 31st December, 2006, the Group currently held 118,114 shares (2005: Nil) in Wagon, representing 0.22% interest in the issued share capital of Wagon. The cost of investment is approximately HK$3.7 million. No dividend was received during the year. Based on the annual report of Wagon at 31st March, 2006, the net assets of Wagon were approximately GBP87.9 million. As at 31st December, 2006, the market value of the investment in Wagon was approximately GBP0.18 million.

Dan Form Holdings Co Ltd ("Dan Form")

Dan Form, through its subsidiaries, invests in and develops properties and also provides estate management, financing services, and trades securities.

As at 31st December, 2006, the Group held 51,431,000 shares (2005: 34,623,000) in Dan Form, representing 4.53% (2005: 3.05%) interest in the issued share capital of Dan Form. No dividend was received during the year. Based on the interim report of Dan Form at 30th June, 2006, the net assets of Dan Form were approximately HK$1,901 million. As at 31st December, 2006, the market value of the investment in Dan Form was approximately HK$26 million (2005: approximately HK$13 million).

Value Convergence Holding Ltd ("Value")

Value operates securities brokerage, commodities trading and corporate finance businesses under the VC CN and CEF brand names via traditional means and the Internet.

As at 31st December, 2006, the Group held 2,037,884 shares (2005: 3,637,884 shares) in Value, representing 0.8% (2005: 1.46%) interest in the issued share capital of Value. No dividend was received during the year. Based on the annual report of Value at 31st December, 2006, the net assets of Value were approximately HK$193 million. As at 31st December, 2006, the market value of the investment in Value was approximately HK$2.34 million (2005: approximately HK$1.96 million).

22.2 Unlisted equity and debt securities

Particulars of the major investment in unlisted equity and debt securities at 31st December, 2006 are as follows:

Hong Kong IEC Limited ("HKIEC")

The Group's investment in HKIEC, which was incorporated in Hong Kong, excess 10% of the Group's total assets. The Group invested totally HK$352,941,176 (2005: HK$340,143,125) preference shares issued by HKIEC as at 31st December, 2006. The Group has 13.5% interest in HKIEC, which owns the AsiaWorld-Expo, the exhibition center at the Hong Kong International Airport.

The principal activities of HKIEC are development and holding of AsiaWorld-Expo.

Werner Holdings Co Inc ("Werner")

Werner, through its subsidiary, manufactures and sells climbing products and aluminium extruded products. The company's products include aluminium, fibreglass, and wood ladders, as well as scaffolding, stages, planks, lineal extruded products, and highly-engineered fabricated parts.

The Group holds a nominal value of US$1 million bond in Werner (the "Werner Bond"). The Werner Bond maturing in 2007 carries a coupon rate of 10% per annum payable semi-annually. Moody's credit rating of the Werner Bond is WR. The cost of investment is approximately US$756,250. No coupon interest was received during the year (2005: US$100,000). As at 31st December, 2006, the market value of the investment in the Werner Bond was approximately US$0.085 million (2005: approximately US$0.29 million).

Metaldyne Corporation ("Metaldyne")

Metaldyne manufactures metal-formed components, assembly, and modules or the global automotive and transportation markets. The company's components, assemblies, and modules are used in cats, trucks, minivans, sport utility vehicles, commercial trucks, and off-highway vehicles.

The Group holds a nominal value of US$0.5 million bond in Metaldyne (the "Metaldyne Bond"). The Metaldyne Bond maturing in 2012 carries a coupon rate of 11% per annum payable semi-annually. Moody's credit rating of the Metaldyne Bond is Caa2. The cost of investment is approximately US$0.392 million. Coupon interest of approximately US$0.55 million was received during the year (2005: US$0.55 million). As at 31st December, 2006, the market value of the investment in the Metaldyne Bond was approximately US$0.51 million (2005: approximately US$0.384 million).

Tower Automotive Inc ("Tower")

Tower designs and produces parts for automobile manufacturers. The company produces body structures, lower vehicle structures, suspension components, and modules.

As at 31st December, 2006, the Group held a nominal value of EUR1 million (2005: EUR1 million) bond in Tower (the "Tower Bond"). The Tower Bond maturing in 2010 carries a coupon rate of 9.25% per annum payable semi-annually. Moody's credit rating of the Tower Bond is WR. The cost of investment is approximately EUR900,000. No coupon interest was received during the year (2005: Nil). As at 31st December, 2006, the market value of the investment in the Tower Bond was approximately EUR0.14 million (2005: approximately EUR0.85 million).

23. GOODWILL

Group

The main changes in the carrying amounts of goodwill result from the acquisition of IEC Investments Limited. The net carrying amount of goodwill can be analysed as follows:

	2006	**2005**
	HK$	*HK$*
At 1st January		
Gross carrying amount	1,037,788	–
Accumulated impairment	(1,037,788)	–
Net carrying amount	–	–
Net carrying amount at 1st January	–	–
Arising from acquisition of a subsidiary	–	1,037,788
Impairment loss	–	(1,037,788)
Net carrying amount at 31st December	–	–
At 31st December		
Gross amount	1,037,788	1,037,788
Accumulated impairment	(1,037,788)	(1,037,788)
Net carrying amount	–	–

24. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

Group

	2006	**2005**
	HK$	*HK$*
Trade receivables	1,481,108	512,501
Other receivables	99,073,016	19,249,502
Deposits paid	578,953	461,752
	101,133,077	20,223,755

As at 31st December, 2006, included in other receivables was an amount due from a related company amounted to HK$97,037,901 (2005: Nil), which represented dividend and interest receivables from HKIEC (the "Receivables from HKIEC"). Mr. Fung Wing Cheung, Tony is a common director of the Company and HKIEC. The amount due is unsecured,bearing interest at the average best lending rates offered to Hong Kong Dollars by note-issuing banks in Hong Kong less 2% and repayable when HKIEC has surplus cash after the provision of working capital, transfers to reserves and other provisions based on its budget. The maximum amount outstanding during the year was HK$97,037,901 (2005: Nil).

As at 31st December, 2006, HK$8,306,323 out of the Receivables from HKIEC related to the dividend and interest receivable on behalf of a related company in which Mr. Fung Wing Cheung, Tony, Mr. Fung Yiu Fai, Peter and Mr. Lee Wa Lun, Warren are common directors of the Company and the related company. As at 31st December, 2006, that amount due to a related company was included in other payables (note 28).

The Group maintains defined credit policies. The following is an ageing analysis of trade receivables at the balance sheet date:

	2006	**2005**
	HK$	*HK$*
0 – 30 days	1,401,982	471,324
31 – 60 days	58,881	29,621
61 – 90 days	15,184	–
Over 90 days	5,061	11,556
	1,481,108	512,501

25. LOANS TO/FROM MINORITY INTERESTS

Loans to minority interests are unsecured, interest free and repayable on demand. Accordingly, the loans are classified as current assets.

Loans from minority interests are unsecured, interest free and are not repayable in the next twelve months after the balance sheet date. Accordingly, the loans are classified as non-current liabilities.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2006 *HK$*	**2005** *HK$*
Debt securities listed outside Hong Kong	17,082,000	7,868,250
Market value of debt securities	17,082,000	7,868,250

The above financial assets are classified as held for trading.

Federal-Mogul Corporation ("Federal-Mogul")

Federal-Mogul manufactures and distributes components for light trucks, automobiles, heavy duty trucks, farm and construction vehicles, and industrial products. Federal-Mogul markets its products to original equipment manufacturers located worldwide. Federal-Mogul also manufactures and supplies its products to the aftermarket.

The Group holds a nominal value of USD3,000,000 bond in Federal-Mogul (the "Federal-Mogul Bond"). The Federal-Mogul Bond maturing in 2004 carries a coupon rate of 7.5% per annum payable semi-annually matured in 2004 and renewed with a new coupon rate of 0.5% per annum.

The cost of investment is approximately USD715,000. Coupon interest of approximately USD15,000 was received during the year (2005: USD15,000). As at 31st December, 2006, the market value of the investment in the Federal-Mogul Bond was approximately USD2,190,000 (2005: approximately USD1,009,000).

Subsequent to the balance sheet date, the debt securities have been disposed of amounted to HK$18,837,000.

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK FIXED DEPOSITS

	Group		**Company**	
	2006 *HK$*	**2005** *HK$*	**2006** *HK$*	**2005** *HK$*
Cash and bank balances	3,193,738	3,137,210	197,704	192,821
Time deposits	150,222,990	19,187,626	93,207,971	2,342,306
	153,416,728	22,324,836	93,405,675	2,535,127
Less: Pledged bank fixed deposits	(10,537,895)	(16,813,031)	–	–
Cash and cash equivalents	142,878,833	5,511,805	93,405,675	2,535,127

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates of 3.7% to 5.225% (2005: 2.45% to 4.275%) per annum. The carrying amounts of the cash and cash equivalents and the pledged deposits approximates to their fair values.

As at 31st December, 2006, the bank fixed deposits of HK$10,537,895 (2005: HK$16,813,031) were pledged to a financial institution to secure borrowing facilities granted to the Group, which were included as "Borrowings" in note 29.

28. OTHER PAYABLES, ACCRUED EXPENSES AND DEPOSITS RECEIVED

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$	*HK$*	*HK$*	*HK$*
Other payables and accrued expenses	20,469,316	2,991,374	963,085	850,251
Rental deposits received	5,612,535	8,868,792	–	–
	26,081,851	11,860,166	963,085	850,251

As at 31st December, 2006, included in other payables and accrued expenses of the Group were amount due to a related company amounted to HK$8,711,415 (2005: HK$308,891) of which HK$8,306,323 (2005: Nil) represented dividend and interest receivables by the Group on behalf of the related company.

As at 31st December, 2006, included in other payables and accrued expenses of the Company were amount due to a related company amounted to HK$405,092 (2005: HK$308,891).

Mr. Fung Wing Cheung, Tony, Mr. Fung Yiu Fai, Peter and Mr. Lee Wa Lun, Warren are common directors of the Company and the related company. The amount due to the related company is unsecured, interest-free and repayable on demand.

29. BORROWINGS

Group

	2006	**2005**
	HK$	*HK$*
Secured		
Bank borrowings – floating rate	917,880,958	475,054,574
Other borrowings – fixed rate	8,413,034	10,496,176
	926,293,992	485,550,750
Carrying amount repayable:		
Within one year	38,322,174	10,496,176
More than one year, but not exceeding two years	24,500,000	458,171,016
More than two years, but not more than five years	769,500,000	16,883,558
More than five years	93,971,818	–
	926,293,992	485,550,750
Less: Amounts due within one year shown under current liabilities	(38,322,174)	(10,496,176)
Amount due more than one year shown under non-current liabilities	887,971,818	475,054,574

As at 31st December, 2006, bank borrowings were secured by investment properties (note 17), rental receivables from those investment properties and receivables due from HKIEC or any shareholder of HKIEC to a subsidiary of the Company; and supported by guarantees provided by the Company ,Mr. Fung Yiu Fai, Peter, a director of the Company. Mr. Yu Kwok Chuen, Eddie, a director of the properties holding subsidiary of the Company. Other borrowings of HK$8,413,034 (2005: HK$10,496,176) repayable within one year were secured by bank fixed deposits (note 27) and supported by guarantee provided by the Company.

As at 31st December, 2005, bank borrowings of HK$330,000,000 had been classified as non-current liabilities because the Group expected, and had the discretion, to rollover the borrowings after one year from the balance sheet date.

Group

The ranges of effective interest rates at the balance sheet date (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2006	**2005**
Effective interest rate per annum:		
Fixed rate borrowings	2.86% to 4.18%	2.93% to 3.17%
Floating rate borrowings	HIBOR + 0.62% to HIBOR + 2.3%	HIBOR + 0.75% to HIBOR + 2.3%

The carrying amounts of the borrowings approximate their fair value.

The carrying amounts of the borrowings are denominated in the following currencies:

	2006	**2005**
	HK$	*HK$*
Hong Kong dollars	917,880,958	475,054,574
Euro	8,413,034	10,496,176
	926,293,992	485,550,750

During the year, the Group entered into two interest rate swap contracts of total notional amount of HK$100 million at fixed interest rates ranged from 4.3% to 4.4% per annum with maturity date on 30th September, 2008 and 30th September, 2010, respectively. The interest rate swap contracts were entered into for the purpose of re-adjusting the exposure of the fluctuations arising from the floating interest rate of the borrowings.

30. SHARE CAPITAL

	2006	**2005**
	HK$	*HK$*
Authorised:		
2,100,000,000 (2005: 2,100,000,000) ordinary shares of HK$0.1 each	210,000,000	210,000,000
Issued and fully paid:		
1,691,171,989 (2005: 1,691,171,989) ordinary shares of HK$0.1 each	169,117,199	169,117,199

31. RESERVES

Group

The amount of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 38 to 39 of the financial statements.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), a portion of the profits of a PRC entity controlled by the Group's associate has been transferred to reserve funds which are restricted to use.

As at 31st December, 2006, investment revaluation reserve represents changes in fair value of available-for-sale financial assets.

Company

	Share premium	Capital redemption reserve	Retained earnings	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1st January, 2005	311,582,062	4,031,600	221,163,796	536,777,458
Loss for the year	–	–	(85,999,126)	(85,999,126)
2005 proposed final dividend *(note 13)*	–	–	(33,823,440)	(33,823,440)
At 31st December, 2005 and 1st January, 2006	311,582,062	4,031,600	101,341,230	416,954,892
Loss for the year	–	–	(181,798,136)	(181,798,136)
At 31st December, 2006	311,582,062	4,031,600	(80,456,906)	235,156,756

32. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net assets attributable to the equity holders of the Company of HK$732,331,045 (2005: HK$900,448,485) and 1,691,171,989 (2005: 1,691,171,989) ordinary shares in issue as at 31st December, 2006.

33. DEFERRED TAX LIABILITIES

Group

Deferred taxation is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement in deferred tax (assets)/liabilities during the year is as follows:

	Accelerated tax depreciation		Fair value gain		Tax losses		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st January	2,642,085	–	64,580,192	–	(343,514)	–	66,878,763	–
Arising from acquisition of a subsidiary	–	1,812,829	–	64,580,192	–	(2,452,019)	–	63,941,002
Charged/(credited) to income statement	2,490,610	829,256	–	–	(869,019)	2,108,505	1,621,591	2,937,761
At 31st December	5,132,695	2,642,085	64,580,192	64,580,192	(1,212,533)	(343,514)	68,500,354	66,878,763

As at 31st December, 2006, the Group has unused tax losses of HK$21,685,606 (2005: Nil) available to offsetting against future taxable profits of the companies which incurred these losses. Deferred tax assets are not recognised in respect of these tax losses due to the unpredictability of future profit stream. These tax losses do not expire under current tax legislation. There were no material unrecognised deferred tax liabilities.

Company

The Company had no material unrecognised deferred tax assets and liabilities as at 31st December, 2006 (2005: Nil).

34. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st December, 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

Group

	2006	2005
	HK$	*HK$*
Investment properties		
Amount receivable		
Within one year	65,554,831	42,935,283
In the second to fifth years	39,864,243	10,743,739
	105,419,074	53,679,022

The Group leases its investment properties (note 17) under operating lease arrangements which run for an initial period of one to two years. The terms of the leases generally also require the tenants to pay security deposits. None of the leases includes contingent rentals.

Company

The Company does not have any minimum lease receipts under non-cancellable operating leases.

35. CAPITAL COMMITMENTS

Group

The Group had the following capital commitments at the balance sheet date:

	2006	2005
	HK$	*HK$*
Contracted but not provided for		
Investment properties	–	253,790,000
Available-for-sale financial assets	–	59,000,000
	–	312,790,000

Company

The Company does not have any significant commitments as at 31st December, 2005 and 2006.

36. FINANCIAL GUARANTEE CONTRACTS

The Company has executed a guarantee to a bank to secure the outstanding indebtedness due by a subsidiary amounting to approximating HK$714 million (2005: approximately HK$445 million).

The Company has executed a guarantee to a financial institution to secure the borrowing facilities available to a wholly-owned subsidiary in the amount not exceeding US$15 million (2005: US$15 million). The outstanding indebtedness at 31st December, 2006 was approximating Euro 819,000(2005: approximating Euro 1.1 million).

Under the guarantees, the Company would be liable to pay the holders of these guarantees if they are unable to recover the loan. At the balance sheet date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was not probable that the loan would be in default and they were secured by the properties and fixed deposits with value of HK$1,340 million and HK$11 million, respectively at 31st December, 2006.

37. RELATED PARTY TRANSACTIONS

(a) Saved as these disclosed elsewhere in the financial statements, the Group had the following significant related party transactions during the year:

	Group	
	2006	2005
	HK$	*HK$*
Management fee expenses to Yu Ming Investment Management Limited ("YMIM")	13,306,316	11,288,498

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

On 4th March, 2002, a supplemental agreement ("Supplemental Agreement") was approved by independent shareholders to extend the expiry date of the Existing Investment Management Agreement to 31st March, 2007. Under the Supplemental Agreement, the management fee remains unchanged. Pursuant to the Supplemental Agreement, YMIM will not be entitled to the incentive fee if the Group reports an accumulated loss during the term of the Supplemental Agreement at the time of the incentive fee computation. Therefore, the incentive fee will be equivalent to 20% of the amount by which the audited consolidated profit before tax for each year ending 31st December (before adjusting for the incentive fee), and after offsetting the accumulated loss during the term of the Supplemental Agreement, if any, exceeds 6% of the average monthly net asset value of the Group for such financial year. For the calculation of management fee and incentive fee, the associated companies and jointly controlled entity of the Group will not be equity accounted for the purpose of calculating such quarterly and average monthly net asset value and consolidated profit before tax. For the years ended 31st December, 2005 and 2006, no incentive fee was charged by YMIM.

The Existing Investment Management Agreement and the Supplemental Agreement were premised on the principle that incentive fee should be paid on "realised profit". The agreement had not anticipated the recording of investment properties revaluation through the income statement, as required by the new HKAS 40 "Investment Property" with effect from 1st January, 2005.

For the computation of incentive fee, YMIM proposes to maintain the adoption of the old Hong Kong Statement of Standard Accounting Practice 13 "Accounting for Investment properties" in which the unrealised gain arising from the revaluation of investment properties (the "Unrealised Gain") is not dealt with in the income statement, but as movements in the investment property revaluation reserve. On the disposal of the relevant investment properties, the relevant portion of the investment property revaluation reserve realised in respect of the previous valuations will be released to the income statement. As a result, the computation of the incentive fee should not take into account any unrealised gain recognised in the income statement but should be based on the surplus of the sale price over the acquisition costs at the time the relevant investment properties are actually disposed of.

However, as the Group already recorded an accounting profit for property revaluation surplus in share of results of associates in 2005, it is possible that no accounting profit would be reported when the relevant properties are disposed of in a subsequent year at a price well above its acquisition cost. In that case, an incentive fee computed on, inter alia, the basis of such "realised' disposal profit would still be payable to YMIM in the year of the disposal, irrespective of the Group's reported profit in that year.

(b) The Group occupies office space of YMIM and reimburses to YMIM 40% of its office and equipment expenses in accordance with the Existing Investment Management Agreement. Such expenses reimbursed to YMIM during the year ended 31st December, 2006 amounted to HK$896,144 (2005: HK$780,752). The Group utilised certain staff employed by YMIM and reimbursed staff costs of HK$466,966 to YMIM for 2006 (2005: HK$453,354). Such reimbursed costs are included in "Administrative and other Operating Expenses" on the face of the consolidated income statement.

(c) As at 31st December, 2006, the Group had the following interests in units of the following trusts:

	2006		2005	
	Units	*HK$*	*Units*	*HK$*
MYM China Trust	136.0970	45,424,856	136.0970	29,101,937
MYM High Yield Bond Trust	101.4612	28,615,821	101.4612	24,813,948

Both trusts are managed by MYM Management Limited ("MYMML") of which Mr. Fung Wing Cheung, Tony is the director of MYMML, and the director and shareholder of the Company.

(d) The Group has been charged an administrative fee of HK$180,000 (2005: HK$180,100) and advisory fee of HK$Nil (2005: HK$250,000) by YMIM.

(e) As part of security for the bank borrowings granted to the Group, a personal guarantee from Mr. Fung Yiu Fai, Peter, a director of the Company is provided to the bank.

(f) As at 31st December, 2006, HK$8,460,163 (2005: HK$8,443,401) advanced by Mr. Fung Wing Cheung, Tony to Honnex Development Limited ("Honnex"), a subsidiary of the Company, of which Mr. Fung Wing Cheung, Tony is a director and shareholder of both Honnex and the Company. The loan to Honnex is unsecured, interest free and has no fixed repayment terms.

(g) During the year ended 31st December, 2006, consultancy fee of HK$480,000 (2005: HK$480,000) and commission of HK$Nil (2005: HK$900,000) were charged by Marking Limited, a minority shareholder of the Group. Mr. Yu Kwok Chuen, Eddie is a shareholder of Marking Limited.

(h) On 4th July, 2005, the Company entered into a sale and purchase agreement with YMIM in relation to the transfer of the 22.15% equity interest in IEC Investments Limited from YMIM to the Company. The transaction had been approved by shareholders of the Company on 12th August, 2005.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

38.1 Market price risk

The Group is exposed to equity securities and debt securities which are classified in the consolidated balance sheet either as available-for-sale financial assets or financial assets at fair value through profit or loss. They are susceptible to market price risk arising from uncertainties about the future prices of the instruments.

38.2 Credit risk

The Group takes an exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The Group is responsible for monitoring the amount of credit exposure to any financial institution.

The Group's maximum exposure to credit risk in the event of the counter parties failure to perform their obligations as at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group review the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment loss are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

38.3 Liquidity risk

The Group invests in both listed and unlisted securities. Those listed securities are considered readily realisable as they are listed in regulated stock exchanges. Those unlisted securities may not be traded in an organized public market and may be illiquid, As a result, the Group may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

38.4 Cash flow and fair value interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows since the Group has significant interest-bearing assets and long-term borrowings issued at variable rates.

The cash flow interest rate risks are managed by means of derivative financial instruments. The Group entered into interest rate swaps to hedge against its exposures to changes in fair values for some of the borrowings. Interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an approximate mix of fixed and floating rate exposure. The swaps mature over the next 2 to 4 years matching the maturity of the related loans and have fixed swap rates ranging from 4.3% to 4.4% (2005: 4.3% to 4.4%). As at 31st December, 2006, the Group had interest rate swaps with a notional contract amount of HK$100 million (2005: HK$100 million).

38.5 Currency risk

The Group holds available-for-sale financial assets denominated in currencies other than HK dollars. The Group is therefore exposed to currency risk, as the value of the securities and foreign currencies will fluctuate due to the changes in exchange rates.

38.6 Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair value.

39. BUSINESS COMBINATION

(a) Honnex Development Limited

On 5th September, 2005, the Group's shareholdings in Honnex Development Limited ("Honnex") increased from 30% to 61.22%, which was formerly an associate of the Group. Honnex contributed revenue of HK$17,634,711 and net profit of HK$8,198,531 to the Group for the period from 5th September, 2005 to 31st December, 2005. If the acquisition had occurred on 1st January, 2005, the Group's revenue and profit for the year would have been HK$67,867,408 and HK$352,548,538 respectively. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had acquisition been completed on 1st January, 2005, nor is it intended to be a projection of future results.

The assets and liabilities acquired are as follows:

	Fair value *HK$*	Acquiree's carrying amount *HK$*
Investment properties	800,000,000	800,000,000
Long term deposit	35,000,240	35,000,240
Trade and other receivables and deposits paid	3,673,642	3,673,642
Cash and cash equivalents	462,971	462,971
Borrowings	(144,715,000)	(144,715,000)
Other payables, accrued expenses and deposits received	(13,763,139)	(13,763,139)
Taxation payable	(30,739,645)	(30,739,645)
Loans from shareholders	(176,993,428)	(176,993,428)
Deferred tax liabilities	(63,941,002)	(63,941,002)
	408,984,639	408,984,639
Minority interests	(150,253,386)	
Interests in the associate at the date it became a subsidiary	(226,037,136)	
Net assets acquired	32,694,117	
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combination	(11,900,206)	
Consideration	20,793,911	

	HK$
Satisfied by:	
Total cash paid	72,000,000
Less: Repayment of loans due to minority interests on behalf of the subsidiary acquired	(51,206,089)
Cash paid for acquisition of additional equity interests	20,793,911
Net cash outflow arising on acquisition:	
Cash consideration paid	72,000,000
Cash and cash equivalents in a subsidiary acquired	(462,971)
	71,537,029

The excess of acquirer's interest in the net fair value of acquiree's identified assets, liabilities and contingent liabilities over cost of business combination is attributable to the discount on the acquisition of the minority stake in Honnex.

(b) IEC Investments Limited

On 9th September, 2005, the Group increased its shareholdings in IEC Investments Limited from 37.85% to 60%, which was formerly a jointly controlled entity of the Group. IEC Investments Limited contributed revenue of HK$2,783 and net loss of HK$2,839,199 to the Group for the period from 9th September, 2005 to 31st December, 2005. If the acquisition had occurred on 1st January, 2005, the Group's revenue and profit for the year would have been HK$35,473,390 and HK$146,668,373 respectively. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had acquisition been completed on 1st January, 2005, nor is it intended to be a projection of future results.

The assets and liabilities acquired are as follows:

	Fair value *HK$*	**Acquiree's carrying amount** *HK$*
Available-for-sale financial assets	313,028,719	313,028,719
Trade and other receivables and deposits paid	2,736	2,736
Cash and cash equivalents	16,266	16,266
Other payables, accrued expenses and deposits received	(15,087)	(15,087)
Loans from shareholders	(313,027,219)	(313,027,219)
	5,415	5,415
Minority interests	8,599	
Interests in the jointly controlled entity at the date its became a subsidiary	8,136	
Net assets acquired	22,150	
Goodwill on acquisition	1,037,788	
Consideration	1,059,938	

	HK$
Satisfied by:	
Total cash paid	70,395,467
Less: Repayment of loans due to minority interests on behalf of the subsidiary acquired	(69,335,529)
Cash paid for acquisition of additional equity interests	1,059,938
Net cash outflow arising on acquisition:	
Cash consideration paid	70,395,467
Cash and cash equivalents in a subsidiary acquired	(16,266)
	70,379,201

There were no acquisitions in the year ended 31st December, 2006.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

Set out below are the unaudited condensed consolidated financial statements and notes to the financial statements of the Group for the six months ended 30th June, 2007 extracted from the 2007 interim report of the Company. There were no extraordinary items nor exceptional items in respect of the unaudited condensed consolidated financial statements of the Group for each of the six months ended 30th June, 2006 and 30th June, 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

		Unaudited Six months ended 30th June,	
		2007	**2006**
	Notes	*HK$*	*HK$*
Continuing operations:			
Revenue	*5*	28,944,288	26,798,397
Other net income	*6*	36,053,791	12,786,612
Administrative and other operating expenses		(9,134,690)	(15,703,917)
Operating profit		55,863,389	23,881,092
Finance costs	*8*	(6,250,431)	(1,839,156)
Share of results of:			
associates		–	(1,688,011)
a jointly controlled entity		1,564,019	945,542
Profit before income tax	*9*	51,176,977	21,299,467
Income tax expense	*10*	–	–
Profit for the period from continuing operations		51,176,977	21,299,467
Discontinued operations:	*11*		
Profit for the period from discontinued operations		15,516,448	9,514,562
Profit for the period		66,693,425	30,814,029
Attributable to:			
– Equity holders of the Company		53,864,795	21,518,252
– Minority interests		12,828,630	9,295,777
Profit for the period		66,693,425	30,814,029

		Unaudited Six months ended 30th June, 2007	2006
	Notes	*HK$*	*HK$*
Earnings per share for profit attributable to the equity holders of the Company during the period	*12*		
– Basic (HK cents)			
From continuing and discontinued operations		3.19	1.27
From continuing operations		2.62	0.93
– Diluted		N/A	N/A
Dividends	*13*	–	–

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2007

		Unaudited 30th June, 2007	Audited 31st December, 2006
	Notes	*HK$*	*HK$*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	*14*	–	1,340,000,000
Interests in associates		–	–
Interests in a jointly-controlled entity		–	1,438,648
Available-for-sale financial assets	*15*	70,282,351	464,219,216
Goodwill		–	–
		70,282,351	1,805,657,864
Current assets			
Trade and other receivables and deposits paid	*16*	2,596,997	101,133,077
Available-for-sale financial assets	*15*	78,000	663,000
Loans to minority interests		–	25,600,000
Financial assets at fair value through profit or loss		–	17,082,000
Pledged bank fixed deposits	*17*	–	10,537,895
Cash and cash equivalents	*17*	231,889,241	142,878,833

	Notes	Unaudited 30th June, 2007 HK$	Audited 31st December, 2006 HK$
		234,564,238	297,894,805
Assets classified as held for sale		1,802,562,211	–
		2,037,126,449	297,894,805
Current liabilities			
Other payables, accrued expenses and deposits received	*19*	762,492	26,081,851
Borrowings	*20*	–	38,322,174
Taxation payable		–	22,996,019
		762,492	87,400,044
Liabilities associated with assets classified as held for sale	*18*	1,108,032,363	–
		1,108,794,855	87,400,044
Net current assets		928,331,594	210,494,761
Total assets less current liabilities		998,613,945	2,016,152,625
Non-current liabilities			
Borrowings	*20*	–	887,971,818
Loans from minority interests		–	120,172,611
Rental deposits received		–	14,791,198
Deferred tax liabilities		–	68,500,354
		–	1,091,435,981
Net assets		998,613,945	924,716,644
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*21*	169,117,199	169,117,199
Reserves		624,282,517	563,213,846
		793,399,716	732,331,045
Minority interests		205,214,229	192,385,599
Total equity		998,613,945	924,716,644

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	Unaudited									
	Equity attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	Proposed dividend	Retained earnings	Total		
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
1st January, 2007	169,117,199	311,582,062	4,031,600	366,772	36,303,995	–	210,929,417	732,331,045	192,385,599	924,716,644
Fair value gain on available-for-sale financial assets	–	–	–	–	35,755,354	–	–	35,755,354	–	35,755,354
Net income recognise directly in equity	–	–	–	–	35,755,354	–	–	35,755,354	–	35,755,354
Profit for the period	–	–	–	–	–	–	53,864,795	53,864,795	12,828,630	66,693,425
Total recognised income and expense for the period	–	–	–	–	35,755,354	–	53,864,795	89,620,149	12,828,630	102,448,779
Realisation of revaluation surplus of available-for-sale financial assets on disposal	–	–	–	–	(28,551,478)	–	–	(28,551,478)	–	(28,551,478)
At 30th June, 2007	169,117,199	311,582,062	4,031,600	366,772	43,507,871	–	264,794,212	793,399,716	205,214,229	998,613,945

	Unaudited									
	Equity attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	Proposed dividend	Retained earnings	Total		
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
1st January, 2006	169,117,199	311,582,062	4,031,600	366,772	14,904,808	33,823,440	366,622,604	900,448,485	152,288,130	1,052,736,615
Fair value gain on available-for-sale financial assets	–	–	–	–	10,323,698	–	–	10,323,698	–	10,323,698
Net income recognised directly in equity	–	–	–	–	10,323,698	–	–	10,323,698	–	10,323,698
Profit for the period	–	–	–	–	–	–	21,518,252	21,518,252	9,295,777	30,814,029
Total recognised income and expense for the period	–	–	–	–	10,323,698	–	21,518,252	31,841,950	9,295,777	41,137,727
2005 Final dividend paid	–	–	–	–	–	(33,823,440)	–	(33,823,440)	–	(33,823,440)
Realisation of revaluation surplus of available-for-sale financial assets on disposal	–	–	–	–	(3,089,222)	–	–	(3,089,222)	–	(3,089,222)
At 30th June, 2006	169,117,199	311,582,062	4,031,600	366,772	22,139,284	–	388,140,856	895,377,773	161,583,907	1,056,961,680

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	Unaudited Six months ended 30th June, 2007 HK$	2006 HK$
Net cash generated from operating activities, including discontinued operations	58,373,591	4,159,554
Net cash generated from/(used in) investing activities, including discontinued operations	88,675,839	(196,189,784)
Net cash (used in)/generated from financing activities, including discontinued operations	(56,793,992)	253,688,375
Increase in cash and cash equivalents	90,255,438	61,658,145
Cash and cash equivalents as at 1st January	142,878,833	5,511,805
Cash and cash equivalents as at 30th June	233,134,271	67,169,950
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents of continuing operations	231,889,241	67,169,950
Cash and cash equivalents included in assets held for sale – cash and bank balances	1,245,030	–
	233,134,271	67,169,950

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Yu Ming Investments Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of the Company's registered office is Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong and, its principal place of business is in Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Principal activities of the Company and its subsidiaries (the "Group") include the investments in listed and unlisted securities and properties.

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated financial statements for the six-months ended 30th June, 2007 were approved by the board of directors on 31st August, 2007.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as appropriate. Assets and liabilities of disposal groups classified as held for sales are stated at the lower of their carrying amounts and fair values less costs to sell.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006 except as described below.

2.1 Non-current assets (disposal groups) held for sale and discontinued operations

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Assets (and disposal groups), other than financial assets, classified as held for sale are measured at the lower of the assets' (disposed groups') previous carrying amount and fair value less costs to sell.

A discontinued operation is a clearly distinguishable component of the Group's business that has been disposed of or is classified as held for sale, which represents a separate major line of business of the Group. Comparative figures of condensed consolidated income statement have been reclassified to conform with the current period's presentation.

2.2 New and amended HKFRSs

From 1st January, 2007, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") which are first effective on 1st January, 2007 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies. The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-INT 12	Service Concession Arrangements[3]

1 Effective for annual periods beginning on or after 1st January, 2009.

2 Effective for annual periods beginning on or after 1st March, 2007.

3 Effective for annual periods beginning on or after 1st January, 2008.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market price risk

The Group is exposed to equity securities and debt securities which are classified in the consolidated balance sheet either as available-for-sale financial assets or financial assets at fair value through profit or loss. They are susceptible to market price risk arising from uncertainties about the future prices of the instruments.

3.2 Credit risk

The Group takes an exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any.

The Group is responsible for monitoring the amount of credit exposure to any financial institution. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30th June, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group review the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment loss are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

3.3 Liquidity risk

The Group invests in both listed and unlisted securities. Those listed securities are considered readily realisable as they are listed in regulated stock exchanges. Those unlisted securities may not be traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

3.4 Cash flow and fair value interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows since the Group has significant interest-bearing assets and long term borrowings issued at variable rates.

The cash flow interest rate risks are managed by means of derivative financial instruments. The Group entered into interest rate swaps to hedge against its exposures to changes in fair values for some of the borrowings. Interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an approximate mix of fixed and floating rate exposure. The swaps mature over the next 2 to 4 years matching the maturity of the related loans and have fixed swap rates ranging from 4.3% to 4.4% (2006: 4.3% to 4.4%). As at 30th June, 2007, the Group had interest rate swaps with a notional contract amount of HK$100 million (2006: HK$100 million).

3.5 Currency risk

The Group holds available-for-sale financial assets denominated in currencies other than HK dollars. The Group is therefore exposed to currency risk, as the value of the securities and foreign currencies will fluctuate due to the changes in exchange rates.

3.6 Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of noncurrent liabilities was not disclosed because the carrying value is not materially different from the fair value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated fair value of investment properties

The best evidence of fair value of the Group's investment properties is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

4.2 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statement:

(a) Impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the issuer/investee.

(b) Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

5. REVENUE

The principal activities of the Group include the investments in listed and unlisted securities and properties.

	Unaudited Six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Interest income from available-for-sale financial assets	276,052	2,889,241	–	–	276,052	2,889,241
Interest income from financial assets at fair value through profit or loss	29,250	58,500	–	–	29,250	58,500
Interest income from bank deposits	4,870,740	1,263,319	–	–	4,870,740	1,263,319
Dividend income						
– listed investments	71,969	–	–	–	71,969	–
– unlisted investments	22,752,619	22,587,337	–	–	22,752,619	22,587,337
Interest income on accrued dividend income	943,658	–	–	–	943,658	–
Rental Income	–	–	38,005,415	27,180,153	38,005,415	27,180,153
	28,944,288	26,798,397	38,005,415	27,180,153	66,949,703	53,978,550

6. OTHER NET INCOME

	Unaudited Six months ended 30th June, Continuing operations 2007 HK$	Continuing operations 2006 HK$	Discontinued operations 2007 HK$	Discontinued operations 2006 HK$	Consolidated 2007 HK$	Consolidated 2006 HK$
Gain on disposal/ redemption of other available-for-sale financial assets	28,801,560	6,687,266	–	–	28,801,560	6,687,266
Fair value gain on financial assets at fair value through profit or loss	1,755,001	5,703,750	–	–	1,755,001	5,703,750
Written back of provision for impairment of available-for-sale financial assets	5,000,000	–	–	–	5,000,000	–
Sundry income	497,230	395,596	4,629,061	2,864,958	5,126,291	3,260,554
	36,053,791	12,786,612	4,629,061	2,864,958	40,682,852	15,651,570

7. SEGMENT INFORMATION

	Unaudited Six months ended 30th June, Continuing operations Other investment 2007 HK$	Continuing operations Other investment 2006 HK$	Discontinued operations Property investment 2007 HK$	Discontinued operations Property investment 2006 HK$	Consolidated 2007 HK$	Consolidated 2006 HK$
Revenue	28,944,288	26,798,397	38,005,415	27,180,153	66,949,703	53,978,550
Segment result	55,863,389	23,881,092	34,293,311	26,305,268	90,156,700	50,186,360
Finance costs	(6,250,431)	(1,839,156)	(17,111,208)	(15,486,895)	(23,361,639)	(17,326,051)
Share of results of						
– associates	–	(1,688,011)	–	–	–	(1,688,011)
– a jointly controlled entity	1,564,019	945,542	–	–	1,564,019	945,542
Profit before income tax	51,176,977	21,299,467	17,182,103	10,818,373	68,359,080	32,117,840
Income tax expenses	–	–	(1,665,655)	(1,303,811)	(1,665,655)	(1,303,811)
Profit for the period	51,176,977	21,299,467	15,516,448	9,514,562	66,693,425	30,814,029

	Unaudited 30th June, 2007	Audited 31st December, 2006	Unaudited 30th June, 2007	Audited 31st December, 2006	Unaudited 30th June, 2007	Audited 31st December, 2006
	Continuing operations		Discontinued operations			
	Other investment		Property investment		Consolidated	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Assets and liabilities						
Segment assets	761,475,323	757,106,752	1,343,507,213	1,345,007,269	2,104,982,536	2,102,114,021
Interests in associates						
Interests in a jointly controlled entity	2,426,264	1,438,648	–	–	2,426,264	1,438,648
Total assets	763,901,587	758,545,400	1,343,507,213	1,345,007,269	2,107,408,800	2,103,552,669
Segment liabilities	257,637,300	310,667,727	851,157,555	868,168,298	1,108,794,855	1,178,836,025
Other information						
Capital expenditure	–	–	86,000	301,631,896	86,000	301,631,896

8. FINANCE COSTS

	Unaudited Six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Interest on bank borrowings wholly repayable within five years	6,250,431	1,638,802	17,111,208	15,486,895	23,361,639	17,125,697
Interest on other borrowings	–	200,354	–	–	–	200,354
	6,250,431	1,839,156	17,111,208	15,486,895	23,361,639	17,326,051

9. PROFIT BEFORE INCOME TAX

	Unaudited Six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Profit before income tax is arrived at after charging:						
Staff cost (including directors' emoluments)	813,137	494,000	322,468	–	1,135,605	494,000

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period.

The amount of income tax expense charged to the unaudited condensed consolidated income statement represents:

	Unaudited Six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Current tax						
Tax for the period	–	–	968,283	381,413	968,283	381,413
Deferred tax						
Current period	–	–	697,372	922,398	697,372	922,398
	–	–	1,665,655	1,303,811	1,665,655	1,303,811

11. DISCONTINUED OPERATIONS

On 21st June, 2007, the board of directors of the Company resolved to dispose of a subsidiary, Honnex Development Limited ("Honnex"), which the Group held 61.22% equity interests. It initially acquired the shares of Honnex in July 1997. Upon completion of the transaction, which is expected will be in December 2007, the Group will receive cash proceeds of HK$372 million.

The Group is from time to time seeking a good return on its investments. The Group is in the course of formulating a new investment strategy and this disposal is part of this new investment strategy.

An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated income statement and the condensed consolidated cash flows statement is as follows:

	Unaudited	
	Six months ended 30th June,	
	2007	**2006**
	HK$	*HK$*
Revenue	38,005,415	27,180,153
Other net income	4,629,061	2,864,958
Valuation (deficit)/ surplus on investment properties	(86,000)	3,254,111
Expenses	(25,366,373)	(22,480,849)
Profit before income tax	17,182,103	10,818,373
Income tax expense	(1,665,655)	(1,303,811)
Profit for the period from discontinued operations	15,516,448	9,514,562
Operating cash flows	10,098,436	8,246,639
Investing cash flows	(86,001)	(270,153,334)
Financing cash flows	(11,750,000)	260,058,337
Total cash flows	(1,737,565)	(1,848,358)

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$53,864,795 (2006: HK$21,518,252) and on 1,691,171,989 (2006: 1,691,171,989) ordinary shares in issue during the period.

For operations attributable

The calculation of the basic earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	2007	**2006**
	HK$	*HK$*
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per share	53,864,795	21,518,252
Profit for the period from discontinued operations	15,516,448	9,514,562
Less: Profit for the period attributable to minority interests from discontinued operations	(6,016,582)	(3,689,320)
	9,499,866	5,825,242
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per share from continuing operations	44,364,929	15,693,010

Basic earnings per share attributable to the equity holders of the Company for the continuing operations is HK2.62 cents per share (2006: HK0.93 cents per share), based on the profits for the period attributable to the equity holders of the Company from continuing operations of approximately HK$44.4 million (2006: approximately HK$15.7 million) on 1,691,171,989 (2006: 1,691,171,989) ordinary shares in issue during the period.

For discontinued operations

Basic earnings per share attributable to the equity holders of the Company for the discontinued operations is HK0.57 cents per share (2006: HK0.34 cents per share), based on the profits for the period attributable to the equity holders of the Company from discontinued operations of approximately HK$9.5 million (2006: approximately HK$5.8 million) and on 1,691,171,989 (2006: 1,691,171,989) ordinary shares in issue during the period. No diluted earnings per share is presented as the Group had no dilutive potential ordinary shares during the period.

13. DIVIDENDS

At a meeting held on 31st August, 2007, the board of directors resolved not to declare an interim dividend for the period (2006: Nil).

14. INVESTMENT PROPERTIES

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

Changes to the carrying amounts presented in the condensed consolidated balance sheet can be summarised as follows:

	Unaudited 30th June, 2007 *HK$*	**Audited 31st December, 2006** *HK$*
Fair value		
Carrying amount at 1st January	1,340,000,000	1,020,113,993
Additions	86,000	318,206,382
Net (loss)/gain from fair value adjustments	(86,000)	1,679,625
Reclassified as assets held for sale *(note 18)*	(1,340,000,000)	–
Carrying amount	–	1,340,000,000

As at 30th June, 2007, all investment properties were classified as assets held for sale.

The investment properties at fair values of HK$1,340,000,000 were valued at 30th June 2007 and 31st December 2006 by Asset Appraisal Limited, an independent firm of professional valuers, based on current prices in an active market.

As at 31st December, 2006, bank borrowings of HK$713,909,140 are secured by the above investment properties (note 20).

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Unaudited 30th June, 2007 *HK$*	Audited 31st December, 2006 *HK$*
Non-current		
Listed equity securities		
– listed in Hong Kong	68,409,353	28,573,377
– listed outside Hong Kong	1,608,296	77,113,949
	70,017,649	105,687,326
Unlisted equity and debt securities	264,702	358,531,890
	70,282,351	464,219,216
Current		
Unlisted debt securities	78,000	663,000
	70,360,351	464,882,216
Market value of listed equity securities	70,017,649	105,687,326

16. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	Unaudited 30th June, 2007 *HK$*	Audited 31st December, 2006 *HK$*
Trade receivables	–	1,481,108
Other receivables	2,596,997	99,073,016
Deposits paid	–	578,953
	2,596,997	101,133,077

The Group maintains defined credit policies. The following is an ageing analysis of trade receivables at the balance sheet date:

	Unaudited 30th June, 2007 *HK$*	Audited 31st December, 2006 *HK$*
0 – 30 days	–	1,401,982
31 – 60 days	–	58,881
61 – 90 days	–	15,184
Over 90 days	–	5,061
	–	1,481,108

As at 30th June, 2007, all trade receivables were classified as assets held for sale.

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK FIXED DEPOSITS

	Unaudited 30th June, 2007 *HK$*	Audited 31st December, 2006 *HK$*
Cash and bank balances	287,373	3,193,738
Time deposits	231,601,868	150,222,990
	231,889,241	153,416,728
Less: Pledged bank fixed deposits	–	(10,537,895)
Cash and cash equivalents	231,889,241	142,878,833

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates of 3.95% to 5.195% (2006: 3.7% to 5.225%) per annum. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

As at 30th June, 2007, the bank fixed deposit of HK$20,744,291 (2006: HK$10,537,895) was pledged to financial institution to secure borrowing granted to the Group, which was classified as "Assets classified as held for sale" (note 18).

18. ASSETS CLASSIFIED AS HELD FOR SALE

On 21st June, 2007, the board of directors of the Company resolved to dispose of subsidiaries – Honnex and IEC Investments Limited ("AWE"), and AsiaWorld-Expo Management Limited ("AWE Operator") a jointly-controlled entity, which the Group held 61.22%, 60% and 40% equity interests, respectively. Honnex is principally engaged in investment holding, property investment and letting. AWE is principally engaged in investment holding. AWE Operator is principally engaged in management and operation of exhibition facilities.

The major classes of assets and liabilities of Honnex, AWE and AWE Operator at 30th June, 2007 which are classified as assets held for sale are as follows:

	Fair value and carrying amount upon being classified as held for sale *HK$*
Assets	
Investment properties *(note 14)*	1,340,000,000
Interests in a jointly controlled entity	2,426,264
Available-for-sale financial assets	352,941,176
Loans to minority interests	25,600,000
Trade receivables *(note a)*	1,719,377
Other receivables and deposits paid	57,886,073
Pledged bank fixed deposits *(note 17)*	20,744,291
Cash and cash equivalents	1,245,030
Assets classified as held for sale	1,802,562,211
Liabilities	
Other payables, accrued expenses and deposits received	5,722,010
Taxation payable	22,699,531
Bank borrowings	869,460,001
Loans from minority shareholders	120,212,611
Rental deposits received	20,740,484
Deferred tax liabilities	69,197,726
Liabilities associated with assets classified as held for sale	1,108,032,363
Net assets of operation classified as held for sale	694,529,848

(a) Trade receivables

The Group maintains defined credit policies. The following is an ageing analysis of trade receivables at the balance sheet date:

	HK$
0 – 30 days	746,276
31 – 60 days	36,008
61 – 90 days	160,737
Over 90 days	776,356
	1,719,377

19. OTHER PAYABLES, ACCRUED EXPENSES AND DEPOSITS RECEIVED

	Unaudited 30th June, 2007 *HK$*	Audited 31st December, 2006 *HK$*
Other payables and accrued expenses	762,492	20,469,316
Rental deposits received	–	5,612,535
	762,492	26,081,851

20. BORROWINGS

	Unaudited 30th June, 2007 *HK$*	Audited 31st December, 2006 *HK$*
Secured		
Bank borrowings	–	917,880,958
Other borrowings	–	8,413,034
	–	926,293,992
Carrying amount repayable:		
Within one year	–	38,322,174
More than one year, but not exceeding two years	–	24,500,000
More than two years, but not more than five years	–	769,500,000
More than five years	–	93,971,818
	–	926,293,992
Less: Amounts due within one year shown under current liabilities	–	(38,322,174)
Amount due more than one year shown under non-current liabilities	–	887,971,818

As at 30th June, 2007 all borrowings were classified as liabilities associated with assets held for sale.

21. SHARE CAPITAL

	Unaudited 30th June, 2007 *HK$*	Audited 31st December, 2006 *HK$*
Authorised:		
2,100,000,000 (At 31st December, 2006: 2,100,000,000) ordinary shares of HK$0.1 each	2,100,000,000	2,100,000,000
Issued and fully paid:		
1,691,171,989 (At 31st December, 2006: 1,691,171,989) ordinary shares of HK$0.1 each	169,117,199	169,117,199

22. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions entered by the Group for the six months ended 30th June, 2007, which constitute connected transactions under the Listing Rules were:

	Unaudited Six months ended 30th June, 2007 *HK$*	2006 *HK$*
Management fee expenses to Yu Ming Investment Management Limited ("YMIM")	6,143,518	6,832,130

Under the investment management agreement ("Existing Investment Management Agreement") approved by shareholders on 27th March, 1997 and dated 5th March, 1997 between the Company and YMIM, of which Mr. Fung Wing Cheung, Tony, Mr. Fung Yiu Fai, Peter and Mr. Lee Wa Lun, Warren were the directors of YMIM and the directors of the Company, YMIM agreed to assist the board of directors with the day-to-day management of the Group for a period of five years commencing on 27th March, 1997. YMIM was entitled to a management fee equal to 0.375% of the net asset value on each quarter date and an incentive fee equal to 20% of such amount (if any) by which the audited consolidated profit before tax for each financial year completed (before adjusting for the incentive fee) exceeds such amount as is equal to 6% of average monthly net asset value of the Group for each such financial year. For the calculation of management fee and incentive fee, the associated companies of the Group were not equity accounted for he purpose of calculating such quarterly and average monthly net asset value and consolidated profit before tax.

On 4th March, 2002, a supplemental agreement ("Supplemental Agreement") was approved by independent shareholders to extend the expiry date of the Existing Investment Management Agreement to 31st March, 2007. Under the Supplemental Agreement, the management fee remained unchanged. Pursuant to the Supplemental Agreement, YMIM would not be entitled to the incentive fee if the Group reported an accumulated loss during the term of the Supplemental Agreement at the time of the incentive fee computation. Therefore, the incentive fee was equivalent to 20% of the amount by which the audited consolidated profit before tax for each year ending 31st December (before adjusting for the incentive fee), and after offsetting the accumulated losses during the term of the Supplemental Agreement, if any, exceeded 6% of the average monthly net asset value of the Group for such financial year. For the calculation of management fee and incentive fee, the associated companies and a jointly controlled entity of the Group would not be equity accounted for the purpose of calculating such quarterly and average monthly net asset value and consolidated profit before tax. For the period ended 30 June 2006 and 2007, no incentive fee was charged by YMIM.

Subsequent to the period ended 30th June, 2007, while the Company was negotiating a new investment management agreement ("New Investment Agreement") with YMIM, the Company entered into interim period agreements ("Interim Period Agreements") with YMIM relating to the appointment of YMIM as the Company's investment manager for an interim period commencing on the expiry of the Supplemental Agreement, effectively from 1st April, 2007 to 4th August, 2007. The terms of the Interim Period Agreements are substantially the same as those contained in the Existing Investment Management Agreement and Supplemental Agreement, except that the incentive fee shall no longer be payable to YMIM during the interim period.

On 22nd June, 2007, the New Investment Management Agreement was entered into by the Company and YMIM, which was approved by shareholders of the Company on 3rd August, 2007. Under the New Investment Management Agreement, YMIM agreed to assist the board of directors of the Company with the day-to-day management of the Group from (i) the earlier of 1st October, 2007; or (ii) the date immediately following the day on which the New Investment Management Agreement was approved by shareholders to 31st December, 2009. YMIM will be entitled to a management fee equal to 1.5% per annum of the consolidated net asset value, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the consolidated net asset value on the last day of each calendar month during each quarter; and a performance fee equal to 20% of the amount by which the audited consolidated net asset value of each year ended 31st December, exceeds (i) if a performance fee has been paid during the management period, the audited consolidated net asset value of the Group as at the end of the latest financial year in which YMIM was entitled to a performance fee; or (ii) if no performance fee has been paid during the management period, the consolidated net asset value of the Group on effective date of the New Investment Management Agreement.

(b) The Group occupies office space of YMIM and reimburses to YMIM 40% of its office and equipment expenses in accordance with the Investment Management Agreement. Such expenses reimbursed to YMIM amounted to HK$415,403 (2006: HK$366,944). The Group utilised certain staff employed by YMIM and reimbursed staff costs of HK$387,920 and HK$316,116 to YMIM for the six months ended 30th June, 2007 and 2006 respectively.

(c) The Group has been charged an administrative fee of HK$128,220 (2006: HK$90,000) by YMIM.

(d) As at 30th June, 2007, HK$8,460,163 (2006: HK$8,460,163) was advanced by Mr. Fung Wing Cheung, Tony to Honnex, a subsidiary of the Company, of which Mr. Fung Wing Cheung, Tony is the director and shareholder of both Honnex and the Company. The loan to Honnex is unsecured, interest free and has no fixed repayment terms.

23. POST BALANCE SHEET EVENTS

(a) As disclosed in note 18, the board of directors of the Company resolved to dispose of Honnex, AWE and AWE Operator, which the Group held 61.22%, 60% and 40% interests, respectively.

On 21st June, 2007, the Company entered into a conditional sale and purchase agreement with Dragages Hong Kong Limited ("Dragages"), a substantial shareholder of AWE, (i) to sell 60% and 40% equity interests of AWE and AWE Operator, respectively; and (ii) to assign the shareholder's loan due from AWE to the Company, which amounted to approximately HK$94 million as at 30th June, 2007, to Dragages at a consideration of HK$180 million in cash, payable in one lump sum upon completion. On 3rd August, 2007, shareholders approved the transactions. As not all conditions have been fulfilled on 15th August, 2007, the original deadline for the sale, completion date has been mutually agreed to be postponed to a date not later than 15th September, 2007. Upon completion, the Group will record a gain of approximately HK$20 million over the carrying cost attributable to the Group of HK$160 million as at 30th June, 2007.

On 3rd July, 2007, a subsidiary of the Company entered into a conditional sale and purchase agreement with a company ("Purchaser") owned by Mr. Fung Wing Cheung, Tony and Mr. Fung Yiu Fai, Peter, who are the directors of the Company, to sell 61.22% equity interests of Honnex at a consideration of HK$372 million in cash. On 9th August, 2007, independent shareholders approved this transaction. Upto the date of this interim report, 20% initial deposits were received. The remaining balance will be payable on completion date, 31st December, 2007, or an earlier date as notified in writing by the Purchaser to the Group prior to the date of completion.

(b) As detailed in note 22, while the Company was negotiating the New Investment Agreement with YMIM, the Company entered into the Interim Period Agreements with YMIM relating to the appointment of YMIM as the Company's investment manager for an interim period commencing on the expiry of the Supplemental Agreement, effectively from 1st April, 2007 to 4th August, 2007. The terms of the Interim Period Agreements are substantially the same as those contained in the Existing Investment Management Agreement and Supplemental Agreement, except that the incentive fee shall be no longer be payable to YMIM during the interim period.

On 22nd June, 2007, the New Investment Management Agreement was entered into by the Company and YMIM, which was approved by shareholders of the Company on 3rd August, 2007. Under the New Investment Management Agreement, YMIM agreed to assist the board of directors of the Company with the day-to-day management of the Group from (i) the earlier of 1st October, 2007; or (ii) the date immediately following the day on which the New Investment Management Agreement was approved by shareholders to 31st December, 2009. YMIM will be entitled to a management fee equal to 1.5% per annum of the consolidated net asset value, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the consolidated net asset value on the last day of each calendar month during each quarter; and a performance fee equal to 20% of the amount by which the audited consolidated net asset value of each year ended 31st December, exceeds (i) if a performance fee has been paid during the management period, the audited consolidated net asset value of the Company as at the end of the latest financial year in which YMIM was entitled to a performance fee; or (ii) if no performance fee has been paid during the management period, the consolidated net asset value of the Company on the effective date of the New Investment Management Agreement.

(c) On 25th July, 2007, a placing agreement ("Placing Agreement") was entered between Sun Hung Kai & Co. Limited, Sun Hung Kai Venture Capital Limited and Best Delta International Limited ("Vendors") and Sun Hung Kai Investment Services Limited ("Placing Agent") and a subscription agreement ("Subscription Agreement") were entered between the Vendors and the Company. Pursuant to the Placing Agreement, Vendors agreed to place, through the Placing Agent 338,000,000 shares to independent investors at a price of HK$0.66 per share. On completion of the placing, each of the Vendors subscribed for the same number of shares placed by them respectively pursuant to the Placing Agreement and Subscription Agreement, at the same price. Net proceeds from the Subscription of approximately HK$214 million (being a net placing price of approximately HK$0.63 per share) will be applied by the Group for general working capital purposes.

4. STATEMENT OF INDEBTEDNESS OF THE GROUP

As at 31st August, 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no outstanding borrowings, excluding liabilities associated with assets classified as held for sale. The total borrowings included in the liabilities associated with assets classified as held for sale amounting to approximately HK$866,960,000 representing bank loans.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding as at 31st August, 2007 any loan, or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

5. FINANCIAL AND TRADING PROSPECTS

The Group made a number of timely moves during the 2007 Interim Period to raise a significant amount of cash. The Group disposed of almost all of its trading equity securities and bonds. The Company raised HK$214 million through a placement of new shares on 25th July, 2007. On 3rd August, 2007, shareholders approved the sale of the Group's entire interests in AsiaWorld-Expo for HK$180 million , completion of which is expected in September 2007. On 9th August, 2007, shareholders approved the sale of the Group's property portfolio for HK$372 million, completion is expected in December 2007.

The Group currently has significant liquidity to take advantage of opportunities that may emerge from the current turmoil in the stock market.

The Group plans to originate investment in Main Board listed companies that emerge from restructuring. At present, the Group has, through Yu Ming Investment Management limited, submitted a proposal to the Stock Exchange in relation to a main Board listed company with a prospect of a revived listing through asset injections. The proposal already has the support of the existing substantial shareholders of the listed company. At the same time, the Group has submitted a bid to the provisional liquidators of another suspended Main Board listed company with a view of reviving its listing. there is however no guarantee that any of the above deals will be approved or accepted.

6. STATEMENT OF UNAUDITED PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED SHARE REPURCHASE

The following is the unaudited pro forma financial information of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Proposed Share Repurchase on (i) the unaudited pro forma consolidated earnings per share for profit attributable to the equity holders of the Company for the six months ended 30th June, 2007 as if it had taken place on 1st January, 2007; and (ii) the unaudited pro forma consolidated net asset value per share attributable to the equity holders of the Company as at 30th June, 2007 as if it had taken place on 30th June, 2007.

The unaudited pro forma financial information of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the Group's financial position following the Proposed Share Repurchase.

(a) The unaudited pro forma consolidated earnings per share for profit attributable to the equity holders of the Company

This statement is based on the unaudited consolidated net profit attributable to the equity holders of the Company for the six months ended 30th June, 2007 as shown in the unaudited financial statements of the Group for the six months ended 30th June, 2007, the text of which is set out in appendix I to this Circular, after giving effect to the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments in the notes thereto that are (i) directly attributable to the transaction; and (ii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma consolidated earnings per share for profit attributable to the equity holders of the Company is based on a number of assumptions and estimates. The accompanying unaudited pro forma consolidated earnings per share for profit attributable to the equity holders of the Company does not purport to describe the actual financial results of the Group that would have been attained had the Proposed Share Repurchase been completed on 1st January, 2007. The unaudited pro forma consolidated earnings per share for profit attributable to the equity holders of the Company does not purport to predict the future financial results of the Group.

Unaudited consolidated earnings per share for profit attributable to the equity holders of the Company for the six months ended 30th June, 2007	Unaudited consolidated net profit attributable to the equity holders of the Company for the six months ended 30th June, 2007	Less: Loss of interest income accrued on the Consideration	Unaudited pro forma adjusted consolidated net profit attributable to the equity holders of the Company for the six months ended 30th June, 2007	Divided by: Weighted average number of shares in issue	Unaudited pro forma consolidated earnings per share for profit attributable to the equity holders of the Company for the six months ended 30th June, 2007
Hong Kong cents	*HK$'000*	*HK$'000* *(note i)*	*HK$'000*	*'000* *(note ii)*	*Hong Kong cents*
3.19	53,865	(1,588)	52,277	1,531,172	3.41

Notes:

i. This represents the estimated interest income that the Company would have earned if there had been no such Proposed Share Repurchase. This is based on the assumption that the Company settles the Consideration on 1st January, 2007 by drawing down its bank balances. The interest loss on the Consideration of HK$76,800,000 is calculated based on the interest rate of 4.17% per annum, the average deposit rate of the Group for the six months ended 30th June, 2007.

ii. Assuming that the final number of the Repurchase Shares had been 160,000,000 shares, and the Completion had taken place on 1st January, 2007, the weighted average number of Shares had been 1,531,171,989 during the six months ended 30th June, 2007.

(b) The unaudited pro forma consolidated net asset value per share attributable to the equity holders of the Company

This statement is based on the unaudited consolidated net asset value per share attributable to the equity holders of the Company as at 30th June, 2007 as shown in the unaudited financial statements of the Group for the six months ended 30th June, 2007, the text of which is set out in appendix I to this Circular, after giving effect to the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments in the notes thereto that are (i) directly attributable to the transaction; and (ii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma consolidated net asset value per share attributable to the equity holders of the Company is based on a number of assumptions and estimates. The accompanying unaudited pro forma consolidated net asset value per share attributable to the equity holders of the Company does not purport to describe the actual financial position of the Group that would have been attained had the Proposed Share Repurchase been completed on 30th June, 2007. The unaudited pro forma consolidated net asset value per share attributable to the equity holders of the Company does not purport to predict the future financial position of the Group.

Unaudited consolidated net asset value per share attributable to the equity holders of the Company as at 30th June, 2007	Unaudited consolidated net asset value attributable to the equity holders of the Company as at 30th June, 2007	Less: Consideration	Less: Expenses of the Proposed Share Repurchase	Unaudited pro forma adjusted consolidated net asset value attributable to the equity holders of the Company as at 30th June, 2007	Divided by: Number of Shares in issue	Unaudited pro forma adjusted consolidated net asset value per share attributable to the equity holders of the Company as at 30th June, 2007
HK$	*HK$'000*	*HK$'000* *(note i)*	*HK$'000* *(note ii)*	*HK$'000*	*'000* *(note iii)*	*HK$*
0.469	793,400	(76,800)	(1,500)	715,100	1,531,172	0.467

Notes:

i. It is assumed that the final number of the Repurchase Shares had been 160,000,000 shares, and the Consideration had been paid in full on 30th June, 2007.

ii. The expenses include, among others, professional fees and documentation fees.

iii. It is assumed that the final number of the Repurchase Shares had been 160,000,000 shares.

7. ACCOUNTANTS' REPORT ON STATEMENT OF UNAUDITED PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED SHARE REPURCHASE

The following is the text of an accountants' report dated 9th October, 2007, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong, in respect of the statement of unaudited pro forma financial effects of the Proposed Share Repurchase.

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

9th October, 2007

The Directors
Yu Ming Investments Limited
Room 1901B, 19th Floor
Allied Kajima Building
Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma consolidated earnings per share for profit attributable to the equity holders of Yu Ming Investments Limited (the "Company") and unaudited pro forma consolidated net asset value per share attributable to the equity holders of the Company (the "Unaudited Pro Forma Financial Information") set out on pages 103 to 105 to the circular dated 9th October, 2007 (the "Circular"), which has been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed off-market repurchase of ordinary shares (the "Transaction") might have affected the unaudited consolidated net asset value per share attributable to the equity holders of the Company as at 30th June, 2007 and its unaudited consolidated earnings per share for profit attributable to the equity holders of the Company for the six months ended 30th June, 2007. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 80 to 102 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information of the Company and its subsidiaries with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of :

(a) the consolidated financial position of the Company as at 30th June, 2007 or any future date; or

(b) the consolidated earnings per share of the Company for the six months ended 30th June, 2007 or any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
Grant Thornton
Certified Public Accountants
13 Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

THIS AGREEMENT is made the 16th day of September, 2007

BETWEEN:–

(1) ASM Asia Recovery (Master) Fund, an exempted company incorporated in the Cayman Islands with its registered office at PO Box 908 GT, Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies (the "Master Fund");

(2) ASM Hudson River Fund, an exempted company incorporated in the Cayman Islands with its registered office at PO Box 908 GT, Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies (the "Hudson River Fund")

(each a "**Vendor**" and collectively the "**Vendors**")

(3) Yu Ming Investments Limited, a company incorporated under the laws of Hong Kong and whose registered address is situated at Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Hong Kong (the "Purchaser")

WHEREAS:–

(A) The Vendors are beneficial owners of 314,900,000 shares of HK$0.10 each, representing approximately 15.52% of the total issued share capital of the Purchaser.

(B) The Vendors have agreed to sell and the Purchaser has agreed to purchase the Repurchase Shares on the terms and subject to the provisions of this Agreement.

IT IS HEREBY AGREED:–

1. DEFINITIONS

(A) In this Agreement, including the recitals and the Schedule hereto, unless the context otherwise requires the following terms shall have the following meanings:–

"Business Day"	any day (other than a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for business;
"Completion"	completion of the sale and purchase of the Repurchase Shares in accordance with the provisions in Clause 3;
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;

"Repurchase Shares"	an aggregate of 160,000,000 Shares, representing approximately 7.88% of the total issued share capital of the Purchaser or such lower number of Shares, rounded down to the nearest board lot, as may be purchased at HK$0.48 per Share as permitted by the available distributable profits of the Company as at Completion;
"Repurchase Shares Consideration"	being the amount to be paid to the Vendors pursuant to Clause 2(B);
"Shares"	issued ordinary shares in the issued share capital of the Company from time to time, of a nominal value of HK$0.10 each;
"HK$"	Hong Kong dollars, the legal currency of Hong Kong; and
"%"	per cent.

(B) In this Agreement, including the recitals and the Schedules hereto, unless the context otherwise requires, the following terms shall have the following meanings:–

(i) references to "Clauses" and the "Schedules" are references to clauses of and the schedules to this Agreement;

(ii) words importing the singular include the plural and vice versa, words importing one gender include both genders and the neuter and references to persons include bodies corporate or unincorporated;

(iii) headings are for convenience only and shall not affect the construction of this Agreement.

2. SALE AND PURCHASE

(A) The Vendors hereby agree to sell the Repurchase Shares as beneficial owners and the Purchaser hereby agrees to purchase of the Repurchase Shares, free from all liens, charges, encumbrances and third party rights of any kind and with all rights now or hereafter attached thereto. Among the Repurchase Shares, the Master Fund agrees to sell 137,136,000 Shares and the Hudson River Fund agrees to sell 22,864,000 Shares, or such proportionally lower number of Shares (in such proportion between the Vendors as agreed between them) corresponding to the Repurchase Shares.

(B) The consideration for the sale and purchase of each Repurchase Share shall be HK$0.48 and the Repurchase Shares Consideration shall be HK$76,800,000 (or such lower amount corresponding to the Repurchase Shares), which shall be payable in cash or in such other manner as prescribed by the Vendors at Completion.

(C) Completion of the sale and purchase shall be subject to the fulfilment of the following conditions on or before 30th November, 2007 (or such later date as the parties to this Agreement may agree):–

(a) the passing of resolution by three-fourths of the votes cast on a poll by disinterested shareholders in attendance in person or by proxy at a general meeting of shareholders of the Purchaser duly convened and held to consider the proposed transaction contemplated under this Agreement;

(b) the approval of the repurchase contemplated under this Agreement by the Executive;

(c) the notice of meeting convening such general meeting being accompanied by a circular containing, (i) all necessary information as may be required under the Code of Share Repurchases and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, (ii) this Agreement and (iii) a statement, signed by the directors of the Purchaser, after having made due and diligent inquiry of the members of the Purchaser holding the shares to which the proposed purchase agreement relates, containing such particulars as would enable a reasonable person to form as a result thereof a valid and justifiable opinion as to the merits of this Agreement (as required under section 49BA(6) of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong));

(d) a certified copy of the resolution contemplated by Clause 2(C)(a) being filed with the Executive of the Securities and Futures Commission within 3 days of the general meeting of shareholders of the Purchaser at which such resolution is passed; and

(e) a copy of this Agreement being available for inspection by shareholders at the meeting convened to consider the transaction contemplated herein and during the period from the date of mailing the circular referred to in Clause 2(C)(b).

3. COMPLETION

(A) Completion shall take place on the third Business Day after all conditions set out in Clause 2(C) have been fulfilled.

(B) At Completion:–

(i) The Vendors shall deliver and/or procure the delivery to the Purchaser:–

(a) sold note(s) and instrument(s) of transfer in respect of the Repurchase Shares duly executed by the registered holders thereof in favour of the Purchaser or its nominee or as it may direct;

(b) share certificates in respect of all the Repurchase Shares and/or such other documents as may be necessary to enable the Purchaser or its nominees to become the registered holders and beneficial owners thereof;

(c) certified true copy of the board resolution of the investment manager of Vendors to approve sale of Repurchase Shares; and

(ii) the Purchaser shall:–

(a) deliver a certified true copy of the minutes of its board of directors approving this Agreement and the Completion, in particular, the authorisation given to the share registrar to arrange for the cancellation of the Repurchase Shares and update the register of members of the Purchaser accordingly; and

(b) pay the Repurchase Shares Consideration, to the Vendors or such other persons as may be nominated by the Vendors.

4. VENDORS' WARRANTIES AND UNDERTAKINGS

(A) The Vendors hereby warrant and represent to the Purchaser in the terms set out below subject only to any matter or thing hereafter done or omitted to be done pursuant to this Agreement or otherwise at the written request or with the written approval of the Purchaser and that each of such warranties and representations is accurate and not misleading at the date of this Agreement and as at Completion:–

(i) they are companies duly incorporated and validly existing under the laws of its place of incorporation;

(ii) the Vendors have the legal right and full power and authority to enter into and perform this Agreement and any other documents to be executed by them pursuant to or in connection with this Agreement which when executed will constitute valid and binding obligations on them, in accordance with their respective terms;

(iii) the Repurchase Shares rank pari passu in all respects inter se and with all other Shares in the issued share capital of the Purchaser; and

(iv) the Repurchase Shares are fully paid up and free from any Encumbrance and together with all rights attaching thereto at and after the date of this Agreement and represent 7.88 per cent. of the existing issued share capital of the Purchaser.

(B) The Vendors hereby acknowledge that the Purchaser enters into this Agreement in reliance upon the representations and warranties given by the Vendors in Clause 5(A).

(C) The Vendors hereby undertake with the Purchaser that it shall use all reasonable endeavours to procure that such person as nominated by the Purchaser shall be appointed a director.

5. POWER OF ATTORNEY

By entering into this Agreement, the Vendors shall be deemed to have appointed any director of the Purchaser as its attorney for it and in its name and on its behalf and as its act or deed to execute under seal or otherwise and complete any share transfers or any other documents which the director may consider necessary or required for implementing the provisions of this Agreement. The Vendors hereby covenant with the Purchaser and each such attorney that on request it will ratify and confirm all agreements, documents, acts and things and all transactions entered into by such attorney in the exercise of the powers hereby granted.

6. FULL EFFECT

All provisions of this Agreement shall so far as they are capable of being performed or observed continue in full force and effect notwithstanding completion of this Agreement except in respect of those matters then already performed.

7. ENTIRE AGREEMENT

This Agreement sets forth the entire agreement and understanding between the parties or any of them in relation to the transactions contemplated by this Agreement and supersedes and cancels in all respects all previous agreements, letters of intent, correspondence, understandings, agreements and undertakings (if any) between the parties hereto with respect to the subject matter hereof, whether such be written or oral.

8. SEVERABILITY

If at any time one or more provisions hereof is or becomes invalid, illegal, unenforceable or incapable of performance in any respect, the validity, legality, enforceability or performance of the remaining provisions hereof shall not thereby in any way be affected or impaired.

9. NOTICES

Any notice required to be given under this Agreement shall be deemed duly served if left at or sent by registered or recorded delivery post to the addresses provided herein or to such other address as may have been last notified in writing by or on behalf of the relevant party to the other party hereto. Any such notice shall be deemed to be served at the time when the same is left at the address of the party to be served and if served by post on the second day (not being a Sunday or public holiday) next following the day of posting.

10. TIME OF ESSENCE

Time shall be of the essence of this Agreement.

11. ASSIGNMENT

This Agreement shall be binding on and shall ensure for the benefit of the successors and assignees of the parties hereto but shall not be capable of being assigned by either party without the written consent of the other party.

12. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by each of the parties on separate counterparts, each of which, when so executed and delivered, shall be an original but all the counterparts shall together constitute one and the same agreement, provided always that this Agreement shall not become valid and binding unless and until executed by all parties hereto.

13. GOVERNING LAW AND JURISDICTION

This Agreement is governed by and shall be construed in accordance with the laws of Hong Kong, and the parties hereto hereby submit to the jurisdiction of the Courts of Hong Kong in connection herewith but this Agreement may be enforced in any court of competent jurisdiction.

AS WITNESS the hands of the duly authorised representatives of the parties the day and year first above written.

The Vendors

Signed by)
for and on behalf of)
ASM ASIA RECOVERY (MASTER) FUND)
in the presence of:–)

Signed by)
for and on behalf of)
ASM HUDSON RIVER FUND)
in the presence of:–)

The Purchaser

Signed by)
for and on behalf of)
YU MING INVESTMENTS LIMITED)
in the presence of:–)

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 15th August, 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

9th October, 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 15th August, 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.

As informed by the Company, since the direct interests in the properties held by Full Harvest Holdings Limited, Honnex Development Limited, New Viking Limited and Silver Brilliant Investment Limited are not transferred under the Proposed Share Repurchase, the management of the Company considers that there will be no potential tax liability in connection with the property interests held Full Harvest Holdings Limited, Honnex Development Limited, New Viking Limited and Silver Brilliant Investment Limited under the Proposed Share Repurchase. However, to the best knowledge of the management of the Company, the potential tax liability which would arise on the disposal of the properties interests held by Full Harvest Holdings Limited, Honnex Development Limited, New Viking Limited and Silver Brilliant Investment Limited shall include profits tax (17.5%) and stamp duty (3.75%).

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	Market Value as at 15th August, 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.	58,000,000
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.	348,000,000
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.	170,000,000
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.	865,000,000
	Total	**1,441,000,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value as at 15th August, 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. 1/197th share of Section Z of Inland Lot No. 29.	The property comprises a shop on G/F of a 14-storey composite building of reinforced concrete construction completed in 1967. The saleable floor area of the property is approximately 778 sq.ft. (72.28 sq.m.) The property is held under Government Lease for a term of 982 years commencing from 25th June, 1860.	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.	58,000,000

Notes:

1. The registered owner of the property is New Viking Limited (an indirect subsidiary of the Company as to 61.22%) 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 15th August, 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. 34/197th share of Section Z of Inland Lot No. 29.	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. 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.) The property is held under Government Lease for a term of 982 years commencing from 25th June, 1860.	Shop A and the adjacent shop, shops B, are subject to a tenancy agreement for a term of two years with monthly rent of HK$360,000 expiring on 14 December 2008. 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.	348,000,000

Notes

1. The registered owner of the property is Silver Brilliant Investment Limited (an indirect subsidiary of the Company as to 61.22%) 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/H6/14.

	Property	Description and tenure	Particulars of occupancy	Market Value as at 15th August, 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.	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. The saleable floor area of the property is approximately: 2/F 2,720 sq.ft. (252.69 sq.m.) 3/F 5,662 sq.ft. (526.01 sq.m.) The property is held under Conditions of Exchange No. UB12311 commencing from 8th July, 1994 until 30th June, 2047.	3rd Floor is subject to various tenancy with total monthly rent HK$466,500 with the latest expiring on 31st July, 2007. 2nd Floor is vacant.	170,000,000

Note:

1. The registered owner of the property is Full Harvest Holdings Limited (an indirect subsidiary of the Company as to 61.22%) 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 15th August, 2007 *HK$*
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 1263/8800th Shares of and in Section A, B and H of Kowloon Inland Lot No. 1262	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. As advised by the Company, the Gross Floor Area of the shop units per floor are as follows: 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.) The property is held under Government Lease for a term of 75 years renewable for 75 years commencing on 18th February, 1910.	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.	865,000,000

Notes:

1. The registered owner of the property is Honnex Development Limited (an indirect subsidiary of the Company as to 61.22%) vide memorial nos. UB7415049, UB8898210, UB8898211, UB8898212, UB8898213 and UB9100257 dated 21st January, 1998, 20th December, 2002, 15th December, 2003 respectively.

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 "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 jointly and severally 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 opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The particulars of authorized and issued share capital of the Company as at the Latest Practicable Date are as follows:

	Number of shares	Nominal value
		HK$
Authorized:		
Ordinary shares of HK$0.1 each	2,100,000,000	210,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each	2,029,171,989	202,917,199

All the Shares rank pari passu in all respects, including as regards rights to capital, dividends and voting.

As at the Latest Practicable Date, there are no options, warrants, derivatives, convertible securities and conversion rights in issue, declared but unpaid dividends affecting the Shares.

There is no reorganization of capital during the two financial years immediately preceding the date of Announcement.

The Company has not repurchased any Shares in the past 12 months immediately preceding the date of this circular.

Since 18th September, 2005 (being the date 2 year immediately preceding the date of Announcement), the Company has only issued Shares as follows:

Date of agreement	Nature of transaction	Purchaser	Net amount raised	Number of Shares issued	Intended use of proceeds
25th July, 2007	Placing of existing Shares and subscription for new Shares	Independent third parties	Approximately HK$214 million	338,000,000 Shares	General working capital

3. MARKET PRICES OF SHARES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the end of each of the six calendar months immediately preceding the date of Announcement; (ii) 14th September, 2007, being the last trading day immediately preceding the date of Announcement; and (iii) the Latest Practicable Date:

Date	**Closing price of Shares**
	HK$
31st March, 2007	0.355
30th April, 2007	0.43
31st May, 2007	0.52
30th June, 2007	0.485
31st July, 2007	0.67
31st August, 2007	0.50
14th September, 2007	0.50
30th September, 2007	0.44
Latest Practicable Date	0.43

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the period commencing 14th March, 2007 and ending on the Latest Practicable Date are HK$0.71 (on 10th July, 20th July and 23rd July, 2007) and HK$0.335 (on 16th April, 2007) respectively.

4. 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 (together with parties acting in concert with them) 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

	Number of Shares			
Name of Directors	**Personal interests**	**Other interests**	**Total**	**% of total issued shares**
Lee Seng Hui	–	441,949,800 *(Note i)*	441,949,800	21.78%
Chan Kin	–	314,900,000 *(Note ii)*	314,900,000	15.52%
Fung Wing Cheung, Tony	3,328,000	164,926,258 *(Note iii)*	168,254,258	8.29%
Fung Yiu Fai, Peter	6,500,000 *(Note iv)*	–	6,500,000	0.32%
Lee Yip Wah, Peter	1,550,000 *(Note v)*	–	1,550,000	0.08%
Albert Ho	1,000,000 *(Note vi)*	–	1,000,000	0.05%

Notes:

i. Lee Seng Hui ("Mr. Lee") is one of the trustees of Lee and Lee Trust ("LLT") which owns 42.60% interests in Allied Group Limited ("AGL") which holds 441,949,800 Shares. Accordingly, Lee Seng Hui is deemed to have an interest in 441,949,800 Shares. If the Proposed Share Repurchase is completed, the shareholding of Mr. Lee Seng Hui will increase to 23.64%.

ii. Chan Kin owns 44.45% interests in Argyle Street Management Holdings Limited ("ASMH"), which in turn wholly owns Argyle Street Management Limited ("ASM"). ASM manages ASM Hudson River Fund and ASM Asia Recovery (Master) Fund, which holds 44,986,000 Shares and 269,914,000 Shares respectively. Therefore, Mr. Kin Chan is deemed to have interests in 314,900,000 Shares. If the Proposed Share Repurchase is completed, the shareholding of Mr. Chan Kin will decrease to 154,900,000 Shares (representing 8.29% of the entire issued share capital upon Completion).

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. 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 Js 1 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.

If the Proposed Share Repurchase is completed, the shareholding of Mr. Tony Fung will increase to 9.0%.

iv. If the Proposed Share Repurchase is completed, the shareholding of Mr. Peter Fung will increase to 0.35%.

v. If the Proposed Share Repurchase is completed, the shareholding of Mr. Peter Yip will increase to 0.083%.

vi. If the Proposed Share Repurchase is completed, the shareholding of Mr. Albert Ho will increase to 0.053%.

Save as disclosed above, none of the Directors or the parties acting in concert with them have any Shares as at the Latest Practicable Date which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

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

		Number of shares *(Note)*	
Name of Director	**Name of corporation**	**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.

5. 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
Bright Clear Limited	*i*	Interest of Controlled corporation	441,949,800	21.78%
Allied Holding Investments Limited	*i*	Interest of Controlled corporation	441,949,800	21.78%
Allied Group Limited	*i*	Interest of Controlled corporation	441,949,800	21.78%
Lee Su Hwei	*i*	Interest of Controlled corporation	441,949,800	21.78%
Lee Seng Huang	*i*	Interest of Controlled corporation	441,949,800	21.78%
ASM Asia Recovery (Master) Fund	*ii*	Beneficial owner/Interest of Controlled corporation	269,914,000	13.30%
Argyle Street Management Limited	*ii*	Interest of Controlled corporation	314,900,000	15.52%
Argyle Street Management Holdings Limited	*ii*	Interest of Controlled corporation	314,900,000	15.52%
HSBC International Trustee Limited	*iii*	Trustee	168,254,258	8.29%
Poly (Hong Kong) Investments Limited	*iv*	Interest of Controlled corporation	118,080,000	5.82%

Notes:

i. Bright Clear Limited is wholly owned by Allied Holding Investments Limited, which is in turn a wholly-owned subsidiary of Allied Group Limited. Lee Su Hwei and Lee Seng Huang are trustees of Lee and Lee Trust which owns 42.60% interests in Allied Group Limited, which holds 441,949,800 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. If the Proposed Share Repurchase is completed, the shareholding of Ms. Lee Su Hwei and Mr. Lee Seng Huang will increase to 23.64%.

ii. 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. If the Proposed Share Repurchase is completed, the shareholding of Argyle Street Management Holdings Limited will decrease to 154,900,000 Shares (representing 8.29% of the entire issued share capital upon Completion).

iii. 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.

If the Proposed Share Repurchase is completed, the shareholding of HSBC International Trustee Limited will increase to 9.0%.

iv. The interests of Poly (Hong Kong) Investments Limited was attributable on account through a number of wholly-owned subsidiaries. If the Proposed Share Repurchase is completed, the shareholding of Poly (Hong Kong) Investments Limited will increase to 6.32%.

Save as disclosed above, none of the Shareholders hold ten per cent or more of the entire issued shares of the Company as at the Latest Practicable Date.

6. DEALING IN THE SHARES

A. Directors

Save for the dealings set out below, no directors and any parties acting in concert with them had dealt in the Shares during the period beginning 6 months from the date of Announcement to the Latest Practicable Date:

Name of Director	Date	Number of Shares acquired	Acquisition price *HK$*	Number of Shares sold	Selling price *HK$*
Fung Wing Cheung, Tony	18th April, 2007	–	–	130,000,000 *(Note i)*	0.42
Lee Seng Hui	26th July, 2007	50,000,000 *(Note ii)*	0.66	–	–
	30th July, 2007	–	–	338,000,000 *(Note ii)*	0.66
	8th August, 2007	338,000,000 *(Note iii)*	0.66	–	–
	31st August, 2007	379,291,800 *(Note iv)*	0.44	379,291,800 *(Note iv)*	0.44
	28th September, 2007	358,000	0.43	–	–
		500,000	0.435	–	–
	2nd October, 2007	1,000,000	0.43	–	–
		1,128,000	0.425	–	–
	3rd October, 2007	3,100,000	0.42	–	–
		1,000,000	0.415	–	–
		332,000	0.41	–	–
	4th October, 2007	3,000,000	0.415	–	–
	5th October, 2007	700,000	0.410	–	–
		1,000,000	0.415	–	–
		540,000 *(Note v)*	0.425	–	–
Albert Ho	4th September, 2007	100,000	0.485	–	–
	6th September, 2007	100,000	0.475	–	–
	25th September, 2007	128,000	0.45	–	–

Notes:

i. Please refer to the Note (ii) to Section 4(A)(I) of this Appendix for the relationship between Megaland and Mr. Fung Wing Cheung, Tony. The placement of 130,000,000 Shares by Megaland is a deemed disposal by Mr. Fung Wing Cheung, Tony.

ii. Bright Clear Limited ("Bright Clear") acquired 50,000,000 Shares at HK$0.66 per share on market on 26th July, 2007. Bright Clear is wholly owned by Allied Holding Investments Limited, which is in turn a wholly-owned subsidiary of Allied Group Limited. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are trustees of Lee and Lee Trust, being a discretionary trust, which owns 42.60% interests in Allied Group Limited, which holds 441,949,800 Shares. Accordingly, Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang have deemed interests in the said Shares, and dealings by Bright Clear are deemed dealings by Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang.

iii. Sun Hung Kai & Co. Limited, together with its wholly-owned subsidiaries (collectively "SHK Group"), entered into agreements in relation to the placing of existing Shares and subscription for new Shares on 25th July, 2007. Accordingly, on 30th July, 2007, SHK Group placed out 338,000,000 Shares at HK$0.66 per Share to independent third parties of the Company. On 8th August, 2007, SHK Group completed the subscription for 338,000,000 new Shares at the same price.

As SHK Group is a 64.76% 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 74.85% owned subsidiary of Allied Group Limited. Therefore, Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang have deemed interests in the Shares held by SHK Group.

iv. On 7th June, 2007, SHK Group agreed to sell and Bright Clear agreed to acquire 379,291,800 Shares, which were the entire interests of SHK Group in the Company. The transaction was completed on 31st August, 2007. As Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang have deemed interests in both SHK Group and Bright Clear, they are deemed to be involved in both the acquisition and disposal of the said Shares.

v. The dealings in the Shares by Bright Clear on 28th September, 2nd October, and 3rd October, 4th October and 5th October, 2007 as disclosed above were carried out in an on-market manner.

B. Substantial shareholders

Reference is made to part A of this section for dealings of Mr. Lee Seng Hui and the relevant notes. Bright Clear, Allied Holding Investments Limited, Allied Group Limited, Ms. Lee Seng Hwei and Mr. Lee Seng Huang are deemed to have the same interests in the disclosed dealings as Mr. Lee Seng Hui.

Save as disclosed above, no other substantial shareholders had dealt in the Shares during the period beginning 6 months from the date of Announcement to the Latest Practicable Date.

7. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, the management agreement between the Company and YMIM, of which Mr. Lee Seng Hui is a deemed shareholder, is effective until the earlier of 31st December, 2009. Pursuant to the management agreement, the Manager provides investment management services and administrative services to the Company. In return, the Company shall pay the Manager in cash (i) a management fee equal to 1.5% per annum of the Group's arithmetical average of the net asset value on the last day of each calendar month during each quarter and (ii) 20% of the amount by which the audited net asset value of the Group of each year ended 31st December exceeds the high watermark. The management agreement was arrived at after an arm's length negotiation.

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.

8. DIRECTORS' INTERESTS IN ASSETS

On 3rd July, 2007, Odelon Limited (a wholly-owned subsidiary of the Company) entered into a conditional sale and purchase agreement with Well Harvest Properties Limited (owned by Mr. Fung Wing Cheung, Tony and Mr. Fung Yiu Fai, Peter as to 75% and 25% respectively). According to the agreement, Odelon Limited agreed to sell and Well Harvest Properties Limited agreed to acquire approximately 61.22% of the entire issued share capital of Honnex Development Limited at a consideration of HK$372 million in cash, which was approved by the independent shareholders at the extraordinary general meeting held at 9th August, 2007. The transaction is expected to be completed on 31st December, 2007.

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

9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any service contracts with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

10. 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.

11. EXPERTS' DISCLOSURE OF INTEREST AND CONSENT

A. As at the Latest Practicable Date, Centurion (a licensed corporation under SFO permitted to be engaged in types 1, 4, 6 and 9 of the regulated activities as stipulated in the SFO), Asset Appraisal (an independent professional surveyor and property valuer) and Grant Thornton (certified public accountants) had no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

B. As at the Latest Practicable Date, Centurion, Asset Appraisal and Grant Thornton had no direct or indirect interests in any assets which have since 31st December, 2006 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

C. Centurion, Asset Appraisal and Grant Thornton have given and have 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.

12. 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.

13. 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.

14. MISCELLANEOUS

A. Save for the placing of existing Shares and subscription of new Shares disclosed in section 2 of this Appendix, the Directors are not aware of any material change (for the avoidance of doubt, whether adverse or not) in the Group's financial or trading position or outlook since 31st December, 2006, the date to which the latest published audited consolidated accounts of the Group were made up.

B. The registered office of YMIM is Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

C. The English text of this circular shall prevail over the Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during 9:00 a.m. and 1:00 p.m. and 2:00 p.m. to 5:30 p.m. 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 2nd November, 2007, at the website of the Company (www.ymi.com.hk), the website of Securities and Futures Commission (www.sfc.hk) and at the EGM:

A. the Conditional Repurchase Agreement;

B. the letter from Centurion to the Independent Board Committee and the Independent Shareholders as set out on pages 13 to 28 of this circular;

C. the letter from the Independent Board Committee as set out on page 12 of this circular;

D. the comment letter from Grant Thornton as set out on page 106 to 108 of this circular;

E. the valuation report from Asset Appraisal as set out in appendix III of this circular;

F. the written consents referred to in paragraph 11 of this appendix;

G. the memorandum and articles of association of the Company;

H. 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

I. annual reports of the Company for the financial year 2005 and 2006.

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 2nd November, 2007 at Plaza V, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions:

SPECIAL RESOLUTION

"**THAT** the Conditional Repurchase Agreement (as defined in the circular dated 9th October, 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, 9th October, 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.