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# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this Prospectus 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 or transferred all your shares in Yu Ming Investments Limited, you should at once hand this Prospectus and the accompanying provisional allotment letter and form of application for excess Rights Shares to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

All capitalised terms used in this cover page shall have the same meanings as defined in this Prospectus.

A copy of each of the Prospectus Documents together with the written consent of Grant Thornton have been registered with the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies Ordinance of Hong Kong. The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of these documents.

Dealings in the Shares, the Rights Shares in their nil-paid and fully-paid forms and the 2011 Warrants may be settled through CCASS and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and the 2011 Warrants on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms and the 2011 Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms and the 2011 Warrants on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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YU MING INVESTMENTS LIMITED  
禹銘投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

**RIGHTS ISSUE AT HK\$0.10 EACH  
IN THE PROPORTION OF  
ONE RIGHTS SHARE FOR EVERY ONE SHARE  
HELD ON THE RECORD DATE  
TO THE QUALIFIED SHAREHOLDERS ONLY  
(WITH 2011 WARRANTS ISSUE ON THE BASIS OF  
ONE 2011 WARRANT FOR EVERY FIVE RIGHTS SHARES  
TAKEN UP UNDER THE RIGHTS ISSUE)**

**Financial adviser to Yu Ming Investments Limited**



禹銘投資管理有限公司  
YU MING INVESTMENT MANAGEMENT LIMITED

**Underwriter to the Rights Issue**



結好證券有限公司  
GET NICE SECURITIES LIMITED

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The latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares is 4:00 p.m. on Wednesday, 15th April, 2009. The procedure for acceptance and payment or transfer of the Rights Shares and application for excess Rights Shares are set out on pages 11 to 12 of this Prospectus.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain force majeure events. The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on the second Business Day following the Acceptance Date if there occurs:

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
  - (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
  - (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;
- and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties thereunder shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter all reasonable costs, fees and expenses (but not the underwriting commission) referred to in the Underwriting Agreement.

If the conditions of the Rights Issue are not fulfilled and/or waived (as the case may be) or the Underwriting Agreement is terminated, the Rights Issue and the 2011 Warrants Issue will not proceed.

Dealings in the Shares and the Rights Shares in nil-paid form (which is expected to commence on Monday, 30th March, 2009) are expected to take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the nil-paid Rights Shares up to Wednesday, 8th April, 2009 and dealing in the Shares up to Friday, 17th April, 2009, the date on which all conditions to which the Rights Issue is subject are expected to be fulfilled and/or waived (as the case may be), will accordingly bear the risk that the Rights Issue may not become unconditional and the Rights Issue and the 2011 Warrants Issue may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares and the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

26th March, 2009

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## EXPECTED TIMETABLE

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*Set out below is an indicative timetable for the Rights Issue. The timetable is subject to, if any, changes in accordance with the Underwriting Agreement. The Company will notify the Shareholders on any changes to the expected timetable as and when appropriate.*

2009

First day of dealings in the nil-paid Rights Shares . . . . .	Monday, 30th March
Latest time for splitting the nil-paid Rights Shares . . . . .	4:00 p.m. on Friday, 3rd April
Last day of dealings in the nil-paid Rights Shares . . . . .	Wednesday, 8th April
Latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares . . . . .	4:00 p.m. on Wednesday, 15th April
Underwriting Agreement becomes unconditional on . . . . .	4:00 p.m. on Friday, 17th April
Announcement of results of the Rights Issue expected to be made on the websites of the Stock Exchange and the Company on or before . . . . .	Thursday, 23rd April
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted . . . . .	Thursday, 23rd April
Share certificates for the fully paid Rights Shares and certificates for 2011 Warrants to be despatched on or before . . . . .	Thursday, 23rd April
Effective date of the change in board lot size from 2,000 Shares to 20,000 Shares . . . . .	Thursday, 23rd April
Designated broker starts to stand in the market to provide matching services for odd lots . . . . .	Thursday, 23rd April
Dealings in fully-paid Rights Shares and 2011 Warrants commence . . . . .	Monday, 27th April
Designated broker ceases to stand in the market to provide matching services for odd lots . . . . .	Friday, 22nd May

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## EXPECTED TIMETABLE

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*Notes:*

1. All times in this Prospectus refer to Hong Kong times.
2. Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares:

The latest time for acceptance of and payment for the Rights Shares will not take effect if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning. If such circumstance is in force in Hong Kong at any local time between 9:00 a.m. and 4:00 p.m. on Wednesday, 15th April, 2009, the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Share does not take effect on Wednesday, 15th April, 2009, the dates mentioned above may be affected. An announcement will be made by the Company in such event.

**Dealings in the Rights Shares in nil-paid form (which is expected to commence on Monday, 30th March, 2009) are expected to take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the nil-paid Rights Shares up to Wednesday, 8th April, 2009 and dealing in the Shares up to Friday, 17th April, 2009, the date on which all conditions to which the Rights Issue is subject are expected to be fulfilled and/or waived (as the case may be), will accordingly bear the risk that the Rights Issue may not become unconditional and the Rights Issue and 2011 Warrants Issue may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares and the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

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## DEFINITIONS

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

“2009 Warrant(s)”	the warrants issued by the Company, each entitling the holders thereof to subscribe for one new Share at an exercise price of HK\$0.33 each (subject to adjustments) during the period between 29th May, 2008 and 28th May, 2009, both days inclusive;
“2009 Warrantholder(s)”	holder(s) of the 2009 Warrant(s);
“2011 Warrant(s)”	warrant(s) to be issued by the Company on the basis of one 2011 Warrant for every five Rights Shares taken up under the Rights Issue, each entitling the holder thereof to subscribe for one new Share at an initial subscription price of HK\$0.10 per Share (subject to adjustments) during the period from the date of first issue of the 2011 Warrants to the date immediately preceding the second anniversary of the date of first issue of the 2011 Warrants;
“2011 Warrants Issue”	the issue of 2011 Warrants, on the basis of one 2011 Warrant for every five Rights Shares taken up under the Rights Issue;
“Acceptance Date”	15th April, 2009, being the latest date for acceptance of and payment for the Rights Shares and for application and payment of excess Rights Shares or such other date as the Company and the Underwriter may agree;
“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Announcement”	the announcement of the Company dated 14th February, 2009 in relation to the Rights Issue, the 2011 Warrants Issue and the increase in authorized share capital of the Company;
“Board”	the board of Directors, or the executive committee established by the board of Directors with full powers of the Board for the purposes of the Rights Issue and the 2011 Warrants Issue;
“Bright Clear”	Bright Clear Limited, a company incorporated in the British Virgin Islands, the beneficial owner of 504,371,800 Shares and 100,874,360 units of 2009 Warrants and a wholly owned subsidiary of AGL as at the Latest Practicable Date;

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## DEFINITIONS

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“Business Day”	a day on which banks are open for business for more than five hours in Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Circular”	the circular of the Company dated 6th March, 2009 relating to, <i>inter alia</i> , the Rights Issue, the 2011 Warrants Issue, increase in authorized share capital of the Company and change in board lot size of the Shares;
“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 Rights Issue;
“Conditions”	conditions of the Rights Issue and the Underwriting Agreement;
“connected persons”	has the meanings ascribed thereto in the Listing Rules;
“Directors”	directors of the Company;
“EAF(s)”	form(s) of application for excess Rights Shares to be issued to the Qualified Shareholders pursuant to the Rights Issue;
“EGM”	the extraordinary general meeting of the Company held on 24th March, 2009 to consider and, if thought fit, approve, <i>inter alia</i> , the resolutions in relation to the Rights Issue, the 2011 Warrants Issue and the increase in the authorised share capital of the Company;
“Excluded Shareholders”	Overseas Shareholders which the Directors, having made enquiries regarding the legal restrictions under the laws of relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction, consider it necessary or expedient not to offer the Rights Shares and the 2011 Warrants to such Overseas Shareholders on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction;
“Group”	the Company and its subsidiaries;

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholders”	Shareholders other than any controlling shareholders (as defined in the Listing Rules) of the Company and their associates (as defined in the Listing Rules) or, where there are no controlling shareholders of the Company, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates;
“Independent Third Party(ies)”	independent third party(ies) not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Last Trading Day”	12th February, 2009, being the last trading day before the suspension of trading in the Shares on the Stock Exchange pending release of the Announcement;
“Latest Practicable Date”	24th March, 2009, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong;
“PAL(s)”	provisional allotment letter(s) to be issued to the Qualified Shareholders in respect of their assured entitlements under the Rights Issue;
“Posting Date”	26th March, 2009, being the expected date on which the Prospectus Documents are sent to Qualified Shareholders and the Prospectus are sent to the Excluded Shareholders for information only, or such other date as may be agreed between the Company and the Underwriter;
“Prospectus”	the prospectus relating to the Rights Issue and the 2011 Warrants Issue to be dispatched to the Shareholders on the Posting Date;

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## DEFINITIONS

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“Prospectus Documents”	the Prospectus, the PAL and the EAF to be issued by the Company to the Qualified Shareholders in relation to the Rights Issue and the 2011 Warrants Issue on the Posting Date;
“Qualified Shareholders”	the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders;
“Record Date”	24th March, 2009, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue is determined;
“Registrar”	Company’s share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong;
“Rights Issue”	the issue for subscription by way of rights of 1,869,172,517 Rights Shares (with 2011 Warrants) at the Subscription Price on the basis of one Rights Share (with 2011 Warrants) for every one Share held on the Record Date, on the terms and subject to conditions as set out in the Prospectus Documents;
“Rights Share(s)”	1,869,172,517 Rights Share(s) to be issued and allotted under the Rights Issue;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holders of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the subscription price of HK\$0.10 per Rights Share;
“Subscription Undertaking”	the irrevocable undertaking by Bright Clear and AGL to subscribe for all Rights Shares provisionally allotted to Bright Clear under the Rights Issue;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;



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## DEFINITIONS

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“Underwriter”	Get Nice Securities Limited, licensed under the SFO to undertake regulated activities for types 1 (dealings in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management);
“Underwritten Rights Shares”	Rights Shares other than those Rights Shares undertaken to be taken up by Bright Clear under the Subscription Undertaking, to be underwritten by the Underwriter;
“Underwriting Agreement”	the underwriting agreement dated 13th February, 2009 entered into between the Company and the Underwriter in relation to the Rights Issue;
“Warrant Shares”	new Share(s) falling to be issued by the Company upon exercise of the subscription rights attaching to the 2011 Warrants;
“YMIM”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorized 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);
“%”	percentage or per cent.

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## LETTER FROM THE BOARD

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YU MING INVESTMENTS LIMITED  
禹銘投資有限公司

*Executive Directors:*

Lee Wa Lun, Warren  
Lo King Yau, Edwin  
Wong Tai Chun, Mark

*Non-Executive Directors:*

Arthur George Dew  
Lee Yip Wah, Peter

*Independent Non-Executive Directors:*

So Shu Fai, Ambrose  
Albert Ho  
Lam Tak Yee

*Registered Office:*

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

26th March, 2009

*To the Qualified Shareholders, and to  
the Excluded Shareholders for information only*

**RIGHTS ISSUE AT HK\$0.10 EACH  
IN THE PROPORTION OF  
ONE RIGHTS SHARE FOR EVERY ONE SHARE  
HELD ON THE RECORD DATE  
TO THE QUALIFIED SHAREHOLDERS ONLY  
(WITH 2011 WARRANTS ISSUE ON THE BASIS OF  
ONE 2011 WARRANT FOR EVERY FIVE RIGHTS SHARES  
TAKEN UP UNDER THE RIGHTS ISSUE)**

### INTRODUCTION

On 14th February, 2009, the Company announced that subject to the Conditions, it intends to raise approximately not less than HK\$187 million and not more than HK\$224 million, before expenses, by way of Rights Issue of not less than 1,869,172,517 Rights Shares and not more than 2,243,006,386 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share on the basis of one Rights Share for every one Share held on the Record Date. Subject to Completion, successful applicants for the Rights Shares will receive one 2011 Warrant for every five Rights Shares taken up. Each 2011 Warrant will entitle the holders thereof to subscribe for one new Share at an initial subscription price of HK\$0.10 per Share (subject to adjustments) upon exercise of the subscription rights attaching to the 2011 Warrants. Not less than 373,834,503 units of 2011 Warrants and not more than 448,601,277 units of 2011 Warrants would be issued under the 2011 Warrants Issue.

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## LETTER FROM THE BOARD

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On 24th March, 2009, the ordinary resolution approving the Rights Issue and the 2011 Warrants Issue was duly passed by the Independent Shareholders by way of poll at the EGM. To facilitate the Rights Issue and the 2011 Warrants Issue, an ordinary resolution was duly passed by the Shareholders at the EGM by way of poll to approve the increase of the authorized share capital of the Company from HK\$300,000,000 to HK\$700,000,000 (divided into 7,000,000,000 Shares of HK\$0.10 each by creation of 4,000,000,000 new Shares of HK\$0.10 each). As at the Record Date, the total number of issued Shares was 1,869,172,517 Shares, accordingly, a total of 1,869,172,517 Rights Shares are expected to be issued and allotted by the Company under the Rights Issue.

The purpose of this Prospectus is to set out further information in relation to the Rights Issue and the 2011 Warrants Issue, including information on dealing and transfer of the Rights Shares in their nil-paid form and the procedure for acceptance of the Rights Shares provisionally allotted to the Shareholders, information in relation to the change in board lot size and certain financial information of the Group.

### RIGHTS ISSUE

#### Terms of the Rights Issue

Subscription Price	:	HK\$0.10
Basis of Rights Issue	:	One Rights Share for every one Share held on the Record Date
Number of Shares in issue as at the Record Date	:	1,869,172,517 Shares
Number of Rights Shares	:	1,869,172,517 Rights Shares
Underwriter	:	Get Nice Securities Limited

#### Outstanding 2009 Warrants

As at the Latest Practicable Date, there are 373,833,869 units of 2009 Warrants outstanding, entitling the 2009 Warrantholders to subscribe for the same number of Shares at the exercise price of HK\$0.33 per Share during the conversion period from 29th May, 2008 to 28th May, 2009.

Save for the 2009 Warrants disclosed above, as at the Latest Practicable Date, the Company has no other share options or convertible securities outstanding entitling any person to subscribe for Shares.

The Underwritten Rights Shares will be fully underwritten by the Underwriter subject to terms and conditions as set out in the Underwriting Agreement, details of which are described in the section headed "Underwriting Agreement" below.

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## LETTER FROM THE BOARD

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### Subscription Price

The subscription price for the Rights Shares is HK\$0.10 per Rights Share, which is payable in full upon acceptance of the relevant provisional allotment of Rights Shares or application for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the relevant Rights Shares.

The Subscription Price represents:

- (i) the closing price of HK\$0.10 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 2.04% over the average closing price of HK\$0.098 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the Last Trading Day;
- (iii) a premium of approximately 4.17% over the average closing price of HK\$0.096 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the Last Trading Day;
- (iv) the theoretical ex-rights price of HK\$0.10 per Share, which is calculated based on the closing price of HK\$0.10 per Share on the Last Trading Day;
- (v) a discount of approximately 65.52% to the unaudited consolidated net asset value per Share as at 28th February, 2009 of approximately HK\$0.29.

The Subscription Price has been determined based on arm's length negotiations between the Company and the Underwriter. The Board (including the independent non-executive Directors) considers the terms of the Rights Issue and the 2011 Warrants to be fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (assuming no 2011 Warrants is exercised) will be approximately HK\$0.097.

### Basis of Provisional Allotment

Subject to fulfillment of the conditions set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting" below, Qualified Shareholders will be provisionally allotted one Rights Share for every one Share held on the Record Date at the Subscription Price of the Rights Shares payable in full on acceptance.

### Status of the Rights Shares

The Rights Shares, when issued, will represent:

- (i) 100% of the existing total issued share capital of the Company; and

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## LETTER FROM THE BOARD

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- (ii) 50% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares.

When fully paid, the Rights Share duly issued and allotted will rank *pari passu* in all respects with the then existing Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distribution which are declared, made, paid on or after the date of issue and allotment of the fully-paid Rights Shares.

### **Qualified Shareholders**

The Company will provisionally allot the Rights Shares, and send this Prospectus containing details of the Rights Issue and 2011 Warrants Issue to the Qualified Shareholders and to the Excluded Shareholders for information only. The PALs and the EAFs will be sent to the Qualified Shareholders only.

To qualify for the Rights Issue, Shareholders must have been registered as a member of the Company on the Record Date. Shareholders having an address in Hong Kong on the register of members of the Company on the Record Date are qualified for the Rights Issue. Shareholders having addresses outside Hong Kong on the register of members of the Company on the Record Date are qualified for the Rights Issue only if the Board, after taking appropriate legal advice in the relevant jurisdictions, considers that the offer to these Overseas Shareholders would not be impractical or unlawful or inexpedient on account of any legal restriction under the laws of the relevant jurisdictions or any requirement of the relevant regulatory body or stock exchange in that jurisdiction and/or does not require any relevant registration or filing requirements.

### **Excluded Shareholders**

On the basis of the information made available to the Directors, as at the Record Date, there were 7 Overseas Shareholders whose addresses as shown on the register of members of the Company were in Australia, Malaysia, Singapore and the United Kingdom. The Directors have made enquiries on the legal and/or regulatory restrictions and/or requirements in relation to the offer of the Rights Issue and the 2011 Warrants Issue to the Overseas Shareholders in the above jurisdictions and on the compliance with the relevant restrictions and/or requirements. Based on the legal opinions obtained, there are legal and/or regulatory restrictions and/or requirements for extending the Rights Issue and the 2011 Warrants Issue to Shareholders with a registered address in the United Kingdom, Malaysia and Australia. Having regard to the relevant legal and/or regulatory restrictions and/or requirements, the number of Overseas Shareholders as at the Record Date and the likely costs and time involved if overseas compliance requirement were to be observed, the Board considers that it would be necessary or expedient not to extend the Rights Issue and the 2011 Warrants Issue to Overseas Shareholders whose registered addresses are in the United Kingdom, Malaysia or Australia as shown on the register of members of the Company on the Record Date.

Furthermore, if because of changes in the number of Overseas Shareholders, changes in laws or other circumstances, the Board considers that the likely costs and time involved if overseas compliance were to be observed would outweigh the benefits which the Company and the Shareholders as a whole

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## LETTER FROM THE BOARD

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would receive by including certain Overseas Shareholders in the Rights Issue and the 2011 Warrants Issue, it may be necessary and expedient to exclude the Overseas Shareholders from the Rights Issue and the 2011 Warrants Issue.

The Company will send the Prospectus without the PAL and the EAF to the Excluded Shareholders for their information only. Shareholders with a registered address on the register of members of the Company in the United Kingdom, Australia or Malaysia should note that neither the Rights Shares or the 2011 Warrants will be offered or sold in the United Kingdom, Australia or Malaysia. The Prospectus to be sent to them for their information only does not and will not constitute an offer or invitation or issue of the Rights Shares and the 2011 Warrants in the United Kingdom, Australia or Malaysia. No person receiving the Prospectus in the United Kingdom, Australia or Malaysia may treat the same as constituting an invitation or offer to him/her/it. Applications for Rights Shares or for excess Rights Shares from any Shareholder who has a registered address on the register of members of the Company as at the Record Date in the United Kingdom, Australia or Malaysia will be deemed to be invalid and will not be accepted.

The Prospectus Documents have not been registered or filed under any securities or equivalent legislation of any jurisdictions other than the applicable laws in Hong Kong. This Prospectus does not constitute a prospectus for the purposes of the Prospectus Rules made by the United Kingdom Financial Services Authority. Neither the United Kingdom Financial Services Authority nor London Stock Exchange plc has examined or approved the contents of this Prospectus. This Prospectus is being sent to the Shareholders in the United Kingdom for information only and should not be copied or distributed. No application has been made or is being made for admission of either the Rights Shares or the 2011 Warrants, whether for dealing or otherwise, to any market operating or situated in the United Kingdom, nor are the existing Shares dealt in on any such exchange. No action has been taken to permit the offer of the Rights Shares and the 2011 Warrants in any jurisdictions other than Hong Kong, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements thereof. No person receiving a copy of this Prospectus, the PAL or the EAF in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in the relevant jurisdictions such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of any person whose registered address on the register of members of the Company is outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself, before acquiring any rights to subscribe for the provisionally allotted Rights Share or before applying for the excess Rights Shares, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that such acceptance would violate the applicable securities legislation or other laws or regulations of any jurisdictions.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of HK\$100 or more will be paid to the relevant Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholdings in the Company on the Record Date. The Company will retain individual amounts of less than HK\$100 for the benefit of the Company.

Any unsold entitlements of the Excluded Shareholders, together with any Rights Shares provisionally allotted to the Qualified Shareholders but not accepted, will be available for excess application by the Qualified Shareholders.

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## LETTER FROM THE BOARD

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### **Procedure for acceptance or transfer**

A PAL is enclosed with this Prospectus (to the Qualified Shareholders only) which entitles the Qualified Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If the Qualified Shareholders wish to exercise their right to subscribe for all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, by no later than 4:00 p.m. on Wednesday, 15th April, 2009. **All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Yu Ming Investments Limited – Provisional Allotment Account" and crossed "Account Payee Only".**

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Wednesday, 15th April, 2009, whether by the original allottee or any person in whose favour the rights have been validly transferred, the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Qualified Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Friday, 3rd April, 2009 to the Registrar, which will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection at the office of the Registrar after 9:00 a.m. on the third Business Day after the surrender of the original PAL.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises its right to terminate its obligations under the Underwriting Agreement at any time prior to 4:00 p.m. on the second Business Day following the Acceptance Date and/or if the Conditions are not fulfilled and/or waived by the Underwriter, the monies received in respect of the acceptance of the relevant provisional allotments will be returned to the relevant applicants without interest, by means of cheques despatched by ordinary post at the risk of such applicants on or before Thursday, 23rd April, 2009.

### **Application for excess Rights Shares**

Qualified Shareholders may apply for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by the Qualified Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares by way of excess application. Application can be made by completing the EAF and lodging the same with payment for the excess Rights Shares.

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## LETTER FROM THE BOARD

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The Board will determine the allotment of the excess Rights Shares on a fair and equitable basis. Excess Rights Shares will be allocated to Qualified Shareholders who have applied for excess Rights Shares on a pro rata basis.

If the Qualified Shareholders wish to apply for any Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, by no later than 4:00 p.m. on Wednesday, 15th April, 2009. **All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, and cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "Yu Ming Investments Limited – Excess Application Account" and crossed "Account Payee Only"**. The Registrar will notify the Qualified Shareholders of any allotment of excess Rights Shares made to them, which will be allotted at the discretion of the Directors on a fair and equitable basis. Excess Rights Shares will be allocated to Qualified Shareholders who have applied for excess application on a pro rata basis.

Shareholders with Shares held by a nominee company should note that the Board will regard the nominee company as a single shareholder according to the register of members of the Company.

Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company had been advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

### **Application for Listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), the 2011 Warrants and the Warrant Shares that may fall to be issued.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), the 2011 Warrants and the Warrant Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms), the 2011 Warrants and the Warrant Shares will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms), the 2011 Warrants and the Warrant Shares or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

It is expected that dealings of Rights Shares in their nil-paid form will take place from Monday, 30th March, 2009 to Wednesday, 8th April, 2009 (both dates inclusive) in the board lot size of 2,000 Shares in one board lot. Subject to Completion, it is expected that dealings in the Rights Shares in



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## LETTER FROM THE BOARD

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their fully paid form will commence on Monday, 27th April, 2009, in the board lot size of 20,000 Shares in one board lot. The 2011 Warrants, upon issue, will be listed on the Stock Exchange and traded in board lot size of 50,000 warrants in one board lot.

No part of the securities of the Company is listed on or dealt on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

### **Change in board lot size**

Subject to Completion, the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 20,000 Shares in compliance with the requirements under Listing Rules. The change in board lot size will become effective on 23rd April, 2009 and not affect any of the Shareholders' rights. Currently, based on the theoretical ex-rights price of HK\$0.10 per Share, the market value of one board lot of 2,000 Shares is HK\$200. Based on the theoretical ex-rights price of HK\$0.10 per Share, the market value of one board lot of 20,000 Shares will be HK\$2,000 following the change in board lot size.

Effective from 23rd April, 2009, new share certificates will be issued in board lot of 20,000 Shares each (except for odd lots or where the Registrar is otherwise instructed) for any new Shares to be issued. All existing share certificates in board lot of 2,000 Shares each will continue to be evidence of title to such Shares and be valid for transfer, delivery and settlement purposes. Accordingly, no arrangement of free exchange of existing share certificates for new share certificates under the new board lot of 20,000 Shares would be provided. Save and except for the change in the number of the Shares for each board lot, new share certificates will have the same format and color as the existing share certificates.

In order to facilitate the trading of odd lots (if any) of the Shares arising from the change in board lot size, the Company has appointed Sun Hung Kai Investment Services Limited to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from 9:30 a.m. on 23rd April, 2009 to 4:00 p.m. on 22nd May, 2009 (both dates inclusive). Holders of odd lots of the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or top up to a full board lot, may directly or through their brokers, contact Ms. Vicky Tang Lok Ki or another person appointed by Sun Hung Kai Investment Services Limited by telephone at 3920 1760 or by fax at 3920 1777 during this period. Holders of odd lots of the Shares should note that the matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot facility, is recommended to consult his/her/its own professional adviser.

### **Stamp duty and any other applicable fees and charges**

Dealings in the Rights Shares (in nil-paid and fully paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy and any other application fees and charges in Hong Kong.

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## LETTER FROM THE BOARD

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### Certificates for Rights Shares and 2011 Warrants

Subject to the fulfillment (and/or waiver) of the conditions of the Rights Issue set out in the section headed “Conditions of the Rights Issue and the Underwriting” below, certificates for all Rights Shares and 2011 Warrants are expected to be posted on Thursday, 23rd April, 2009 to those who have successfully applied and fully paid for the Rights Shares at their own risk.

### Reasons for the Rights Issue and use of proceeds

The Company is an investment company listed under Chapter 21 of the Listing Rules and its purpose is to invest its funds in investments with anticipated upside for the Company. The Company’s investments included listed and unlisted securities, bonds, direct investments, projects, properties and structured products. The financial turmoil in 2008 has significantly diminished the Group’s net asset value yet at the same time presents unique investment opportunities for the Group. The Board wishes to replenish the capital of the Company through the Rights Issue in anticipation of taking advantage of investment opportunities offering attractive valuation in both the local bond market, stock market, and such other opportunities as they arise.

The expected net proceeds from the Rights Issue of approximately HK\$181.5 million (after deduction of expenses and assuming no 2011 Warrant is exercised), is intended to be applied for investment purposes to purchase bonds as well as equities, and such other investments that, in the opinion of the Board, offer attractive returns.

### UNDERWRITING AGREEMENT

Key terms and details of the Underwriting Agreement are as set out below:

Date	:	13th February, 2009
Underwriter	:	Get Nice Securities Limited
Number of Underwritten Rights Shares (based on the Shares in issue as at the Latest Practicable Date)	:	All the Rights Shares other than those Rights Shares undertaken to be taken up by Bright Clear under the Subscription Undertaking
Commission	:	2.5% of the aggregate amount underwritten. Based on the number of Rights Shares not being undertaken to be taken up by Bright Clear under the Subscription Undertaking, underwriting commission is estimated to be approximately HK\$3.4 million.

To the best of the Directors’ knowledge and information and after making reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties and not connected persons of the Company.

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## LETTER FROM THE BOARD

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### Subscription Undertaking

As at the Latest Practicable Date, Bright Clear, a wholly owned subsidiary of AGL, is the beneficial owner of 504,371,800 Shares, representing approximately 26.98% of the issued share capital of the Company, and the beneficial owner of 100,874,360 units of 2009 Warrants. AGL has irrevocably undertaken to procure Bright Clear and Bright Clear has irrevocably undertaken to the Company that it will take up all Rights Shares which will be provisionally allotted to Bright Clear under the Rights Issue.

### Conditions of the Rights Issue and the Underwriting

The Rights Issue and the Underwriter's obligations under the Underwriting Agreement are conditional upon each of the following events happening:–

- (i) the passing of ordinary resolutions by the Independent Shareholders at the EGM to approve (a) the Rights Issue and the authorization of the issue of the Rights Shares; and (b) the creation and issue of the 2011 Warrants and the authorization of the allotment and issue of the Warrant Shares;
- (ii) the passing of ordinary resolution(s) by the Shareholders at the EGM to approve the increase in the authorized share capital of the Company to HK\$700,000,000 by creation of an additional 4,000,000,000 shares of HK\$0.10 each;
- (iii) the signing by or on behalf of all the Directors (or their authorized agents) on or before the Posting Date of copies of the Prospectus Documents certifying in accordance with Section 38D of the Companies Ordinance that the Prospectus Documents have been approved by a resolution of the Board;
- (iv) the delivery on or before the Posting Date of one such signed copy of each of the Prospectus Documents to the Underwriter and the Stock Exchange;
- (v) the posting of copies of the Prospectus Documents to the Qualified Shareholders;
- (vi) the filing and registration on or prior to the Posting Date of one such signed copy of each of the Prospectus Documents (and all other documents required to be attached thereto) with the Registrar of Companies in Hong Kong, complying with the requirements of the Companies Ordinance;
- (vii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) listings of and permission to deal in all the Rights Shares in their nil-paid and fully-paid forms, the 2011 Warrants and the Warrant Shares;
- (viii) compliance by AGL and Bright Clear with all of its obligations under the Subscription Undertaking; and
- (ix) compliance by the Company with certain obligations under the Underwriting Agreement.

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## LETTER FROM THE BOARD

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The Underwriter shall be entitled to waive the conditions under (viii) and (ix) above.

As at the Latest Practicable Date, Conditions (i) and (ii) above have been satisfied. In the event that any of the above Conditions have not been satisfied (and/or waived), all liabilities of the Company and the Underwriter under the Underwriting Agreement shall cease and determine and the Rights Issue will not proceed. None of the parties to the Underwriting Agreement shall have any rights against or liability towards the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the Rights Issue (but not the underwriting commission) shall be borne by the Company.

**As the proposed Rights Issue is subject to the above Conditions, it may or may not proceed.**

### **Termination of Underwriting Agreement**

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the second Business Day following the Acceptance Date if there occurs: –

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

**Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties thereunder shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter all reasonable costs, fees and expenses (but not the underwriting commission) referred to in the Underwriting Agreement.**

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## LETTER FROM THE BOARD

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The Underwriter may make arrangements with sub-underwriters for sub-underwriting of all or any part of the Underwritten Rights Shares provided that the Underwriter undertakes to the Company to ensure that (a) the subscribers procured by it or by sub-underwriters to subscribe for the Underwritten Rights Shares are or the sub-underwriters themselves are third parties independent of and not acting in concert with and shall not be connected with any of the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (b) no such subscriber or purchaser of the Underwritten Rights Shares shall be procured by it or by sub-underwriters if allotment and issue of any Rights Shares to it would result in it and its associate and concert parties, when aggregated with the Shares (if any) already held by them, holding 30% or more of the enlarged issued share capital of the Company immediately after Completion.

### THE 2011 WARRANTS ISSUE

Subject to fulfillment and/or waiver of the Conditions and the Completion, the Company proposes the bonus issue of one 2011 Warrant for every five Rights Shares taken up under the Rights Issue. Each unit of the 2011 Warrant will entitle its holder to subscribe for one new Share at an initial subscription price of HK\$0.10 per Share (subject to adjustments) upon exercise.

### Terms of the 2011 Warrants

Term	:	Two years from the date of issue
Conversion right	:	Right for holders of 2011 Warrants to convert all or any of their 2011 Warrants at any time during the conversion period
Conversion period	:	From the date of first issue of the 2011 Warrants to the date immediately preceding the second anniversary of the date of first issue of the 2011 Warrants
Initial Conversion price	:	HK\$0.10 per Share
Transferability	:	Freely transferable

Based on 1,869,172,517 Rights Shares to be issued pursuant to the Rights Issue, the number of 2011 Warrants to be issued will be 373,834,503, entitling the holders to subscribe for the same number of Shares, representing approximately 20% of the issued share capital of the Company as at the Latest Practicable Date and 10% of the issued share capital of the Company as enlarged by the issue of the Rights Shares.

The number of 2011 Warrants proposed to be issued upon Completion, when aggregated with the 2009 Warrants, will not exceed 20% of the total issued share capital of the Company (as enlarged by the issue of the Rights Shares) at the time the 2011 Warrants are issued.

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## LETTER FROM THE BOARD

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### Subscription price of 2011 Warrants

Each unit of the 2011 Warrants will entitle its holder to subscribe for one new Share at an initial subscription price of HK\$0.10 per Share (subject to adjustments) upon exercise of one 2011 Warrant. The subscription price of HK\$0.10 represents:

- (i) the closing price of HK\$0.10 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 2.04% over the average closing price of HK\$0.098 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the Last Trading Day;
- (iii) a premium of approximately 4.17% over the average closing price of HK\$0.096 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the Last Trading Day;
- (iv) the same price as the theoretical ex-rights price of HK\$0.10 per Share, which is calculated based on the closing price of HK\$0.10 per Share on the Last Trading Day;
- (v) a discount of approximately 65.52% to the unaudited consolidated net assets value per Share as at 28th February, 2009 of approximately HK\$0.29.

The subscription price of the Warrant Shares pursuant to the 2011 Warrants was determined with reference to the prevailing market prices of the Shares before the Last Trading Day when the terms of the 2011 Warrants are determined. The Board (including the independent non-executive Directors) considers the subscription price and the terms of the 2011 Warrants Issue to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The subscription price of the Warrant Shares pursuant to the 2011 Warrants will be adjusted on, *inter alia*, any capitalization issue, capital distribution, issue of rights, Shares or convertible securities convertible into Shares at less than 90% of the then market price of the Shares and purchase of Shares at more than 110% of the then market price of the Shares. The number of Warrant Shares to be issued will also be adjusted on Share consolidation or sub-division. Further announcement will be made by the Company should there be any event or circumstances the occurrence of which would result in an adjustment to the subscription price or number of Warrant Shares to be issued. Details of adjustment terms to the number and price of the 2011 Warrants is set out in Appendix III of this Prospectus.

## LETTER FROM THE BOARD

### Listing and Board Lot

Application for listing of, and permission to deal in, the 2011 Warrants and the Warrant Shares which may fall to be issued has been made to the Stock Exchange. The 2011 Warrants shall have the board lot size of 50,000 warrants in one board lot. The Warrant Shares which may fall to be issued will rank *pari passu* in all respect with the then existing issued Shares.

### Certificates for the 2011 Warrants

Subject to the fulfillment (and/or waiver) of the Conditions as set out in the section headed “Conditions of the Rights Issue and the Underwriting” above and Completion, certificates for the 2011 Warrants are expected to be posted to subscribers of the Rights Shares, at their own risk.

### Fractions of the 2011 Warrants

The Company will not issue fractions of 2011 Warrants. All fractions of 2011 Warrants will be aggregated and, if possible, sold for the benefit of the Company.

**The 2011 Warrants Issue is conditional upon Completion.**

### SHAREHOLDING STRUCTURE

The following is a summary of the shareholding structure of the Company before and after the Completion.

	As at the Latest Practicable Date		Immediately upon Completion assuming all Qualified Shareholders take up their respective entitlements under the Rights Issue		Immediately upon Completion assuming all Qualified Shareholders take up their respective entitlements under all 2011 Warrants are exercised in full		Immediately upon Completion assuming no Qualified Shareholders (apart from AGL) take up their respective entitlements under the Rights Issue		Immediately upon Completion assuming no Qualified Shareholders (apart from AGL) take up their respective entitlements under all 2011 Warrants are exercised in full	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
<b>Non-public</b>										
AGL	504,371,800	26.98%	1,008,743,600	26.98%	1,109,617,960	26.98%	1,008,743,600	26.98%	1,109,617,960	26.98%
Lee Yip Wah, Peter	1,550,000	0.08%	3,100,000	0.08%	3,410,000	0.08%	1,550,000	0.04%	1,550,000	0.04%
Albert Ho	1,000,000	0.06%	2,000,000	0.06%	2,200,000	0.06%	1,000,000	0.03%	1,000,000	0.02%
<b>Non-public subtotal</b>	<b>506,921,800</b>	<b>27.12%</b>	<b>1,013,843,600</b>	<b>27.12%</b>	<b>1,115,227,960</b>	<b>27.12%</b>	<b>1,011,293,600</b>	<b>27.05%</b>	<b>1,112,167,960</b>	<b>27.04%</b>
<b>Underwriter</b>	0	0.00%	0	0.00%	0	0.00%	1,364,800,717	36.51%	1,637,760,860	39.83%
<b>Public</b>										
Fung Wing Cheung and his associate	168,254,258	9.00%	336,508,516	9.00%	370,159,367	9.00%	168,254,258	4.50%	168,254,258	4.09%
Poly (Hong Kong) Investments Limited	109,150,000	5.84%	218,300,000	5.84%	240,130,000	5.84%	109,150,000	2.92%	109,150,000	2.65%
Chong Sok Un and its controlled entity	127,512,000	6.82%	255,024,000	6.82%	280,526,400	6.82%	127,512,000	3.41%	127,512,000	3.10%
Other Public	957,334,459	51.22%	1,914,668,918	51.22%	2,106,135,810	51.22%	957,334,459	25.61%	957,334,459	23.29%
<b>Public subtotal</b>	<b>1,362,250,717</b>	<b>72.88%</b>	<b>2,724,501,434</b>	<b>72.88%</b>	<b>2,996,951,577</b>	<b>72.88%</b>	<b>1,362,250,717</b>	<b>36.44%</b>	<b>1,362,250,717</b>	<b>33.13%</b>
<b>Total</b>	<b>1,869,172,517</b>	<b>100.00%</b>	<b>3,738,345,034</b>	<b>100.00%</b>	<b>4,112,179,537</b>	<b>100.00%</b>	<b>3,738,345,034</b>	<b>100.00%</b>	<b>4,112,179,537</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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### FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

On 1st April, 2008, the Company announced a bonus issue of 2009 Warrants on the basis of one 2009 Warrant for every five Shares held as at 23rd May, 2008. 373,834,397 units of 2009 Warrants with subscription price of HK\$0.33 per Share have been issued pursuant to the 2009 Warrants.

As at the Latest Practicable Date, 528 units of 2009 Warrants have been exercised, amounting to net proceeds of HK\$174.24. All the funds raised have been applied to the daily operations of the Company.

Save as disclosed above, the Company has not conducted any fund raising activity in the immediate 12 months before the Latest Practicable Date.

### LISTING AND SETTLEMENT

Subject to the granting of the listing of, and permission to deal in, the Rights Shares, the 2011 Warrants and the Warrant Shares which may fall to be issued on the Stock Exchange, the Rights Shares, the 2011 Warrants and the Warrant Shares which may fall to be issued will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of their respective dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Dealings in the Rights Shares (in board lots of 2,000 in respect of the nil-paid Rights Shares and in board lots of 20,000 in respect of the fully-paid Rights Shares), the 2011 Warrants (in board lots of 50,000 warrants) and the Warrant Shares, which may fall to be issued under the 2011 Warrants, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong.

### WARNING OF THE RISKS OF DEALINGS

**Shareholders and potential investors of the Company should note that (i) the Rights Issue is conditional, *inter alia*, upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of Underwriting Agreement” above) on the second Business Day following the Acceptance Date; and (ii) the 2011 Warrants will be issued subject to Completion.**

**Dealings in Shares and the Rights Shares in nil-paid form (which is expected to commence on Monday, 30th March, 2009) are expected to take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the nil-paid Rights Shares up to Wednesday, 8th April, 2009 and dealing in the Shares up to Friday, 17th April, 2009, the date on which all conditions to which the Rights Issue is subject are expected to be fulfilled and/or waived (as the case may be), will accordingly bear the risk that the Rights Issue may not become unconditional and the Rights Issue and 2011 Warrants Issue may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares and the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.**



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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus, in particular, the risk factors as set out on page 141 under the section headed “Risk factors of investing in the Company” in Appendix IV of this Prospectus.

Yours faithfully  
For and on behalf of the Board  
**YU MING INVESTMENTS LIMITED**  
**Lee Wa Lun, Warren**  
*Chairman*

## 1. SUMMARY OF FINANCIAL INFORMATION

The following summary of the financial information (the “Financial Information”) has been prepared based on the audited consolidated financial statements of the Group for each of the three years ended 31st December, 2005, 2006 and 2007 prepared in accordance with accounting principles generally accepted in Hong Kong (“HKGAAP”) and the disclosure provisions of the Listing Rules. Grant Thornton, the auditors of the Company, expressed unqualified opinions on the financial statements of the Company for each of the three years ended 31st December, 2005, 2006 and 2007. During the three years ended 31st December, 2007, there was no extraordinary or exceptional item affecting the financial statements of the Group.

**Consolidated Income Statement**

	For the year ended 31st December,		
	2007 HK\$	2006 HK\$	2005 HK\$
<b>Continuing operations:</b>			
<b>Revenue</b>	44,466,407	95,242,294	17,838,679
<b>Other net income</b>	87,137,758	16,794,959	20,185,952
<b>Administrative and other operating expenses</b>	(36,708,673)	(33,378,370)	(62,955,642)
<b>Operating profit/(loss)</b>	94,895,492	78,658,883	(24,931,011)
Derecognition of available-for-sale financial assets and other receivable	–	(190,190,000)	–
Gain on disposal of a subsidiary and a jointly controlled entity	16,206,190	–	–
Finance costs	(8,754,668)	(5,416,588)	(3,567,098)
Share of results of associates	–	(11,920,177)	167,115,652
Share of results of a jointly controlled entity	1,750,778	4,458,157	(45,986)
<b>Profit/(loss) before income tax</b>	104,097,792	(124,409,725)	138,571,557
Income tax (expense)/credit	(1,210,216)	195,000	(65,000)
Profit/(loss) for the year from continuing operations	102,887,576	(124,214,725)	138,506,557
<b>Discontinued operations:</b>			
Net result for the year from discontinued operations	61,128,927	8,619,007	8,198,531
<b>Profit/(loss) for the year</b>	<u>164,016,503</u>	<u>(115,595,718)</u>	<u>146,705,088</u>
Attributable to:			
– Equity holders of the Company	145,203,865	(155,693,187)	144,661,745
– Minority interests	18,812,638	40,097,469	2,043,343
<b>Profit/(loss) for the year</b>	<u>164,016,503</u>	<u>(115,595,718)</u>	<u>146,705,088</u>
<b>Dividends</b>	<u>–</u>	<u>–</u>	<u>33,823,440</u>
<b>Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company (HK cents)</b>			
– <b>Basic</b>			
For profit/(loss) for the year	7.96	(9.21)	8.55
For profit/(loss) from continuing operations	5.13	(9.52)	8.26
– <b>Diluted</b>	N/A	N/A	N/A

**Consolidated Balance Sheet**

	As at 31st December,		
	2007 HK\$	2006 HK\$	2005 HK\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	- 1,340,000,000	1,020,113,993	
Long term deposits	-	-	31,478,562
Interests in associates	-	-	11,926,269
Interests in a jointly controlled entity	-	1,438,648	40,000
Available-for-sale financial assets	54,703,460	464,219,216	688,332,547
Goodwill	-	-	-
	<u>54,703,460</u>	<u>1,805,657,864</u>	<u>1,751,891,371</u>
<b>Current assets</b>			
Trade and other receivables and deposits paid	1,037,143	101,133,077	20,223,755
Available-for-sale financial assets	780	663,000	4,412,500
Loan to minority interests	-	25,600,000	-
Financial assets at fair value through profit or loss	286,635,293	17,082,000	7,868,250
Other restricted deposit paid	24,013,552	-	-
Pledged bank fixed deposits	-	10,537,895	16,813,031
Cash and cash equivalents	<u>652,174,260</u>	<u>142,878,833</u>	<u>5,511,805</u>
	963,861,028	297,894,805	54,829,341
<b>Current liabilities</b>			
Other payables, accrued expenses and deposits received	21,682,911	26,081,851	11,860,166
Financial liabilities at fair value through profit or loss	3,900,000	-	-
Borrowings	-	38,322,174	10,496,176
Taxation payable	<u>1,210,216</u>	<u>22,996,019</u>	<u>26,832,724</u>
	<u>26,793,127</u>	<u>87,400,044</u>	<u>49,189,066</u>
<b>Net current assets</b>	<u>937,067,901</u>	<u>210,494,761</u>	<u>5,640,275</u>
<b>Total assets less current liabilities</b>	<u><u>991,771,361</u></u>	<u><u>2,016,152,625</u></u>	<u><u>1,757,531,646</u></u>

	As at 31st December,		
	2007	2006	2005
	HK\$	HK\$	HK\$
<b>Non-current liabilities</b>			
Borrowings	–	887,971,818	475,054,574
Loans from minority interests	–	120,172,611	157,391,656
Rental deposits received	–	14,791,198	5,470,038
Deferred tax liabilities	–	68,500,354	66,878,763
		<u>–</u>	<u>1,091,435,981</u>
			<u>704,795,031</u>
<b>Net assets</b>	<u>991,771,361</u>	<u>924,716,644</u>	<u>1,052,736,615</u>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	186,917,199	169,117,199	169,117,199
Reserves	804,854,162	563,213,846	697,507,846
Proposed final dividend	–	–	33,823,440
	<u>991,771,361</u>	<u>732,331,045</u>	<u>900,448,485</u>
<b>Minority interests</b>	<u>–</u>	<u>192,385,599</u>	<u>152,288,130</u>
<b>Total equity</b>	<u>991,771,361</u>	<u>924,716,644</u>	<u>1,052,736,615</u>
<b>Net asset value per share attributable to the equity holders of the Company</b>	<u>0.53</u>	<u>0.43</u>	<u>0.53</u>

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31ST DECEMBER, 2007

Set out below is the audited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group, and the balance sheet of the Company together with the notes to the financial statements of the Group as extracted from pages 37 to 147 of the annual report of the Company for the two years ended 31st December, 2007.

### Consolidated Income Statement

		<b>For the year ended</b>	
		<b>31st December,</b>	
		<b>2007</b>	<b>2006</b>
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Continuing operations:</b>			
<b>Revenue</b>	5	44,466,407	95,242,294
<b>Other net income</b>	6	87,137,758	16,794,959
<b>Administrative and other operating expenses</b>		<u>(36,708,673)</u>	<u>(33,378,370)</u>
<b>Operating profit</b>		94,895,492	78,658,883
Derecognition of available-for-sale financial assets and other receivable	8	–	(190,190,000)
Gain on disposal of a subsidiary and a jointly controlled entity	39.2	16,206,190	–
Finance costs	9	(8,754,668)	(5,416,588)
Share of results of associates		–	(11,920,177)
Share of results of a jointly controlled entity		<u>1,750,778</u>	<u>4,458,157</u>
<b>Profit/(loss) before income tax</b>	10	104,097,792	(124,409,725)
Income tax (expense)/credit	11	<u>(1,210,216)</u>	<u>195,000</u>
Profit/(loss) for the year from continuing operations		102,887,576	(124,214,725)
<b>Discontinued operations:</b>			
Net result for the year from discontinued operations	12	<u>61,128,927</u>	<u>8,619,007</u>
<b>Profit/(loss) for the year</b>		<u><u>164,016,503</u></u>	<u><u>(115,595,718)</u></u>

		For the year ended 31st December,	
	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Attributable to:			
– Equity holders of the Company	13	145,203,865	(155,693,187)
– Minority interests		<u>18,812,638</u>	<u>40,097,469</u>
<b>Profit/(loss) for the year</b>		<u><u>164,016,503</u></u>	<u><u>(115,595,718)</u></u>
<b>Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company (HK cents)</b>	15		
– <b>Basic</b>			
For profit/(loss) for the year		7.96	(9.21)
For profit/(loss) from continuing operations		<u>5.13</u>	<u>(9.52)</u>
– <b>Diluted</b>		<u><u>N/A</u></u>	<u><u>N/A</u></u>

**Consolidated Balance Sheet**

		<b>As at 31st December,</b>	
	<i>Notes</i>	<b>2007</b>	<b>2006</b>
		<i>HK\$</i>	<i>HK\$</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	18	–	1,340,000,000
Interests in associates	20	–	–
Interests in a jointly controlled entity	21	–	1,438,648
Available-for-sale financial assets	22	54,703,460	464,219,216
Goodwill	23	–	–
		<u>54,703,460</u>	<u>1,805,657,864</u>
<b>Current assets</b>			
Trade and other receivables and deposits paid	24	1,037,143	101,133,077
Available-for-sale financial assets	22	780	663,000
Loan to minority interests	25	–	25,600,000
Financial assets at fair value through profit or loss	26	286,635,293	17,082,000
Other restricted deposit paid	27	24,013,552	–
Pledged bank fixed deposits	28	–	10,537,895
Cash and cash equivalents	28	652,174,260	142,878,833
		<u>963,861,028</u>	<u>297,894,805</u>
<b>Current liabilities</b>			
Other payables, accrued expenses and deposits received	29	21,682,911	26,081,851
Financial liabilities at fair value through profit or loss	30	3,900,000	–
Borrowings	31	–	38,322,174
Taxation payable		1,210,216	22,996,019
		<u>26,793,127</u>	<u>87,400,044</u>
<b>Net current assets</b>		<u>937,067,901</u>	<u>210,494,761</u>
<b>Total assets less current liabilities</b>		<u><u>991,771,361</u></u>	<u><u>2,016,152,625</u></u>

		As at 31st December,	
		2007	2006
	Notes	HK\$	HK\$
<b>Non-current liabilities</b>			
Borrowings	31	–	887,971,818
Loans from minority interests	25	–	120,172,611
Rental deposits received		–	14,791,198
Deferred tax liabilities	35	–	68,500,354
		<u>–</u>	<u>1,091,435,981</u>
<b>Net assets</b>		<u>991,771,361</u>	<u>924,716,644</u>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	32	186,917,199	169,117,199
Reserves	33	<u>804,854,162</u>	<u>563,213,846</u>
		991,771,361	732,331,045
<b>Minority interests</b>		<u>–</u>	<u>192,385,599</u>
<b>Total equity</b>		<u>991,771,361</u>	<u>924,716,644</u>
<b>Net asset value per share attributable to the equity holders of the Company</b>	34	<u>0.53</u>	<u>0.43</u>



**Balance Sheet**

		<b>As at 31st December,</b>	
		<b>2007</b>	<b>2006</b>
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	19	1,400,028	2,470,906
Interests in a jointly controlled entity	21	–	40,000
		<u>1,400,028</u>	<u>2,510,906</u>
<b>Current assets</b>			
Amounts due from subsidiaries	19	781,037,557	317,240,634
Other receivables		–	1,887,856
Cash and cash equivalents	28	445,914,393	93,405,675
		<u>1,226,951,950</u>	<u>412,534,165</u>
<b>Current liabilities</b>			
Other payables, accrued expenses and deposits received	29	21,682,911	963,085
Amounts due to subsidiaries	19	247,656,556	9,808,031
		<u>269,339,467</u>	<u>10,771,116</u>
<b>Net current assets</b>		<u>957,612,483</u>	<u>401,763,049</u>
<b>Total assets less current liabilities</b>		<u><u>959,012,511</u></u>	<u><u>404,273,955</u></u>
<b>EQUITY</b>			
Share capital	32	186,917,199	169,117,199
Reserves	33	772,095,312	235,156,756
<b>Total equity</b>		<u><u>959,012,511</u></u>	<u><u>404,273,955</u></u>

**Consolidated Statement of Changes in Equity***For the year ended 31st December, 2007*

	Equity attributable to equity holders of the Company							Total	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\$
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	
Fair value gain on available-for-sale financial assets	-	-	-	-	7,326,927	-	-	7,326,927	-	7,326,927	
Net income recognised directly in equity	-	-	-	-	7,326,927	-	-	7,326,927	-	7,326,927	
Loss for the year	-	-	-	-	-	-	(155,693,187)	(155,693,187)	40,097,469	(115,595,718)	
Total recognised income and expense for the year	-	-	-	-	7,326,927	-	(155,693,187)	(148,366,260)	40,097,469	(108,268,791)	
Realisation of revaluation surplus of available-for-sale financial assets on disposal	-	-	-	-	(2,329,542)	-	-	(2,329,542)	-	(2,329,542)	
Impairment loss written-off to the income statement	-	-	-	-	16,401,802	-	-	16,401,802	-	16,401,802	
2005 final dividend paid (note 14)	-	-	-	-	-	(33,823,440)	-	(33,823,440)	-	(33,823,440)	
At 31st December, 2006	<u>169,117,199</u>	<u>311,582,062*</u>	<u>4,031,600*</u>	<u>366,772*</u>	<u>36,303,995*</u>	<u>-</u>	<u>210,929,417*</u>	<u>732,331,045</u>	<u>192,385,599</u>	<u>924,716,644</u>	

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	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			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$			
At 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	-	-	-	-	4,904,860	-	-	4,904,860	-	4,904,860
Net income recognised directly in equity	-	-	-	-	4,904,860	-	-	4,904,860	-	4,904,860
Profit for the year	-	-	-	-	-	-	145,203,865	145,203,865	18,812,638	164,016,503
Total recognised income and expense for the year	-	-	-	-	4,904,860	-	145,203,865	150,108,725	18,812,638	168,921,363
Realisation of revaluation surplus of available-for-sale financial assets on disposal	-	-	-	-	(28,755,477)	-	-	(28,755,477)	-	(28,755,477)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(211,198,237)	(211,198,237)
Proceeds from shares issued	33,800,000	189,280,000	-	-	-	-	-	223,080,000	-	223,080,000
Shares issuance expenses	-	(8,116,411)	-	-	-	-	-	(8,116,411)	-	(8,116,411)
Repurchase of shares	(16,000,000)	-	16,000,000	-	-	-	(76,876,521)	(76,876,521)	-	(76,876,521)
At 31st December, 2007	<u>186,917,199</u>	<u>492,745,651*</u>	<u>20,031,600*</u>	<u>366,772*</u>	<u>12,453,378*</u>	<u>-</u>	<u>279,256,761*</u>	<u>991,771,361</u>	<u>-</u>	<u>991,771,361</u>

\* The aggregate amount of these balances of HK\$804,854,162 (2006: HK\$563,213,846) represents the reserves in the consolidated balance sheet.

## Consolidated Cash Flow Statement

	<i>Notes</i>	For the year ended	
		31st December, 2007	2006
		HK\$	HK\$
<b>Cash flows from operating activities, including discontinued operations</b>			
Profit/(loss) before income tax		170,153,858	(113,096,709)
Adjustments for:			
Interest income from available-for-sale financial assets	5	(287,354)	(3,267,645)
Interest income from bank deposits	5	(12,105,437)	(3,214,463)
Interest income on accrued dividend income	5	(1,215,188)	(2,268,949)
Dividend income	5	(30,915,009)	(86,462,629)
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	(30,946,458)	(7,122,477)
Fair value loss/(gain) on investment properties	12	86,000	(1,679,625)
Impairment of available-for-sale financial assets	10	–	16,401,802
Reversal of impairment of available-for-sale financial assets	6	(5,000,000)	–
Fair value gain on financial assets at fair value through profit or loss	6	(50,291,628)	(9,213,750)
Impairment of interests in associates	10	–	6,092
Interest on bank and other borrowings	9	43,552,159	37,108,152
Fair value loss on financial instruments of interest rate swap contracts	9	–	847,456
Gain on disposal of a subsidiary and a jointly controlled entity	39.2	(16,206,190)	–
Gain on disposal of a subsidiary	39.1	(36,489,913)	–
Share of results of associates		–	11,920,177
Share of results of a jointly controlled entity		(1,750,778)	(4,458,157)

	<i>Notes</i>	For the year ended	
		2007	2006
		HK\$	HK\$
Operating profit before working capital changes		28,584,062	25,689,275
Decrease/(increase) in trade and other receivables and deposits paid		39,728,726	(706,812)
Increase in other payables, accrued expenses and deposits received		7,150,398	13,931,631
Change in financial assets at fair value through profit or loss		<u>(215,361,665)</u>	<u>—</u>
Cash (used in)/generated from operations		(139,898,479)	38,914,094
Interest received from available-for-sale financial assets		287,354	5,428,045
Bank interest received		12,105,437	3,001,733
Interest income received on accrued dividends		943,657	—
Dividend received		945,077	1,280,563
Interest on bank and other borrowings paid		(43,552,159)	(36,650,717)
Income taxes refund/(paid)		<u>2,696,212</u>	<u>(4,714,123)</u>
Net cash (used in)/generated from operating activities, including discontinued operations		<u>(166,472,901)</u>	<u>7,259,595</u>

	<i>Notes</i>	<b>For the year ended</b>	
		<b>2007</b>	<b>2006</b>
		<i>HK\$</i>	<i>HK\$</i>
<b>Cash flows from investing activities, including discontinued operations</b>			
Purchase of available-for-sale financial assets		(16,381,105)	(26,158,068)
Proceeds from disposal of available-for-sale financial assets		80,713,746	92,617,428
Realisation of available-for-sale financial assets	6	5,000,000	–
Purchase of investment properties		(7,330,640)	(286,727,820)
Proceeds from disposal of subsidiaries and a jointly controlled entity	39.2	158,908,380	–
Proceeds from disposal of a subsidiary	39.1	368,189,763	–
Decrease in pledged bank fixed deposits		<u>10,537,895</u>	<u>6,275,136</u>
Net cash generated from/(used in) investing activities, including discontinued operations		<u>599,638,039</u>	<u>(213,993,324)</u>
<b>Cash flows from financing activities, including discontinued operations</b>			
Dividends paid to the Company's equity holders		–	(33,823,440)
Loan from bank and other borrowings		–	440,743,242
Repayment of loan from bank and other borrowings		(61,993,131)	–
Proceeds from issuance of shares		223,080,000	–
Shares issuance expenses		(8,116,411)	–
Repurchase of shares		(76,800,000)	–
Shares repurchase expenses		(76,521)	–
Advances to minority interests		–	(25,600,000)
Repayment of loans from minority interests		<u>36,352</u>	<u>(37,219,045)</u>
Net cash generated from financing activities, including discontinued operations		<u>76,130,289</u>	<u>344,100,757</u>
<b>Net increase in cash and cash equivalents</b>		509,295,427	137,367,028
<b>Cash and cash equivalents at 1st January</b>		<u>142,878,833</u>	<u>5,511,805</u>
<b>Cash and cash equivalents at 31st December</b>		<u><u>652,174,260</u></u>	<u><u>142,878,833</u></u>

**NOTES TO THE FINANCIAL STATEMENTS****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 Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong and, its principal place of business is 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.

The financial statements 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 (the “Listing Rules”).

The financial statements for the year ended 31st December, 2007 were approved for issue by the Board of Directors on 31st March, 2008.

**2. ADOPTION OF NEW OR AMENDED HKFRSs**

- 2.1 From 1st January, 2007, the Group has adopted all the new and amended 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 Company’s and the Group’s accounting policies. However, as a result of the adoption of HKFRS 7 Financial Instruments: Disclosures and HKAS 1 (Amendment) Presentation of Financial Statements: Capital Disclosures, there have been some additional disclosures provided as follows:

**HKAS 1 (Amendment) Presentation of Financial Statements: Capital Disclosures**

In accordance with HKAS 1 (Amendment) Presentation of Financial Statements: Capital Disclosures, the Company now reports on its capital management objectives, policies and procedures in each financial report. The new disclosures that become necessary due to this change in HKAS 1 can be found in Note 41.

**HKFRS 7 Financial Instruments: Disclosures**

HKFRS 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1st January, 2007 or later. The new Standard replaces and amends disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its 2007 consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Company’s financial statements now feature

- a sensitivity analysis, to explain the Group’s market risk exposure with regards to its financial instruments, and

- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

- 2.2 The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 11	Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – Int 12	HKFRS 2 – Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

*Note:*

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

Among these new HKFRSs, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements.

#### **HKAS 1 (Amendment) Presentation of Financial Statements**

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

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.



**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 summarised 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 areas where assumptions and estimates are significant to the financial statements, are described in Note 4.

**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 the revaluation 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 shareholding 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 losses 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 in equity.

### 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 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, the recoverable 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 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 recognition as 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, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists, with changes in fair value recognised in profit or loss.

(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. Any change in their fair value is recognised in profit or loss.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets include nonderivative 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.

### 3.12 Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, loans and receivables and available-for-sale financial assets are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

### 3.13 Accounting for hedging activities

Derivative financial instruments are initially recognised at 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.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

### **3.17 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.

### **3.18 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.

### **3.19 Financial liabilities**

The Group’s financial liabilities include borrowings, derivative financial instruments, loans from minority interests, other payables, accrued expenses and deposits received.

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 12 months after the balance sheet date.

*Derivative financial instruments*

The Group's derivative financial instruments that are not designated as hedging instruments are accounted for at fair value through profit or loss. Changes in the fair value of the instruments are recognised in profit or loss.

*Other financial liabilities*

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

**3.20 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 a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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.

**3.21 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') last revalued amount and fair value less costs to sell.

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- is a subsidiary acquired exclusively with a view to resale.

The results from discontinued operations, including prior year components of profit or loss, are presented in a single amount, on the face of the income statement, which comprises:

- the post-tax result of the discontinued operations; and
- the post-tax gain or loss resulting from the measurement and disposal of assets constituting the discontinued operation.

### 3.22 Related parties

A party is 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;
  - has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a joint-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.

### 3.23 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.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Segment 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 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 judgement, 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 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

	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	287,354	3,267,645	–	–	287,354	3,267,645
Interest income from financial assets at fair value through profit or loss	29,250	117,000	–	–	29,250	117,000
Interest income from bank deposits	12,019,606	3,126,071	85,831	88,392	12,105,437	3,214,463
Dividend income						
– listed investments	368,676	–	–	–	368,676	–
– unlisted investments	30,546,333	86,462,629	–	–	30,546,333	86,462,629
Interest income on accrued dividend income	1,215,188	2,268,949	–	–	1,215,188	2,268,949
Rental Income	–	–	80,285,106	62,704,993	80,285,106	62,704,993
	<u>44,466,407</u>	<u>95,242,294</u>	<u>80,370,937</u>	<u>62,793,385</u>	<u>124,837,344</u>	<u>158,035,679</u>

## 6. OTHER NET INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Gain on disposal/redemption of available-for-sale financial assets	30,946,458	7,122,477	–	–	30,946,458	7,122,477
Fair value gain on financial assets at fair value through profit or loss	50,291,628	9,213,750	–	–	50,291,628	9,213,750
Reversal of impairment of available-for-sale financial assets	5,000,000	–	–	–	5,000,000	–
Exchange gain	402,415	30,250	–	–	402,415	30,250
Sundry income	497,257	428,482	3,924,602	837,200	4,421,859	1,265,682
	<u>87,137,758</u>	<u>16,794,959</u>	<u>3,924,602</u>	<u>837,200</u>	<u>91,062,360</u>	<u>17,632,159</u>

## 7. SEGMENT INFORMATION

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

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 segments 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.

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

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.

	Continuing operations		Discontinued operations		Consolidated	
	Securities investments		Property investment			
	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue	<u>44,466,407</u>	<u>95,242,294</u>	<u>80,370,937</u>	<u>62,793,385</u>	<u>124,837,344</u>	<u>158,035,679</u>
Segment result	94,895,492	78,658,883	64,363,644	43,852,036	159,259,136	122,510,919
Derecognition of available-for-sale financial assets	-	(190,190,000)	-	-	-	(190,190,000)
Gain on disposal of a subsidiary and a jointly controlled entity	16,206,190	-	36,489,913	-	52,696,103	-
Finance costs	(8,754,668)	(5,416,588)	(34,797,491)	(32,539,020)	(43,552,159)	(37,955,608)
Share of results of						
- associates	-	(11,920,177)	-	-	-	(11,920,177)
- a jointly controlled entity	<u>1,750,778</u>	<u>4,458,157</u>	<u>-</u>	<u>-</u>	<u>1,750,778</u>	<u>4,458,157</u>
Profit/(loss) before income tax	104,097,792	(124,409,725)	66,056,066	11,313,016	170,153,858	(113,096,709)
Income tax (expense)/credit	<u>(1,210,216)</u>	<u>195,000</u>	<u>(4,927,139)</u>	<u>(2,694,009)</u>	<u>(6,137,355)</u>	<u>(2,499,009)</u>
Profit/(loss) for the year	<u>102,887,576</u>	<u>(124,214,725)</u>	<u>61,128,927</u>	<u>8,619,007</u>	<u>164,016,503</u>	<u>(115,595,718)</u>
	Continuing operations		Discontinued operations		Consolidated	
	Securities investments		Property investment			
	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	1,018,564,488	757,106,752	-	1,345,007,269	1,018,564,488	2,102,114,021
Interests in associates	-	-	-	-	-	-
Interests in a jointly controlled entity	-	1,438,648	-	-	-	1,438,648
Total assets	<u>1,018,564,488</u>	<u>758,545,400</u>	<u>-</u>	<u>1,345,007,269</u>	<u>1,018,564,488</u>	<u>2,103,552,669</u>
Segment liabilities	25,582,911	310,667,727	-	776,671,925	25,582,911	1,087,339,652
Unallocated	<u>1,210,216</u>	<u>-</u>	<u>-</u>	<u>91,496,373</u>	<u>1,210,216</u>	<u>91,496,373</u>
Total liabilities	<u>26,793,127</u>	<u>310,667,727</u>	<u>-</u>	<u>868,168,298</u>	<u>26,793,127</u>	<u>1,178,836,025</u>
Other information						
Capital expenditure	-	-	7,330,640	318,206,382	7,330,640	318,206,382
Impairment of available-for-sale financial assets	<u>-</u>	<u>16,401,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,401,802</u>

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

During the year ended 31st December, 2006, 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 the 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 “Preexecution 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 Airway Financial Assets and the failure to recognise the Grand China Shares, the carrying value of the CR Airway Financial Assets in the aggregate amount of HK\$190.19 million was charged to the income statement for the year ended 31st December, 2006.

During 2007, the Group still continued to discuss with Grand China’s representative about a resolution, and at the same time seeking legal advice to enforce the registration. As at 31st December, 2007 and the date of these financial statements, no recognition of the Grand China shares is made in the financial statements.



## 9. FINANCE COSTS

	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	8,095,717	4,214,421	34,797,491	32,539,020	42,893,208	36,753,441
Interest on other borrowings	658,951	354,711	–	–	658,951	354,711
	8,754,668	4,569,132	34,797,491	32,539,020	43,552,159	37,108,152
Fair value loss on financial instruments of interest rate swap contracts	–	847,456	–	–	–	847,456
	<u>8,754,668</u>	<u>5,416,588</u>	<u>34,797,491</u>	<u>32,539,020</u>	<u>43,552,159</u>	<u>37,955,608</u>

## 10. PROFIT/(LOSS) BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Profit/(loss) before income tax is arrived at after charging/(crediting):						
Impairment of interests in associates	–	6,092	–	–	–	6,092
Impairment of available-for-sale financial assets	–	16,401,802	–	–	–	16,401,802
Auditors' remuneration – charge for the year	350,000	365,600	58,900	59,800	408,900	425,400
– under-provision for prior year	50,000	–	1,000	–	51,000	–
Employee benefit expense (including Directors' remuneration (Note 17)) (Note 16)	3,579,862	702,000	769,667	211,830	4,349,529	913,830
Management fee (Note 38)	13,343,473	13,306,316	–	–	13,343,473	13,306,316
Performance fee (Note 38)	12,207,829	–	–	–	12,207,829	–
Outgoings in respect of investment properties	–	–	7,972,686	6,905,476	7,972,686	6,905,476
Rental income from investment properties less direct outgoings of HK\$7,972,686 (2006: HK\$6,905,476)	–	–	(7,972,686)	(6,905,476)	(7,972,686)	(6,905,476)
	<u>–</u>	<u>–</u>	<u>(72,312,420)</u>	<u>(55,799,517)</u>	<u>(72,312,420)</u>	<u>(55,799,517)</u>

## 11. INCOME TAX EXPENSE/(CREDIT)

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

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Current tax						
Current year	1,210,216	–	3,516,297	1,072,418	4,726,513	1,072,418
Over provision in prior years	–	(195,000)	–	–	–	(195,000)
	1,210,216	(195,000)	3,516,297	1,072,418	4,726,513	877,418
Deferred tax ( <i>Note 35</i> )	–	–	1,410,842	1,621,591	1,410,842	1,621,591
Total income tax expense/(credit)	<u>1,210,216</u>	<u>(195,000)</u>	<u>4,927,139</u>	<u>2,694,009</u>	<u>6,137,355</u>	<u>2,499,009</u>

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

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Profit/(loss) before income tax	<u>104,097,792</u>	<u>(96,123,598)</u>	<u>66,056,066</u>	<u>(16,973,111)</u>	<u>170,153,858</u>	<u>(113,096,709)</u>
Tax calculated at the applicable rate of 17.5% (2006: 17.5%)	18,217,114	(16,821,630)	11,559,812	(2,970,294)	29,776,926	(19,791,924)
Tax effect of non-deductible expenses	2,940,327	36,305,831	207,548	6,190,061	3,147,875	42,495,892
Tax effect of non-taxable revenue	(19,961,122)	(20,391,508)	(6,812,007)	(3,413,432)	(26,773,129)	(23,804,940)
Tax effect of unused tax losses not recognised	13,897	907,307	–	2,887,674	13,897	3,794,981
Utilisation of previously unrecognised tax losses	–	–	(28,214)	–	(28,214)	–
Over provision in respect of prior years	–	(195,000)	–	–	–	(195,000)
Income tax expense/(credit)	<u>1,210,216</u>	<u>(195,000)</u>	<u>4,927,139</u>	<u>2,694,009</u>	<u>6,137,355</u>	<u>2,499,009</u>

**12. 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 the completion of the transaction on 31st December, 2007, the Group received cash proceeds of HK\$372 million.

Revenue and expenses, gains and losses relating to the discontinued operations have been eliminated from the Group’s continuing results and are shown as a single line item on the face of the income statement as “net result for the year from discontinued operations”. Assets and liabilities originally classified as held for sale had already been sold at the balance sheet date resulting from a gain of HK\$36,489,913.

An analysis of the results and cash flows of the discontinued operations included in the consolidated income statement and the consolidated cash flows statement is as follows with comparatives re-presented:

		<b>2007</b>	<b>2006</b>
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	5	80,370,937	62,793,385
Other net income	6	3,924,602	837,200
Fair value (loss)/gain on investment properties		(86,000)	1,679,625
Expenses		<u>(54,643,386)</u>	<u>(53,997,194)</u>
Profit before income tax		29,566,153	11,313,016
Income tax expense	11	<u>(4,927,139)</u>	<u>(2,694,009)</u>
Profit for the year from discontinued operations		24,639,014	8,619,007
Gain on disposal of assets held for sale for discontinued operations	39.1	<u>36,489,913</u>	<u>–</u>
Net result for the year from discontinued operations	15	<u><u>61,128,927</u></u>	<u><u>8,619,007</u></u>
Operating cash flows		59,319,258	46,550,249
Investing cash flows		(7,130,808)	(282,654,063)
Financing cash flows		<u>(51,716,041)</u>	<u>236,189,694</u>
Total cash flows		<u><u>472,409</u></u>	<u><u>85,880</u></u>

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

Of the consolidated profit for the year attributable to equity holders of the Company of HK\$145,203,865 (2006: loss of HK\$155,693,187), a profit of HK\$416,651,488 (2006: loss of HK\$181,798,136) has been dealt with in the financial statements of the Company.

**14. DIVIDENDS AND BONUS WARRANTS**

The Group had not declared any dividends during the year ended 31st December, 2007 and 2006.

The Board of Directors of the Company has resolved to propose an issue of bonus warrants (“Bonus Warrant Issue”) on the basis of one warrant for every five shares held by the shareholders whose names appear on the Register of Members on 23rd May, 2008 at a subscription price of HK\$0.33 per share with one-year term from its issuance.

## 15. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK\$145,203,865 (2006: loss of HK\$155,693,187) and on the weighted average of 1,825,308,975 (2006: 1,691,171,989) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31st December, 2007 and 2006 were not presented as there is no dilutive potential ordinary share during the respective years.

The basic earnings/(loss) per share for continuing and discontinued operations is calculated as follows:

	2007 HK\$	2006 HK\$
Consolidated profit/(loss) for the year attributable to the equity holders of the Company for the purpose of basic earnings/(loss) per share	145,203,865	(155,693,187)
Net result for the year from discontinued operations ( <i>Note 12</i> )	61,128,927	8,619,007
Less: Profit for the year attributable to minority interests from discontinued operations	<u>(9,553,903)</u>	<u>(3,342,451)</u>
	<u>51,575,024</u>	<u>5,276,556</u>
Profit/(loss) for the year attributable to the equity holders of the Company for the purpose of basic earnings/(loss) per share from continuing operations	<u>93,628,841</u>	<u>(160,969,743)</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic earnings/(loss) per share attributable to equity holders of the Company for the continuing and discontinued operations	<u>7.96</u>	<u>(9.21)</u>
Basic earnings/(loss) per share attributable to equity holders of the Company for the continuing operations	<u>5.13</u>	<u>(9.52)</u>
Basic earnings per share attributable to equity holders of the Company for the discontinued operations	<u>2.83</u>	<u>0.31</u>

## 16. EMPLOYEE BENEFIT EXPENSE (including Directors' emoluments)

	Continuing operations		Discontinued operations		Consolidated	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Basic salaries	1,771,637	620,000	618,134	189,000	2,389,771	809,000
Discretionary bonuses	1,740,725	70,000	133,000	15,830	1,873,725	85,830
Contributions to defined contribution plans	67,500	12,000	18,533	7,000	86,033	19,000
	<u>3,579,862</u>	<u>702,000</u>	<u>769,667</u>	<u>211,830</u>	<u>4,349,529</u>	<u>913,830</u>

## 17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

## 17.1 Directors' emoluments – Executive Directors and Non-Executive Directors

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

	Fees <i>HK\$</i>	Other emoluments <i>HK\$</i>	Total <i>HK\$</i>
Year ended 31st December, 2007			
Executive Directors			
Lee Wa Lun, Warren	1,157,500	1,771,225	2,928,725
Lee Seng Hui (Re-designated from Non-Executive Director on 30th November, 2007)	70,000	–	70,000
Lo King Yau, Edwin (Appointed on 30th November, 2007)	–	–	–
Non-Executive Directors			
Fung Wing Cheung, Tony (Re-designated from Executive Director on 30th November, 2007)	20,000	–	20,000
Fung Yiu Fai, Peter (Re-designated from Executive Director on 1st June, 2007)	20,000	–	20,000
Arthur George Dew (Appointed on 30th November, 2007)	–	–	–
Lee Yip Wah, Peter	20,000	–	20,000
Wong Tai Chun, Mark (Appointed on 30th November, 2007 as Alternate Director to Arthur George Dew)	–	–	–
Chan Kin (Appointed on 21st June, 2007 and resigned on 18th January, 2008)	–	–	–
Yeh V-Nee (Appointed on 1st March, 2007 and resigned on 21st June, 2007)	–	–	–
Independent Non-Executive Directors			
So Shu Fai, Ambrose	20,000	–	20,000
Chow Yu Chu, Alexander	120,000	–	120,000
Albert Ho	70,000	–	70,000
	<u>1,497,500</u>	<u>1,771,225</u>	<u>3,268,725</u>

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

	Fees <i>HK\$</i>	Other emoluments <i>HK\$</i>	Total <i>HK\$</i>
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 Chu, Alexander	120,000	–	120,000
Albert Ho	70,000	–	70,000
	<u>380,000</u>	<u>–</u>	<u>380,000</u>

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

## 17.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2006: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: two) individuals during the year are as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2007 <i>HK\$</i>	2006 <i>HK\$</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Basic salaries	264,000	240,000	602,034	189,000	866,034	429,000
Discretionary bonuses	22,000	70,000	133,000	15,830	155,000	85,830
Contributions to defined contribution plans	15,000	12,000	18,533	7,000	33,533	19,000
	<u>301,000</u>	<u>322,000</u>	<u>753,567</u>	<u>211,830</u>	<u>1,054,567</u>	<u>533,830</u>

The emoluments of the remaining three (2006: two) individuals fell within the emolument band of “Nil – HK\$1,000,000”.

During the year ended 31st December, 2007, no emoluments were paid by the Group to the Directors or the remaining three (2006: two) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 18. INVESTMENT PROPERTIES

## GROUP

All the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes or both 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:

	<b>2007</b> <i>HK\$</i>	<b>2006</b> <i>HK\$</i>
Carrying amount at 1st January	1,340,000,000	1,020,113,993
Additions	7,330,640	318,206,382
Net (loss)/gain from fair value adjustment	(86,000)	1,679,625
Disposals	<u>(1,347,244,640)</u>	<u>–</u>
Carrying amount at 31st December	<u>–</u>	<u>1,340,000,000</u>

On 31st December, 2007, all investment properties were disposed of. No subsequent impairment noted after they had been classified as assets held for sale as at 30th June, 2007.

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

At 31st December, 2006, bank borrowings of HK\$713,909,140 were secured by all the above investment properties (note 31).

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

	<b>2007</b> <i>HK\$</i>	<b>2006</b> <i>HK\$</i>
Long leases	–	1,180,000,000
Medium-term leases	<u>–</u>	<u>160,000,000</u>
	<u>–</u>	<u>1,340,000,000</u>

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

## COMPANY

	2007 HK\$	2006 HK\$
Unlisted shares, at cost	1,503,153	2,574,031
Less: Impairment loss recognised	<u>(103,125)</u>	<u>(103,125)</u>
	<u>1,400,028</u>	<u>2,470,906</u>
Amounts due from subsidiaries	1,178,052,910	729,027,894
Less: Impairment loss recognised	<u>(397,015,353)</u>	<u>(411,787,260)</u>
Portion due within one year included under current assets	<u>781,037,557</u>	<u>317,240,634</u>
Amounts due to subsidiaries, due within one year included under current liabilities	<u>(247,656,556)</u>	<u>(9,808,031)</u>

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, 2007 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		Principal activities and place of operations
			Directly	Indirectly	
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
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



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	
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

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

	2007 HK\$	2006 HK\$
Share of net assets	8	8
Goodwill	<u>35,963,702</u>	<u>35,963,702</u>
Loans to associates	<u>35,963,710</u> <u>25,636,188</u>	<u>35,963,710</u> <u>25,636,188</u>
Less: Impairment loss	<u>61,599,898</u> <u>(61,599,898)</u>	<u>61,599,898</u> <u>(61,599,898)</u>
	<u>–</u>	<u>–</u>

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

Included in the cost of investments in associates was goodwill of HK\$35,963,702 (2006: HK\$35,963,702) arising on acquisition of an associate during the year ended 31st December, 2005. There were no movement of goodwill during the year ended 31st December, 2006 and 2007, and its carrying amount is summarised below:

	<b>2007</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>
At 1st January and 31st December		
Gross amount	35,963,702	35,963,702
Accumulated impairment	<u>(35,963,702)</u>	<u>(35,963,702)</u>
Carrying amount	<u><u>–</u></u>	<u><u>–</u></u>

As at 31st December, 2007, the following list contains only the particulars of the associates, all of which are unlisted corporate entities, in the opinion of the Directors they principally affect the results or assets of the Group is as follows:

<b>Name</b>	<b>Particulars of issued shares held</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Group's equity interest</b>
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:

	<b>2007</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>
Total assets	40,653,552	33,523,468
Total liabilities	(93,017,809)	(87,555,482)
Revenue	50,298,784	61,186,75
Loss for the year	<u>(2,401,484)</u>	<u>(44,591,525)</u>

## 21. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	–	–	–	40,000
Share of net assets	<u>–</u>	<u>1,438,648</u>	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>1,438,648</u></u>	<u><u>–</u></u>	<u><u>40,000</u></u>

On 21st June, 2007, the Board of Directors of the Company resolved to dispose of a subsidiary, IEC Investments Limited (“IEC”), and a jointly controlled entity, AsiaWorld-Expo Management Limited (“AWE”), of which the Group held 60% and 40% equity interests respectively, to Dragages Hong Kong Limited who is the minority shareholder of IEC and majority shareholder of AWE, at a consideration of HK\$180 million. The transaction was completed on 14th September, 2007.

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

Name	Particulars of issued shares held	Country of incorporation	Principal activities	Group's equity interest
AsiaWorld-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	Management and operation of exhibition facilities	40%

During the year, the Group recognised the share of profit of the jointly controlled entity amounted to HK\$1,750,778 up to the disposal of that jointly controlled entity. The summarised financial information in respect of the interests in jointly controlled entity attributable to the Group for the year ended 31st December, 2006 is set out below:

	2006 HK\$
Total assets	4,160,972
Total liabilities	(2,722,324)
Revenue	5,390,798
Profit for the year	<u>4,458,157</u>

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

### GROUP

	2007 HK\$	2006 HK\$
Non-current		
Listed equity securities ( <i>note 22.1</i> )	39,104,007	105,687,326
Unlisted equity and debt securities ( <i>Note 22.2</i> )	<u>15,599,453</u>	<u>358,531,890</u>
	54,703,460	464,219,216
Current		
Unlisted debt securities ( <i>Note 22.2</i> )	<u>780</u>	<u>663,000</u>
Total	<u>54,704,240</u>	<u>464,882,216</u>

Available-for-sale financial assets are denominated in the following currencies:

	2007 HK\$	2006 HK\$
HK dollar	38,494,278	381,514,554
US dollar	15,617,297	79,118,506
UK pound	592,665	2,811,944
Euro	—	1,437,212
	<u>54,704,240</u>	<u>464,882,216</u>

#### 22.1 Listed equity securities

	2007 HK\$	2006 HK\$
Listed equity securities		
– Listed in Hong Kong	38,494,277	28,573,377
– Listed outside Hong Kong	609,730	77,113,949
	<u>39,104,007</u>	<u>105,687,326</u>
Market value of listed equity securities	<u>39,104,007</u>	<u>105,687,326</u>

Fair values for these securities have been determined by reference to their quoted bid prices at the balance sheet date in an active market.

These financial assets are subject to financial risk exposure in term of price and currency risks.

Particulars of the major investment in listed equity securities at 31st December, 2007 is as follows:

#### *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, 2007, the Group held 52,370,000 shares (2006: 51,431,000) in Dan Form, representing 4.61% (2006: 4.53%) 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, 2007, the net assets of Dan Form were approximately HK\$2,006 million. As at 31st December, 2007, the market value of the Group’s investment in Dan Form was approximately HK\$36 million (2006: approximately HK\$26 million).

#### 22.2 Unlisted equity and debt securities

Unlisted equity and debt securities with no quoted market price are stated at cost less impairment.

## 23. GOODWILL

## GROUP

The main changes in the carrying amounts of goodwill result from the acquisition of IEC Investments Limited which was disposed of during the year. As such, the Group has no goodwill as at 31st December, 2007. The net carrying amount of goodwill can be analysed as follows:

	2007 HK\$	2006 HK\$
At 1st January		
Gross carrying amount	1,037,788	1,037,788
Accumulated impairment	<u>(1,037,788)</u>	<u>(1,037,788)</u>
Net carrying amount	<u>          —</u>	<u>          —</u>
Net carrying amount at 1st January	—	—
Arising from acquisition of a subsidiary	—	—
Impairment loss	<u>          —</u>	<u>          —</u>
Net carrying amount at 31st December	<u>          —</u>	<u>          —</u>
At 31st December		
Gross carrying amount	—	1,037,788
Accumulated impairment	<u>          —</u>	<u>(1,037,788)</u>
Net carrying amount	<u>          —</u>	<u>          —</u>

## 24. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

## GROUP

	2007 HK\$	2006 HK\$
Trade receivables	—	1,481,108
Other receivables	1,037,143	99,073,016
Deposits paid	<u>          —</u>	<u>      578,953</u>
	<u>1,037,143</u>	<u>101,133,077</u>

As at 31st December, 2006, included in other receivables was an amount due from a related company amounted to HK\$97,037,901, 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 was unsecured, bore 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. As at 31st December, 2007, the Group has no receivable due from HKIEC upon the disposal of a subsidiary, IEC. The maximum amount outstanding during the year was HK\$97,037,901 (2006: HK\$97,037,901).

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 29).

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

	<b>2007</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	–	1,401,982
31 – 60 days	–	58,881
61 – 90 days	–	15,184
Over 90 days	–	5,061
	<u>–</u>	<u>1,481,108</u>
	<u>–</u>	<u>1,481,108</u>

## 25. LOANS TO/FROM MINORITY INTERESTS

As at 31st December, 2006, loans to minority interests were unsecured, interest-free and repayable on demand. Accordingly, the loans were classified as current assets.

As at 31st December, 2006, loans from minority interests were unsecured, interest-free and were not repayable in the next twelve months after the balance sheet date. Accordingly, the loans were classified as non-current liabilities.

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### GROUP

	<b>2007</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>
Equity securities held for trading		
Listed in Hong Kong ( <i>Note 26.1</i> )	129,831,080	–
Listed outside Hong Kong ( <i>Note 26.2</i> )	103,886,412	–
	<u>233,717,492</u>	<u>–</u>
Debt securities held for trading		
Listed outside Hong Kong	–	17,082,000
	<u>–</u>	<u>17,082,000</u>
Market value of listed securities	233,717,492	17,082,000
Derivative financial instruments		
Unlisted warrants ( <i>Note 26.3</i> )	42,597,111	–
Equity forward contracts ( <i>Note 26.4</i> )	10,320,690	–
	<u>52,917,801</u>	<u>–</u>
	<u>286,635,293</u>	<u>17,082,000</u>

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2007 HK\$	2006 HK\$
HK dollar	140,151,770	–
US dollar	–	17,082,000
Malaysian ringgit	64,243,142	–
Australian dollar	5,647,340	–
Japanese yen	49,514,291	–
New Taiwan dollar	27,078,750	–
	<u>286,635,293</u>	<u>17,082,000</u>

The above financial assets are classified as held for trading.

Fair values for the listed equity and debt securities have been determined by reference to their quoted bid prices at the balance sheet date.

#### 26.1 Equity securities listed in Hong Kong

##### *Hong Kong and Shanghai Banking Corporation (“HSBC”)*

HSBC is a banking and financial services organization that provides a comprehensive range of personal financial services, commercial banking, corporate & investment banking, private banking services.

As at 31st December, 2007, the Group held 100,000 shares (2006: Nil) in HSBC, representing less than 0.01% (2006: Nil) interest in the issued share capital of HSBC. No dividend was received during the year. Based on the final result highlights of HSBC at 31st December, 2007, the net assets of HSBC were approximately US\$135,416 million. As at 31st December, 2007, the market value of the Group’s investment in HSBC was approximately HK\$13 million.

##### *Asian Union New Media (Group) Limited (“Asian”)*

Asian Union New Media (Group) Limited operates television advertising business and film and TV dramas business.

As at 31st December, 2007, the Group held 130,000,000 shares (2006: Nil) in Asian, representing 0.80% (2006: Nil) interest in the issued share capital of Asian. No dividend was received during the year. Based on the interim report of Asian at 30th June, 2007, the net assets of Asian were approximately HK\$825 million. As at 31st December, 2007, the market value of the Group’s investment in Asian was approximately HK\$19 million.

##### *China Grand Forestry Resources Group Limited (“CH Grand Forest”)*

CH Grand Forest operates in tree plantation and management, manufacture and distribution of forestry products, and manufacture and sale of garment.

As at 31st December, 2007, the Group held 5,200,000 shares (2006: Nil) in CH Grand Forest, representing 0.09% (2006: Nil) interest in the issued share capital of CH Grand Forest. No dividend was received during the year. Based on the interim report of CH Grand Forest at 30th September, 2007, the net assets of CH Grand Forest were approximately HK\$5,259 million. As at 31st December, 2007, the market value of the Group's investment in CH Grand Forest was approximately HK\$8.5 million.

***APAC Resources Company Limited ("APAC Resources")***

APAC Resources is principally engaged in : (i) trading in base metals; (ii) trading in fabric products and other merchandises; and (iii) trading and investment of listed securities.

As at 31st December, 2007, the Group held 15,000,000 shares (2006: Nil) in APAC Resources, representing 0.32% (2006: Nil) interest in the issued share capital of APAC Resources. No dividend was received during the year. Based on the interim report of APAC Resources at 30th June, 2007, the net assets of APAC Resources were approximately HK\$1,368 million. As at 31st December, 2007, the market value of the Group's investment in APAC Resources was approximately HK\$21.6 million.

***Industrial and Commercial Bank of China Limited ("ICBC")***

The principal activities of the ICBC comprise the provision of banking services including Renminbi ("RMB") and foreign currency deposits, loans, payment and settlement services, and other services as approved by the China Banking Regulatory Commission (the "CBRC") of the PRC, and the provision of related services by its overseas establishments as approved by the respective local regulators.

As at 31st December, 2007, the Group held 4,000,000 shares (2006: Nil) in ICBC, representing less than 0.01% (2006: Nil) interest in the issued share capital of ICBC. No dividend was received during the year. Based on the annual results announcement of ICBC at 31st December, 2007, the net assets of ICBC were approximately RMB543,676 million. As at 31st December, 2007, the market value of the Group's investment in ICBC was approximately HK\$22 million.

**26.2 Equity securities listed outside Hong Kong**

***DutaLand Berhad (formerly known as Mycom Berhad)***

DutaLand Berhad (formerly known as Mycom Berhad) is an established public company listed on the Main Board of the Bursa Malaysia Securities Berhad. Its group of companies is involved mainly in oil palm plantations, property development and property investments.

As at 31st December, 2007, the Group held 22,148,200 shares (2006: Nil) in DutaLand Berhad, representing 3.92% (2006: Nil) interest in the issued share capital of DutaLand Berhad. No dividend was received during the year. Based on the unaudited quarterly financial highlight of DutaLand Berhad at 31st December, 2007, the net assets of DutaLand Berhad were approximately MYR842 million. As at 31st December, 2007, the market value of the Group's investment in DutaLand Berhad was approximately HK\$55 million.

***First Steamship Company Ltd. ("First steamship")***

First steamship was engaged in Charterers business, especially in ship management and, through its subsidiaries, offers ship-owners worldwide service for the crewing, technical including the supervising of dry-docking and new building, and commercial management of sea-going vessels specializing in bulk carriers and container ships.



As at 31st December, 2007, the Group held 1,300,000 shares (2006: Nil) in First steamship, representing 0.53% (2006: Nil) interest in the issued share capital of First steamship. No dividend was received during the year. Based on the quarterly report of First steamship at 30th September, 2007, the net assets of First steamship were approximately NT\$3,307 million. As at 31st December, 2007, the market value of the Group's investment in First steamship was approximately HK\$24 million.

***Mudajaya Group Berhad ("Mudajaya")***

Mudajaya is an investment holding company and its subsidiaries and associated companies are involved in construction, property development, manufacturing, trading and the power sector.

As at 31st December, 2007, the Group held 1,000,000 shares (2006: Nil) in Mudajaya, representing 0.67% (2006: Nil) interest in the issued share capital of Mudajaya. Dividend HK\$15,246 was received during the year. Based on the unaudited quarterly financial highlight of Mudajaya at 31st December, 2007, the net assets of Mudajaya were approximately MYR254 million. As at 31st December, 2007, the market value of the Group's investment in Mudajaya was approximately HK\$9 million.

**26.3 Unlisted warrants**

***J. Bridge Corp ("J. Bridge")***

J. Bridge, listed on the 2nd Section of Tokyo Stock Exchange, is a financial investment firm which focuses on revitalization of distressed companies. The investments span over healthcare, real estate and construction materials.

As at 31st December, 2007, the Group held 60,000 warrants (2006: Nil) in J. Bridge. No dividend was received during the year. Based on the interim report of J. Bridge at 31st December, 2007, the net assets of J. Bridge were approximately HK\$764 million. As at 31st December, 2007, the market value of the Group's investment in J. Bridge was approximately HK\$43 million.

As at 31st December, 2007, the major terms of the warrants are as follows:

<b>Notional amount</b>	<b>Number of options</b>	<b>Maturity</b>	<b>Underlying stock</b>
JP¥299,999,000	60,000	2nd July, 2012	J. Bridge

Fair values for the unlisted warrants have been determined by a firm of professional valuers, Greater China Appraisal Limited, by using the Binomial Option Pricing Model. The significant inputs into the model were share price of JP¥40, strike price of JP¥45, time to maturity of 4.51 years, volatility of 78.05%, risk-free rate 0.8% and dilutive factor of 57.54%.

Fair value gain of HK\$21,627,181 has been recognised in the income statement.

## 26.4 Equity forward contracts

As at 31st December, 2007, the major terms of the equity forward contracts are as follows:

Notional principal amount outstanding <i>HK\$</i>	Maturity	Underlying stock
A 57,827,250	6th November, 2008	Hong Kong Stock Exchange
B 16,542,000	5th November, 2008	PetroChina
C 57,915,000	7th November, 2008	Hong Kong Stock Exchange
D 19,822,500	7th November, 2008	PetroChina
E 21,845,250	7th November, 2008	China Shenhua
F 16,627,500	7th November, 2008	China Merchants
G 10,980,000	7th November, 2008	Bank of China
H 40,029,750	3rd December, 2008	Ping An Insurance

Under the terms of the contracts, the Group is obligated to acquire the underlying shares of each contract at a forward price for a year long. The contracts require no initial cost. Pre-determined number of shares is accumulated to be acquired by the Group on a daily basis and they are settled on monthly basis. The key terms of these contracts incorporate knock-out and gearing properties. A knock-out price is set for each contract, once the daily share price of the underlying shares triggers the knock-out price, the contract is closed out immediately. However, if the daily share price of the underlying share falls below the forward price, the Group has to acquire double of the pre-determined daily number of shares.

Fair values for the forward contracts have been determined by a firm of professional valuers, Greater China Appraisal Limited, by using the Binomial Option Pricing Model. The significant inputs into the model were as follows:

	Share price <i>HK\$</i>	Forward price <i>HK\$</i>	Time to maturity <i>Year</i>	Volatility	Risk-free rate	Dividend yield	Fair value as at 31st December, 2007 <i>HK\$</i>
A	221.20	196.61	0.85	46.85%	2.55%	2.70%	4,908,749
B	13.90	14.67	0.85	42.87%	2.55%	3.21%	(1,006,309)
C	221.20	211.07	0.85	46.85%	2.55%	2.70%	2,120,313
D	13.90	14.25	0.85	42.87%	2.55%	3.21%	(558,101)
E	46.60	38.59	0.85	51.69%	2.55%	1.28%	1,587,605
F	31.50	30.76	0.85	38.50%	2.55%	0.49%	611,893
G	3.78	4.00	0.85	34.50%	2.55%	1.06%	(620,566)
H	83.70	73.03	0.93	50.19%	2.55%	1.00%	3,277,106
							<u>10,320,690</u>

Fair value gain of HK\$10,320,690 has been recognised in the income statement.

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

Subsequent to 31st December, 2007, as at the date of this report, the daily share prices of all the underlying equity securities under the outstanding equity forward contracts are below the forward prices set at the respective equity forward contracts. Had all the underlying equity securities under these outstanding equity forward contracts been acquired on the forward price condition at the balance sheet date, their theoretical net settlement value would decrease by about HK\$160 million based on the daily closing prices at trade date between 1st January, 2008 and the date of this report in which the lowest aggregate market value of these underlying equity securities under the outstanding equity forward contract is recorded. The theoretical net settlement value is the difference between the daily closing prices and the forward prices of those contracts multiplied by the maximum number of shares that has to be acquired up to the maturity dates of the contracts. These pro forma information is for illustrative purposes only and is not necessarily an indication of the fair value change in these equity securities and results of operation of the Group that actually would have been achieved had the acquisition of these equity securities been completed at the balance sheet date, nor is it intended to be a projection of future result.

#### 27. OTHER RESTRICTED DEPOSIT PAID

As at 31st December, 2007, the deposits of HK\$24,013,552 were paid to a financial institution to secure settlement for the equity forward contracts (Note 26.4).

#### 28. CASH AND CASH EQUIVALENTS AND PLEDGED BANK FIXED DEPOSITS

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Cash and bank balances	175,463,783	3,193,738	745,831	197,704
Time deposits	<u>476,710,477</u>	<u>150,222,990</u>	<u>445,168,562</u>	<u>93,207,971</u>
	652,174,260	153,416,728	445,914,393	93,405,675
Less: Pledged bank fixed deposits	<u>—</u>	<u>(10,537,895)</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents	<u><u>652,174,260</u></u>	<u><u>142,878,833</u></u>	<u><u>445,914,393</u></u>	<u><u>93,405,675</u></u>

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 2.25% to 4.75% (2006: 3.7% to 5.225%) per annum. The carrying amounts of the cash and cash equivalents and the pledged deposits approximates to their fair value.

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

#### 29. OTHER PAYABLES, ACCRUED EXPENSES AND DEPOSITS RECEIVED

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Other payables and accrued expenses	21,682,911	20,469,316	21,682,911	963,085
Rental deposits received	<u>—</u>	<u>5,612,535</u>	<u>—</u>	<u>—</u>
	<u><u>21,682,911</u></u>	<u><u>26,081,851</u></u>	<u><u>21,682,911</u></u>	<u><u>963,085</u></u>

As at 31st December, 2007, included in other payables and accrued expenses of the Group was amount due to a related company amounted to HK\$18,863,683 of which HK\$18,262,151 represented the unsettled management fee and performance fee charged to the Group.

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 of which HK\$8,306,323 represented dividend and interest receivables by the Group on behalf of a related company. The amount was fully repaid during the year.

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

### 30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS GROUP

#### GROUP

	2007 HK\$	2006 HK\$
Derivative financial instruments		
Listed put options – USD	3,900,000	–

As at 31st December, 2007, the major terms of the put options are as follows:

Notional amount	Number of options	Maturity	Underlying stock
US\$7,360,000	2,500	19th January, 2008	Citigroup
US\$7,360,000	2,500	19th January, 2008	Citigroup

Fair values for the put options have been determined by reference to their quoted prices at the balance sheet date.

The above financial instruments are classified as held for trading.

These financial instruments are subject to financial risk exposure in term of price risk.

## 31. BORROWINGS

## GROUP

	2007 HK\$	2006 HK\$
Secured		
Bank borrowings – floating rate	–	917,880,958
Other borrowings – fixed rate	–	8,413,034
	<u>–</u>	<u>926,293,992</u>
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
	<u>–</u>	<u>926,293,992</u>
Less: Amount due within one year shown under current liabilities	<u>–</u>	<u>(38,322,174)</u>
Amount due more than one year shown under non-current liabilities	<u>–</u>	<u>887,971,818</u>

As at 31st December, 2006, bank borrowings were secured by investment properties (note 18), 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 repayable within one year were secured by bank fixed deposits (note 28) and supported by guarantee provided by the Company.

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

	2007	2006
Effective interest rate per annum:		
Fixed rate borrowings	–	2.86% to 4.18%
Floating rate borrowings	–	HIBOR+0.62% to HIBOR+2.3%
	<u>–</u>	<u>–</u>

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

	2007 HK\$	2006 HK\$
Hong Kong dollar	–	917,880,958
Euro	–	8,413,034
	<u>–</u>	<u>926,293,992</u>

During the year ended 31st December, 2006, 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.

As at 31st December, 2007, the Group had no interest rate swap contract upon the disposal of a subsidiary, IEC Investments Limited.

### 32. SHARE CAPITAL

	2007		2006	
	<i>Number of shares</i>	<i>HK\$</i>	<i>Number of shares</i>	<i>HK\$</i>
Authorised:				
Ordinary shares of HK\$0.1 each				
At 1st January	<u>2,100,000,000</u>	<u>210,000,000</u>	<u>2,100,000,000</u>	<u>210,000,000</u>
At 31st December	<u><u>2,100,000,000</u></u>	<u><u>210,000,000</u></u>	<u><u>2,100,000,000</u></u>	<u><u>210,000,000</u></u>
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At 1st January	1,691,171,989	169,117,199	1,691,171,989	169,117,199
Issued	338,000,000	33,800,000	–	–
Repurchased and cancelled	<u>(160,000,000)</u>	<u>(16,000,000)</u>	–	–
At 31st December	<u><u>1,869,171,989</u></u>	<u><u>186,917,199</u></u>	<u><u>1,691,171,989</u></u>	<u><u>169,117,199</u></u>

By an ordinary resolution dated 24th July, 2007, 338,000,000 ordinary shares of the Company of HK\$0.1 each were allotted at a subscription price of HK\$0.66 each.

By a special resolution dated 2nd November, 2007, 160,000,000 ordinary shares of the Company of HK\$0.1 each were repurchased from ASM Asia Recovery (Master) Fund and ASM Hudson River Fund, substantial shareholders of the Company at a subscription price of HK\$0.48 (totalling HK\$76,800,000) each in an off-market manner pursuant to conditional repurchase agreement dated 16th September, 2007.

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HK\$16,000,000 was transferred from retained earnings to the capital redemption reserve. The premium paid on the repurchase of the shares of HK\$60,876,521 (inclusive of expenses of repurchase and cancellation of shares) was charged to retained earnings.

**33. RESERVES****GROUP**

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

**Share premium and capital redemption reserve**

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

**Capital contribution reserve**

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.

**Investment revaluation reserve**

Investment revaluation reserve represents changes in fair value of available-for-sale financial assets.

**COMPANY**

	Share premium HK\$	Capital redemption reserve HK\$	Retained earnings/ (Accumulated losses) HK\$	Total HK\$
At 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 and at 1st January, 2007	311,582,062	4,031,600	(80,456,906)	235,156,756
Profit for the year	—	—	416,651,488	416,651,488
Total recognised income and expense for the year	—	—	416,651,488	416,651,488
Proceeds from shares issued	189,280,000	—	—	189,280,000
Shares issuance expenses	(8,116,411)	—	—	(8,116,411)
Repurchase of shares	—	16,000,000	(76,876,521)	(60,876,521)
At 31st December, 2007	<u>492,745,651</u>	<u>20,031,600</u>	<u>259,318,061</u>	<u>772,095,312</u>

**34. 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\$991,771,361 (2006: HK\$732,331,045) and 1,869,171,989 (2006: 1,691,171,989) ordinary shares in issue as at 31st December, 2007.

**35. DEFERRED TAX LIABILITIES****GROUP**

Deferred taxation is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

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

	Accelerated tax depreciation		Fair value gain		Tax losses		Total	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
At 1st January	5,132,695	2,642,085	64,580,192	64,580,192	(1,212,533)	(343,514)	68,500,354	66,878,763
Charged/(credited) to income statement	2,101,454	2,490,610	-	-	(690,612)	(869,019)	1,410,842	1,621,591
Arising from disposal of a subsidiary	(7,234,149)	-	(64,580,192)	-	1,903,145	-	(69,911,196)	-
At 31st December	<u>-</u>	<u>5,132,695</u>	<u>-</u>	<u>64,580,192</u>	<u>-</u>	<u>(1,212,533)</u>	<u>-</u>	<u>68,500,354</u>

As at 31st December, 2007, the Group has unused tax losses of HK\$79,412 (2006: HK\$21,685,606) 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.

The Company had no material unrecognised deferred tax assets and liabilities as at 31st December, 2007 (2006: Nil).

**36. FUTURE OPERATING LEASE ARRANGEMENTS**

As at 31st December, 2007, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

**Group**

The Group leased its investment properties (note 18) 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 these leases includes contingent rentals. As at 31st December, 2007, the Group had no future operating lease arrangement upon the disposal of Honnex.

	2007 HK\$	2006 HK\$
<b>Investment properties</b>		
Amount receivable		
- Within one year	-	65,554,831
- In the second to fifth years	-	39,864,243
	<u>-</u>	<u>105,419,074</u>

**Company**

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



**37. FINANCIAL GUARANTEE CONTRACTS**

As at 31st December, 2007, 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\$20 million (2006: US\$15 million). As at 31st December, 2007, there was no outstanding indebtedness (2006: approximately Euro 819,000).

As at 31st December, 2006, the Company has executed a guarantee to a bank to secure the outstanding indebtedness due by a disposed subsidiary, Honnex, amounting to approximately HK\$714 million. Upon the completion of disposal of Honnex on 31st December, 2007, the guarantee was released.

Under the guarantees, the Company would be liable to pay the holders of these guarantees if they are unable to recover the loan. At 31st December, 2006, 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 values of HK\$1,340 million and HK\$11 million, respectively at 31st December, 2006.

**38. RELATED PARTY TRANSACTIONS**

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

	<b>2007</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>
YMIM		
Management fee expense	13,343,473	13,306,316
Performance fee expense	<u>12,207,829</u>	<u>–</u>

- (a) 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 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 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 years ended 31st December, 2006 and 2007, no incentive fee was charged by YMIM.

Subsequent to the interim 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 on 31st March, 2007 and 22nd June, 2007 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 the 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) earlier of 1st October, 2007; or (ii) the date immediately following the day on which the New Investment Management Agreement was approved by the shareholders to 31st December, 2009. YMIM entitles to a management fee equal to 1.5% per annum of the consolidated net asset value of the Group attributable to the equity holders of the Company, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the consolidated net asset value of the Group attributable to the equity holders of the Company 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 the Group attributable to the equity holders of the Company of each year ending 31st December, exceeds (i) if a performance fee has been paid during the management period, the audited consolidated net asset value of the Group attributable to the equity holders 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 Group attributable to the equity holders of the Company on effective date of the New Investment Management Agreement.

On 24th August, 2007, YMIM became an indirectly wholly-owned subsidiary of Allied Group Limited (“AGL”), a substantial shareholder of the Company. As at 31st December, 2007, (i) AGL held 27% interests in the share of the Company; (ii) Mr. Lee Seng Hui, Mr. Lo King Yau, Edwin and Mr. Arthur George Dew were common directors of the Company and AGL; and (iii) Mr. Fung Wing Cheung, Tony and Mr. Lee Wa Lun, Warren were common directors of the Company and YMIM.

- (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 during the year ended 31st December, 2007 amounted to HK\$706,685 (2006: HK\$896,144). The Group utilised certain staff employed by YMIM and reimbursed staff costs of HK\$398,170 to YMIM for the year ended 31st December, 2007 (2006: HK\$466,966). Such reimbursed costs are included in “Administrative and other operating expenses” on the face of the consolidated income statement.
- (c) The Group has been charged nil administrative fee (2006: HK\$180,000) and advisory fee of HK\$990,000 (2006: Nil) by YMIM.
- (d) As at 31st December, 2007, the Group had the following interests in units of the following trusts:

	2007		2006	
	Units	HK\$	Units	HK\$
MYM China Trust	–	–	136.0970	45,424,856
MYM High Yield Bond Trust	–	–	101.4612	28,615,821
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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.

- (e) As at 31st December, 2006, 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 was 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 the 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, 2007, consultancy fee of HK\$480,000 (2006: HK\$480,000) were charged by Marking Limited, a minority shareholder of the Group. Mr. Yu Kwok Chuen, Eddie is a shareholder of Marking Limited.
- (h) On 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. The transaction completed on 31st December, 2007 and the consideration was fully received.
- (i) During the year ended 31st December, 2007, commission expenses of HK\$915,891 were charged by Sun Hung Kai Investments Services Limited, a subsidiary of Allied Group Limited, a substantial shareholder of the Company, for securities transactions entered into.
- (j) Under the placing agreement dated 25th July, 2007, Sun Hung Kai Investment Services Limited, a subsidiary of Sun Hung Kai & Co Limited (“SHK”), a then substantial shareholder of the Company, provided placing services to the Company and received a placing fee of approximately HK\$7.8 million for placing 338,000,000 shares of the Company to independent investors at a price of HK\$0.66 per share.
- (k) On 16th November, 2007, a subsidiary of the Company purchased from SHK, a subsidiary of AGL which is a substantial shareholder of the Company, 60,000 warrants issued by J. Bridge at a consideration of JP¥299,999,000 (equivalent to approximately HK\$21 million).

## 39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

## 39.1 Disposal of a subsidiary, Honnex – Discontinued operation

	<b>2007</b>
	<i>HK\$</i>
Net assets disposed of:	
Investment properties	1,347,244,640
Trade receivables	1,093,350
Other receivables and deposits paid	656,813
Cash and cash equivalents	3,438,237
Other payables, accrued expenses and deposits received	(22,701,883)
Taxation payable	(29,208,528)
Bank borrowings	(697,000,000)
Deferred tax liabilities	(69,911,196)
Loan from minority interest	(32,144,971)
Minority interests	(166,328,375)
	<u>335,138,087</u>
Gain on disposal of a subsidiary ( <i>Note 12</i> )	<u>36,489,913</u>
Net consideration	<u><u>371,628,000</u></u>
Satisfied by cash	
Consideration	372,000,000
Direct cost of disposal	(372,000)
Net consideration	<u><u>371,628,000</u></u>

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<b>2007</b>
	<i>HK\$</i>
Net consideration	371,628,000
Cash and bank balances disposed	<u>(3,438,237)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u><u>368,189,763</u></u>

**39.2 Disposal of a subsidiary, IEC, and a jointly controlled entity, AWE**

	<b>2007</b>
	<i>HK\$</i>
Net assets disposed of:	
Interests in a jointly controlled entity	2,613,024
Available-for-sale financial assets	352,941,176
Other receivables and deposits paid	65,421,358
Loan to minority interest	25,600,000
Cash and cash equivalents	20,911,615
Other payables, accrued expenses and deposits received	(3,638,653)
Bank borrowings	(167,300,861)
Loan from minority interest	(88,063,992)
Minority interests	(44,869,862)
	<u>163,613,805</u>
Gain on disposal of a subsidiary and a jointly controlled entity	<u>16,206,190</u>
Net consideration	<u><u>179,819,995</u></u>
Satisfied by cash	
Consideration	180,000,000
Direct cost of disposal	(180,005)
Net consideration	<u><u>179,819,995</u></u>

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary and a jointly controlled entity is as follows:

	<b>2007</b>
	<i>HK\$</i>
Net consideration	179,819,995
Cash and bank balances disposed	<u>(20,911,615)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary and a jointly controlled entity	<u><u>158,908,380</u></u>

**40. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to market risks through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Group is exposed are described below. A summary of the Group's financial assets and liabilities by category is shown in Note 40.7.

**40.1 Foreign currency risk**

Most of the Group's transactions are carried out in HKD. Exposures to currency exchange rates arise from the Group's investments, which are primarily denominated in Japanese Yen, Malaysian Ringgit, New Taiwan Dollars, US-Dollars and UK-Pounds.

Foreign currency denominated financial assets and liabilities, translated into HKD at the closing rate, are as follows:

	<b>2007</b>					
	<i>HK\$'000</i>					
	<b>JP¥</b>	<b>MYR</b>	<b>NT\$</b>	<b>US\$</b>	<b>AU\$</b>	<b>Others</b>
Financial assets	49,514	64,243	27,079	–	5,647	–
Financial liabilities	–	–	–	(3,900)	–	–
Short-term exposure	<u>49,514</u>	<u>64,243</u>	<u>27,079</u>	<u>(3,900)</u>	<u>5,647</u>	<u>–</u>
Financial assets	–	–	–	15,617	–	593
Financial liabilities	–	–	–	–	–	–
Long-term exposure	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,617</u>	<u>–</u>	<u>593</u>
	<b>2006</b>					
	<i>HK\$'000</i>					
	<b>JP¥</b>	<b>MYR</b>	<b>NT\$</b>	<b>US\$</b>	<b>AU\$</b>	<b>Others</b>
Financial assets	–	–	–	17,745	–	–
Financial liabilities	–	–	–	–	–	–
Short-term exposure	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,745</u>	<u>–</u>	<u>–</u>
Financial assets	–	–	–	78,456	–	4,249
Financial liabilities	–	–	–	–	–	–
Long-term exposure	<u>–</u>	<u>–</u>	<u>–</u>	<u>78,456</u>	<u>–</u>	<u>4,249</u>

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates, Japanese Yen, Malaysian Ringgit and New Taiwan Dollars, to which the Group has significant exposure at the balance sheet date.

	2007			2006		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK\$'000	Effect on other components of equity HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK\$'000	Effect on other components of equity HK\$'000
JP¥	10%	4,085	–	10%	N/A	N/A
JP¥	10%	(4,085)	–	10%	N/A	N/A
MYR	4%	2,120	–	4%	N/A	N/A
MYR	(4%)	(2,120)	–	(4%)	N/A	N/A
NT\$	3.5%	782	–	3.5%	N/A	N/A
NT\$	(3.5%)	(782)	–	(3.5%)	N/A	N/A

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance date and had been applied to each of the Group's entities' exposure to currency risk for the non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, with the estimated changes then translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

#### 40.2 Interest rate risk

The Group is exposed to changes in market interest rates through its cash at banks and borrowings at floating interest rate, which are subject to variable interest rates. At 31st December, 2006, the Group had significant interest-bearing borrowings issued at variable rates.

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) in response to reasonably possible changes in the interest rate, to which the Group has significant exposure at the balance sheet date.

	2007		2006	
	Increase/ (decrease) in interest rates	Effect on profit after tax and retained earnings HK\$'000	Increase/ (decrease) in interest rates	Effect on profit after tax and retained earnings HK\$'000
Cash at banks	1%	5,060	1%	1,534
Cash at banks	(1%)	(5,060)	(1%)	(1,534)
Borrowings	1%	–	1%	7,641
Borrowings	(1%)	–	(1%)	(7,641)

At 31st December, 2007, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

### 40.3 Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities and available-for-sale financial assets. Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are primarily listed on the stock exchanges of Hong Kong, Kuala Lumpur, Tokyo, Taiwan and Australia. Listed investments held in the available-for-sale portfolio have been chosen based on their long term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and other components of the consolidated equity in response to the reasonably possible changes in the relevant stock market prices, to which the Group has significant exposure at the balance sheet date.

#### *Listed securities*

In response to the reasonably possible change in the market price of the listed securities, the Group's investment in listed securities excluding derivatives has the following exposures:

		2007			2006	
	Increase/ (decrease) in securities market price	Effect on profit after tax and retained earnings HK\$'000	Effect on other components of equity HK\$'000	Increase/ (decrease) in securities market price	Effect on profit after tax and retained earnings HK\$'000	Effect on other components of equity HK\$'000
Hong Kong market	10%	10,711	3,849	10%	-	2,857
Hong Kong market	(10%)	(10,711)	(3,849)	(10%)	-	(2,857)
Taiwan market	10%	2,234	-	10%	N/A	N/A
Taiwan market	(10%)	(2,234)	-	(10%)	N/A	N/A
Japan market	10%	570	-	10%	N/A	N/A
Japan market	(10%)	(570)	-	(10%)	N/A	N/A
Australia market	10%	465	-	10%	N/A	N/A
Australia market	(10%)	(465)	-	(10%)	N/A	N/A
Malaysia market	10%	5,300	-	10%	N/A	N/A
Malaysia market	(10%)	(5,300)	-	(10%)	N/A	N/A
US market	10%	322	-	10%	1,409	7,911
US market	(10%)	(322)	-	(10%)	(1,409)	(7,911)



*Unlisted warrants*

In response to the reasonably possible change in the market price of the J. Bridge shares, the Group's investment in unlisted warrants has the following exposures:

Increase/ (decrease) in securities market price	2007		Increase/ (decrease) in securities market price	2006	
	Effect on profit after tax and retained earnings (Note) HK\$'000	Effect on other components of equity HK\$'000		Effect on profit after tax and retained earnings HK\$'000	Effect on other components of equity HK\$'000
10%	13,820	–	10%	N/A	N/A
(10%)	(13,820)	–	(10%)	N/A	N/A

*Equity forward contracts*

In response to the reasonably possible change in the market price of the underlying shares, the Group's investment in equity forward contracts has the following exposures:

Increase/ (decrease) in underlying shares' prices	2007		Increase/ (decrease) in underlying shares' prices	2006	
	Effect on profit after tax and retained earnings (Note) HK\$'000	Effect on other components of equity HK\$'000		Effect on profit after tax and retained earnings HK\$'000	Effect on other components of equity HK\$'000
10%	16,303	–	10%	N/A	N/A
(10%)	(24,163)	–	(10%)	N/A	N/A

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market price or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date.

In response to the volatile stock market subsequent to the year end date of 31st December, 2007, the Group's investment in equity forward contracts has the following exposures:

Increase/ (decrease) in underlying shares' prices	2007	Effect on other components of equity <i>(Note)</i> HK\$'000	Increase/ (decrease) in underlying shares' prices	2006	Effect on other components of equity HK\$'000
	Effect on profit after tax and retained earnings HK\$'000			Effect on profit after tax and retained earnings HK\$'000	
30%	33,186*	–	30%	N/A	N/A
(30%)	(98,305)	–	(30%)	N/A	N/A
20%	28,453*	–	20%	N/A	N/A
(20%)	(65,536)	–	(20%)	N/A	N/A

\* When the underlying shares' prices increased by 30% and 20%, some of them triggers the knock-out prices and the contracts will be terminated. This analysis only shows the effect up to the knock-out prices.

*Note:* The financial effect resulting from changes in underlying shares' prices represented the theoretical change in fair value of all underlying equity securities under the outstanding equity forward contracts and the warrant contract as if all these equity securities were acquired as at 31 December 2007. These pro forma information is for illustrative purposes only and is not necessarily an indication of the fair value change in these equity securities and results of operation of the Group that actually would have been achieved had the acquisition of these equity securities been completed at the balance sheet date, nor is it intended to be a projection of future result.

#### 40.4 Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised in note 40.7.

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality credit ratings.

**40.5 Liquidity risk**

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for 360-day lookout period are identified monthly.

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-days periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at 31st December, 2007 and 31st December, 2006, the Group's financial liabilities have contractual maturities which are summarised below:

	Current		Non-current	
	Within 6 months HK\$	6 to 12 months HK\$	1 to 5 years HK\$	Later than 5 years HK\$
At 31st December, 2007				
Other payables	21,682,911	-	-	-
Financial liabilities at fair value through profit or loss	<u>3,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>25,582,911</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
At 31st December, 2006				
Other payables	20,469,316	-	-	-
Borrowings	19,161,087	19,161,087	794,000,000	93,971,818
Loans from minority interests	<u>-</u>	<u>-</u>	<u>120,172,611</u>	<u>-</u>
	<u><u>39,630,403</u></u>	<u><u>19,161,087</u></u>	<u><u>914,172,611</u></u>	<u><u>93,971,818</u></u>

**40.6 Fair values**

All financial instruments are carried at amounts not materially different from their fair values as at 31st December, 2007 and 2006.

## 40.7 Summary of financial assets and liabilities by category

	2007 HK\$	2006 HK\$
Non-current assets		
Available-for-sale financial assets	54,703,460	464,219,216
Current assets		
Trade and other receivables	1,037,143	100,554,124
Available-for-sale financial assets	780	663,000
Loans to minority interests	–	25,600,000
Financial assets at fair value through profit or loss	286,635,293	17,082,000
Other restricted deposits paid	24,013,552	–
Pledged bank fixed deposits	–	10,537,895
Cash and cash equivalents	652,174,260	142,878,833
	<u>963,861,028</u>	<u>297,315,852</u>
Non-current liabilities		
Borrowings	–	887,971,818
Loans from minority interests	–	120,172,611
	<u>–</u>	<u>1,008,144,429</u>
Current liabilities		
Other payables and accrued expenses	21,682,911	20,469,316
Financial liabilities at fair value through profit or loss	3,900,000	–
Borrowings	–	38,322,174
	<u>25,582,911</u>	<u>58,791,490</u>

## 41. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern; and
- (ii) to provide an adequate return to shareholders

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group sets the amount of equity capital in proportion to its overall financing structure. The capital-to-overall financing ratio at balance sheet date was as follows:

	2007 HK\$	2006 HK\$
Capital		
Total equity	<u>991,771,361</u>	<u>924,716,644</u>
Overall financing		
Borrowings	–	926,293,992
Other loans	<u>–</u>	<u>120,172,611</u>
	<u>–</u>	<u>1,046,466,603</u>
Capital-to-overall financing ratio	<u>1 : 0</u>	<u>0.88 : 1</u>

### 3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

Set out below is the unaudited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group, and the balance sheet of the Company together with the notes to the financial statements of the Group as extracted from pages 3 to 24 of the interim report of the Company for the six months ended 30th June, 2008.

#### Condensed Consolidated Income Statement

	Notes	For the six months ended	
		2008	2007
		HK\$'000	HK\$'000
<b>Continuing operations:</b>			
Revenue	3	8,818	28,944
Other net (loss)/income	4	(163,305)	36,054
Administrative and other operating expenses		(10,996)	(9,135)
<b>Operating (loss)/profit</b>		(165,483)	55,863
Finance costs	6	–	(6,250)
Share of results of a jointly controlled entity		–	1,564
<b>(Loss)/profit before income tax</b>	7	(165,483)	51,177
Income tax expense	8	–	–
<b>(Loss)/profit for the period from continuing operations</b>		(165,483)	51,177
<b>Discontinued operations:</b>	9		
Profit for the period from discontinued operations		–	15,516
<b>(Loss)/profit for the period</b>		(165,483)	66,693
<b>Attributable to:</b>			
– Equity holders of the Company		(165,483)	53,865
– Minority interests		–	12,828
<b>(Loss)/profit for the period</b>		(165,483)	66,693
<b>(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company (HK cents)</b>	10		
– Basic			
From continuing and discontinued operations		(8.85)	3.19
From continuing operations		(8.85)	2.62
– Diluted		N/A	N/A
<b>Dividends</b>	11	–	–

**Condensed Consolidated Balance Sheet***As at 30th June, 2008*

		<b>Unaudited</b>	<b>Audited</b>
		<b>30th June,</b>	<b>31st December,</b>
		<b>2008</b>	<b>2007</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Available-for-sale financial assets	12	58,328	54,703
<b>Current assets</b>			
Other receivables		4,678	1,037
Available-for-sale financial assets	12	–	1
Financial assets at fair value			
through profit or loss	13	455,638	286,635
Other restricted deposit paid	14	67,323	24,014
Cash and cash equivalents		311,790	652,174
		839,429	963,861
<b>Current liabilities</b>			
Other payables and accrued expenses		24,421	21,683
Financial liabilities at fair value			
through profit or loss	15	49,519	3,900
Taxation payable		1,210	1,210
		75,150	26,793
<b>Net current assets</b>		764,279	937,068
<b>Net assets</b>		822,607	991,771
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	16	186,917	186,917
Reserves		635,690	804,854
<b>Total equity</b>		822,607	991,771

**Condensed Consolidated Statement of Changes in Equity***For the six months ended 30th June, 2008*

	Unaudited							Minority interests	Total
	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1st January, 2008	186,917	492,746	20,031	367	12,453	279,257	991,771	-	991,771
Fair value loss on available-for-sale financial assets	-	-	-	-	(4,491)	-	(4,491)	-	(4,491)
Realisation of revaluation deficit of available-for-sale financial assets on disposal	-	-	-	-	810	-	810	-	810
Net expenses recognised directly in equity	-	-	-	-	(3,681)	-	(3,681)	-	(3,681)
Loss for the period	-	-	-	-	-	(165,483)	(165,483)	-	(165,483)
Total recognised income and expense for the period	-	-	-	-	(3,681)	(165,483)	(169,164)	-	(169,164)
At 30th June, 2008	186,917	492,746	20,031	367	8,772	113,774	822,607	-	822,607
1st January, 2007	169,117	311,582	4,032	367	36,304	210,929	732,331	192,386	924,717
Fair value gain on available-for-sale financial assets	-	-	-	-	35,755	-	35,755	-	35,755
Realisation of revaluation surplus of available-for-sale financial assets on disposal	-	-	-	-	(28,551)	-	(28,551)	-	(28,551)
Net income recognised directly in equity	-	-	-	-	7,204	-	7,204	-	7,204
Profit for the period	-	-	-	-	-	53,865	53,865	12,828	66,693
Total recognised income and expense for the period	-	-	-	-	7,204	53,865	61,069	12,828	73,897
At 30th June, 2007	169,117	311,582	4,032	367	43,508	264,794	793,400	205,214	998,614



## Condensed Consolidated Cash Flow Statement

	For the six months ended 30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities, including discontinued operations	(332,326)	58,373
Net cash (used in)/generated from investing activities, including discontinued operations	(8,058)	88,676
Net cash used in financing activities, including discontinued operations	—	(56,794)
(Decrease)/increase in cash and cash equivalents	(340,384)	90,255
Cash and cash equivalents as at 1st January	652,174	142,879
Cash and cash equivalents as at 30th June	<u>311,790</u>	<u>233,134</u>
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents of continuing operations	311,790	231,889
Cash and cash equivalents included in assets held for sale		
– cash and bank balances	—	1,245
	<u>311,790</u>	<u>233,134</u>

## 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 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 financial instruments.

The unaudited interim financial report has 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 Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial report for the six months ended 30th June, 2008 was approved for issue by the Board of Directors on 29th August, 2008.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim financial report has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the interim financial report is consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2007.

#### New and amended HKFRSs

From 1st January, 2008, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) which are first effective on 1st January, 2008 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.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>

#### Notes:

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

The Group is in the process of assessing the potential impact of these standards or interpretations but not yet in a position to determine whether these standards or interpretations will have a significant impact on how its results and financial position are prepared and presented. These standards or interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

### 3. REVENUE

The principal activities of the Group include the investments in listed and unlisted financial instruments.

	Unaudited					
	Six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income						
– listed financial instruments	4,016	72	–	–	4,016	72
– unlisted financial instruments	–	22,752	–	–	–	22,752
Interest income from bank deposits	4,802	4,871	–	–	4,802	4,871
Interest income from available-for-sale financial assets	–	276	–	–	–	276
Interest income from financial assets at fair value through profit or loss	–	29	–	–	–	29
Interest income on accrued dividend income	–	944	–	–	–	944
Rental Income	–	–	–	38,005	–	38,005
	<u>8,818</u>	<u>28,944</u>	<u>–</u>	<u>38,005</u>	<u>8,818</u>	<u>66,949</u>

## 4. OTHER NET (LOSS)/INCOME

	Unaudited					
	Six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
2008	2007	2008	2007	2008	2007	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Receipts on interests in Grand China Shares ( <i>Note</i> )	30,000	–	–	–	30,000	–
(Loss)/gain on disposal/ redemption of other available-for-sale financial assets	(793)	28,802	–	–	(793)	28,802
Fair value (loss)/gain on financial assets at fair value through profit or loss	(192,671)	1,755	–	–	(192,671)	1,755
Reversal of impairment of available-for-sale financial assets	–	5,000	–	–	–	5,000
Sundry income	159	497	–	4,629	159	5,126
	<u>(163,305)</u>	<u>36,054</u>	<u>–</u>	<u>4,629</u>	<u>(163,305)</u>	<u>40,683</u>

*Note:*

As detailed in the Group's annual financial statements for the years ended 31st December, 2006 and 2007, the Group entered into an agreement with Grand China Air Company Limited ("Grand China") (the "Grand China Agreement") in 2006 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, in the same year, the Group was informed by Grand China that Grand China encountered difficulty in registration of the Grand China Shares. The Group also 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 during the year ended 31st December, 2006. As a result of the derecognition of the CR Airway Financial Assets and the failure to recognise the Grand China Shares, the carrying value of the CR Airway Financial Assets in the aggregate amount of HK\$190.19 million was charged to the income statement for the year ended 31st December, 2006.

On 15th April, 2008, a third party independent of the Group (the "Buyer") entered into an agreement with a subsidiary of the Group, according to which the Buyer agreed to pay for the Group's interests in the Grand China Shares under the Grand China Agreement at a total consideration of HK\$110 million to that subsidiary. The Group received HK\$30 million nonrefundable amount in cash from the Buyer during the period. The amount is recognised as income in the unaudited condensed consolidated income statement.

## 5. SEGMENT INFORMATION

	Continuing operations		Unaudited Six months ended 30th June, Discontinued operations		Consolidated	
	Financial instruments investment		Property investment			
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	8,818	28,944	–	38,005	8,818	66,949
Segment result	(165,483)	55,863	–	34,293	(165,483)	90,156
Finance costs	–	(6,250)	–	(17,111)	–	(23,361)
Share of results of a jointly controlled entity	–	1,564	–	–	–	1,564
(Loss)/profit before income tax	(165,483)	51,177	–	17,182	(165,483)	68,359
Income tax expense	–	–	–	(1,666)	–	(1,666)
(Loss)/profit for the period	(165,483)	51,177	–	15,516	(165,483)	66,693
	Unaudited 30th June, 2008	Audited 31st December, 2007	Unaudited 30th June, 2008	Audited 31st December, 2007	Unaudited 30th June, 2008	Audited 31st December, 2007
	Continuing operations		Discontinued operations		Consolidated	
	Financial instruments investment		Property investment			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>						
Segment assets	897,757	1,018,564	–	–	897,757	1,018,564
Segment liabilities	73,940	25,583	–	–	73,940	25,583
Unallocated	1,210	1,210	–	–	1,210	1,210
Total liabilities	75,150	26,793	–	–	75,150	26,793
<b>Other information</b>						
Capital expenditure	–	–	–	7,330	–	7,330

## 6. FINANCE COSTS

	Unaudited					
	Six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
2008	2007	2008	2007	2008	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	-	6,250	-	17,111	-	23,361

## 7. (LOSS)/PROFIT BEFORE INCOME TAX

	Unaudited					
	Six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
2008	2007	2008	2007	2008	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit before income tax is arrived at after charging:						
Employee benefit expense (including Directors' emoluments)	1,471	813	-	322	1,471	1,135

## 8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30th June, 2008 as the Group has no estimated assessable profit. Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits for the six months ended 30th June, 2007.

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	
2008	2007	2008	2007	2008	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	-	-	-	968	-	968
Deferred tax	-	-	-	698	-	698
	-	-	-	1,666	-	1,666

**9. 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 then held 61.22% equity interests. The transaction was completed on 31st December, 2007.

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:

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	38,005
Other net income	–	4,629
Fair value loss on investment properties	–	(86)
Expenses	–	(25,366)
	<u>–</u>	<u>(25,366)</u>
Profit before income tax	–	17,182
Income tax expense	–	(1,666)
	<u>–</u>	<u>(1,666)</u>
Profit for the period from discontinued operations	<u>–</u>	<u>15,516</u>
Operating cash flows	–	10,098
Investing cash flows	–	(86)
Financing cash flows	–	(11,750)
	<u>–</u>	<u>(11,750)</u>
Total cash flows	<u>–</u>	<u>(1,738)</u>

**10. (LOSS)/EARNINGS PER SHARE****Basic**

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of approximately HK\$165,483,000 (2007: profit of approximately HK\$53,865,000) and on the weighted average of 1,869,172,010 (2007: 1,691,171,989) ordinary shares in issue during the period.

*For continuing operations*

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

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period attributable to the equity holders of the Company for the purpose of basic (loss)/earnings per share	(165,483)	53,865
Profit for the period from discontinued operations ( <i>Note 9</i> )	-	15,516
Less: Profit for the period attributable to minority interests from discontinued operations	-	(6,016)
	-	9,500
(Loss)/profit for the period attributable to the equity holders of the Company for the purpose of basic (loss)/earnings per share from continuing operations	<u>(165,483)</u>	<u>44,365</u>

Basic loss per share attributable to the equity holders of the Company for the continuing operations is HK8.85 cents (2007: earnings per share of HK2.62 cents), based on the loss for the period attributable to the equity holders of the Company from continuing operations of approximately HK\$165.5 million (2007: profit of approximately HK\$44.4 million) on the weighted average of 1,869,172,010 (2007: 1,691,171,989) ordinary shares in issue during the period.

*For discontinued operations*

The basic earnings per share attributable to the equity holders of the Company for the discontinued operations for the six months ended 30th June, 2007 of HK0.57 cent was based on the profit for the period attributable to the equity holders of the Company from discontinued operations of approximately HK\$9.5 million and on the weighted average of 1,691,171,989 ordinary shares in issue during the six months ended 30th June, 2007.

**Diluted**

No diluted loss per share is calculated for the six months ended 30th June, 2008 as the exercise price of the Company's warrants was higher than the average market price of the Company's shares for the period.

No diluted earnings per share was presented for the six months ended 30th June, 2007 as the Group had no dilutive potential ordinary shares during the six months ended 30th June, 2007.

**11. DIVIDENDS**

At a Board meeting held on 29th August, 2008, the Board of Directors resolved not to declare an interim dividend for the period (2007: Nil).



## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June, 2008 <i>HK\$'000</i>	Audited 31st December, 2007 <i>HK\$'000</i>
<b>Non-current</b>		
Listed equity securities		
– in Hong Kong	34,880	38,494
– outside Hong Kong	64	610
	<u>34,944</u>	<u>39,104</u>
Unlisted equity and debt securities	23,384	15,599
	<u>58,328</u>	<u>54,703</u>
<b>Current</b>		
Unlisted debt securities	–	1
	<u>58,328</u>	<u>54,704</u>
Market value of listed equity securities	<u>34,944</u>	<u>39,104</u>

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30th June, 2008 <i>HK\$'000</i>	Audited 31st December, 2007 <i>HK\$'000</i>
Equity securities		
– listed in Hong Kong	240,278	129,831
– listed outside Hong Kong	101,907	103,886
Market value of listed equity securities	342,185	233,717
Unlisted structured financial products	65,757	–
Derivative financial instruments		
Unlisted warrants	47,696	42,597
Equity forward contracts	–	10,321
	<u>455,638</u>	<u>286,635</u>

The above financial assets are classified as held for trading.

Fair values for the listed equity and debt securities have been determined by reference to their quoted bid prices at the balance sheet date.

**14. OTHER RESTRICTED DEPOSIT PAID**

As at 30th June 2008, the deposits of HK\$67,323,000 (2007: HK\$24,014,000) were paid to a financial institution to secure settlement for the equity forward contracts.

**15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited 30th June, 2008 HK\$'000</b>	<b>Audited 31st December, 2007 HK\$'000</b>
Derivative financial instruments		
Listed options	1,687	3,900
Equity forward contracts	47,832	–
	<u>49,519</u>	<u>3,900</u>

At 30th June, 2008, certain equity securities held for trading listed in Hong Kong with a carrying value of HK\$5,695,000 were pledged to a financial institution as security for settlement of certain listed options.

**16. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1st January, 2008	2,100,000,000	210,000
Increase	900,000,000	90,000
	<u>3,000,000,000</u>	<u>300,000</u>
At 30th June, 2008	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1st January, 2008	1,869,171,989	186,917
Exercise of warrants	528	–
	<u>1,869,172,517</u>	<u>186,917</u>
At 30th June, 2008	<u>1,869,172,517</u>	<u>186,917</u>

An issue of warrants on the basis of one warrant for every five shares held was approved by the shareholders on 23rd May, 2008. On the same date, the authorised share capital of the Company was also approved to increase to HK\$300,000,000 divided into 3,000,000,000 shares at par value of HK\$0.1 each.

The warrant holders are entitled to subscribe in cash for one fully paid share at an initial subscription price of HK\$0.33 per share, subject to adjustment, at any time from 29th May, 2008 to 28th May, 2009 (both days inclusive). During the period, 528 warrants were converted into 528 ordinary shares at a subscription price of HK\$0.33 per share. Accordingly 373,833,869 warrants were outstanding at 30th June, 2008. Exercise in full of the outstanding warrants would result in the issue of 373,833,869 additional shares with an aggregate subscription value of approximately HK\$123,365,000.

## 17. RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group for the six months ended 30th June, 2008, which constitute connected transactions under the Listing Rules were:

(a)	Unaudited	
	Six months ended 30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee expenses to		
YMIM	6,755	6,144

Under the investment management agreement (“1997 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 (who subsequently retired as Director of the Company on 23rd May, 2008 and resigned as director of YMIM on 30th May, 2008), Mr. Fung Yiu Fai, Peter (who subsequently resigned as Director of Company on 23rd May, 2008 and resigned as director of YMIM on 23rd August, 2007) 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 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 1997 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. No incentive fee was charged by YMIM for the six months ended 30th June, 2007.

Subsequent to 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 on 31st March, 2007 and 22nd June, 2007 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 1997 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 the 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) earlier of 1st October, 2007; or (ii) the date immediately following the day on which the New Investment Management Agreement was approved by the shareholders to 31st December, 2009. YMIM entitles to a management fee equal to 1.5% per annum of the consolidated net asset value of the Group attributable to the equity holders of the Company, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the consolidated net asset value of the Group attributable to the equity holders of the Company 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 the Group attributable to the equity holders of the Company of each year ending 31st December, exceeds (i) if a performance fee has been paid during the management period, the audited consolidated net asset value of the Group attributable to the equity holders 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 Group attributable to the equity holders of the Company on effective date of the New Investment Management Agreement.

On 24th August, 2007, YMIM became an indirectly wholly-owned subsidiary of Allied Group Limited ("AGL"), a substantial shareholder of the Company. As at 30th June, 2008, (i) AGL held 26.98% interests in the share of the Company; (ii) Mr. Lee Seng Hui, Mr. Lo King Yau, Edwin and Mr. Arthur George Dew were common directors of the Company and AGL; and (iii) Mr. Lee Wa Lun, Warren was common director of the Company and YMIM.

- (b) The Group occupies office space of YMIM and reimburses to YMIM 40% of its office and equipment expenses in accordance with the 1997 Investment Management Agreement. The reimbursement for the period to YMIM was approximately HK\$260,000 (2007: HK\$415,403). The Group utilised certain staff employed by YMIM and reimbursed staff cost of HK\$387,920 to YMIM for the six months ended 30th June, 2007. No such reimbursement was charged by YMIM during the period.
- (c) The Group had been charged an administrative fee of HK\$128,220 by YMIM for the six months ended 30th June, 2007. No such reimbursement was charged by YMIM during the period.
- (d) During the six months ended 30th June, 2008, commission expenses of HK\$632,000 (2007: Nil) were charged by Sun Hung Kai Investments Services Limited ("SHKISL"), a subsidiary of Allied Group Limited, a substantial shareholder of the Company, for securities transactions entered into.
- (e) As at 30th June, 2008, the amounts due from/(to) YMIM and SHKISL were as follows:

	<b>Unaudited 30th June, 2008 HK\$'000</b>	<b>Audited 31st December, 2007 HK\$'000</b>
YMIM	(3,642)	(18,863)
SHKISL	(19,866)	–
SHKISL	<u>4,175</u>	<u>1,000</u>

The amounts due were unsecured, interest free and repayable on demand.

- (f) As at 30th June, 2008, the cash and restricted deposit held at SHKISL for securities trading were as follows:

	<b>Unaudited 30th June, 2008 HK\$'000</b>	<b>Audited 31st December, 2007 HK\$'000</b>
SHKISL	<u>67,332</u>	<u>36,729</u>

#### 4. WORKING CAPITAL

The Directors are of the opinion that after taking into account of the Group's internal resources, the Group has sufficient working capital for its present requirements for the next twelve months from the Latest Practicable Date.

#### 5. INDEBTEDNESS STATEMENT

As at the close of business on 31st January, 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus:

1. the Group had no outstanding borrowings and indebtedness in the nature of borrowing;
2. deposits of approximately HK\$22.6 million were paid to a financial institution to secure settlement of the equity forward contracts and certain options on listed shares; and
3. the Company has given guarantee to a financial institution to secure credit facilities available to a wholly-owned subsidiary in the amount not exceeding US\$20 million (equivalent to approximately HK\$156 million), and facilities were not utilized.

Save as disclosed above and apart from intra-group liabilities, the Group did not have outstanding as at the close of business on 31st January, 2009 any loan capital issued or agreed to be issued, bank overdrafts, debt securities or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

**6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

As stated in our 2007 annual report, volatility is the theme of the market in 2008. Value of the Group's portfolio of equity securities and equity related forward contracts and derivatives fell significantly since 30th June, 2008. As at 28th February, 2009, the unaudited net asset value per Share was approximately HK\$0.29 as compared to HK\$0.44 as at 30th June, 2008. However, the Company had no outstanding borrowing or indebtedness as at the Latest Practicable Date and as such is in a strong financial position to weather the global financial crisis. The Board is of the opinion that with the liquidity generated from the proposed Rights Issue, the Group is in a position to negotiate new investments, including opportunities that may so arise in the local bond and equity market, that in the opinion of the Board offer attractive terms in the difficult market at present.

**7. EXPENSES**

The estimated expenses in connection with the Rights Issue (including but not limited to the underwriting commission, printing, registration, application for listing, financial advisory, legal, professional and accounting charges) are approximately HK\$5.5 million payable by the Company.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as disclosed in this Prospectus, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31st December, 2007, being the date of which the latest published audited financial statements of the Group were made up.

**I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

**Section A**

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue as if it had been undertaken and completed on 30th June, 2008. This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group on Completion.

	Unaudited consolidated net tangible assets of the Group as at 30th June, 2008 <i>(Note ii)</i> HK\$'000	Unaudited consolidated net tangible assets per Share as at 30th June, 2008 <i>(Note iii)</i> HK\$	Estimated net proceeds from the Rights Issue <i>(Note iv)</i> HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group after the Rights Issue HK\$'000	Unaudited pro forma consolidated net tangible assets per Share after the Rights Issue <i>(Note v)</i> HK\$
Rights Issue of 1,869,172,517 Rights Shares <i>(Note i)</i>	<u>822,607</u>	<u>0.440</u>	<u>181,417</u>	<u>1,004,024</u>	<u>0.269</u>

*Notes:*

- (i) The Rights Issue of 1,869,172,517 Rights Shares is calculated based on 1,869,172,517 existing Shares in issue as at the Record Date on the basis of one Rights Share for one existing Share held.
- (ii) The unaudited consolidated net tangible assets of the Group as at 30th June, 2008 is equivalent to the unaudited consolidated net asset value of the Group as at 30th June, 2008 as extracted from the published unaudited interim report of the Group for the six months ended 30th June, 2008.
- (iii) The calculation of the unaudited consolidated net tangible assets per Share is based on 1,869,172,517 Shares in issue as at 30th June, 2008.
- (iv) The estimated net proceeds from the Rights Issue is calculated based on 1,869,172,517 Rights Shares to be issued at the Subscription Price of HK\$0.10 per Rights Share, after the deduction of the estimated expenses for the Rights Issue of approximately HK\$5.5 million.
- (v) The calculation of the unaudited pro forma consolidated net tangible assets per Share after the Rights Issue of HK\$0.269 is based on 1,869,172,517 Shares in issue as at 30th June, 2008 and 1,869,172,517 Rights Shares expected to be issued upon Completion.
- (vi) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30th June, 2008.

**Section B**

For the pro forma statement of adjusted consolidated net tangible asset of the Group as set out in Section A above, no adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30th June, 2008. For information and reference only, the unaudited consolidated net tangible asset value per Share as at 28th February, 2009, being equivalent to the net assets value per Share as at 28th February, 2009 published on the website of Stock Exchange on 13th March, 2009, is approximately HK\$0.29 per Share. The unaudited pro forma consolidated net tangible assets per Share after the Rights Issue if adjusted based on the net asset value of the Group as at 28th February, 2009 and on the same bases as the pro forma information shown in Section A above would be as follows:

	<b>Unaudited pro forma consolidated net tangible assets per Share after the Rights Issue adjusted based on net asset value of the Group as at 30th June, 2008 HK\$</b>	<b>Unaudited pro forma consolidated net tangible assets per Share after the Rights Issue adjusted based on net asset value of the Group as at 28th February, 2009 HK\$</b>
Rights Issue of 1,869,172,517 Rights Shares	<u>0.269</u>	<u>0.198</u>

Shareholders should note that information included in this Section B was made solely for the purpose of reference by Shareholders of updated pro forma financial information of the Group as at 28th February, 2009. Grant Thornton was not engaged to carry out any work on the information included in this Section B.



**II. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED  
CONSOLIDATED NET TANGIBLE ASSETS**

*The following is the text of a letter from Grant Thornton, Certified Public Accountants, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared for the purpose of incorporation in this Prospectus.*



26th March, 2009

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

Dear Sirs

**Yu Ming Investments Limited**

We report on the unaudited pro forma financial information of Yu Ming Investments Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed issue for subscription by way of rights at the subscription price of HK\$0.10 each on the basis of one rights share for every one share held to the qualified shareholders (the “Rights Issue”) might have affected the financial information presented, as set out in Section A of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group in Appendix II to the Company’s prospectus dated 26th March, 2009 (the “Prospectus”). The basis of preparation of the unaudited pro forma financial information is set out in Section A of the section headed “Unaudited pro forma statement of adjusted consolidated net tangible assets” in Appendix II to the Prospectus.

**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 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 engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 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 with 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 Group 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 give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group had the Rights Issue actually occurred on 30th June, 2008 or at any future date.

**Opinion**

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

**Grant Thornton**

*Certified Public Accountants*  
13th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

The 2011 Warrants will be issued subject to and with the benefit of a separate instrument by way of deed poll (the “**Instrument**”) to be executed by the Company and they will be issued in registered form and will form one class with and rank *pari passu* in all respects with each other. On the basis of 1,869,172,517 Rights Shares to be issued pursuant to the Rights Issue, the total number of 2011 Warrants to be issued will be 373,834,503 units of 2011 Warrants, conferring rights to subscribe up to a maximum of 373,834,503 Shares on the basis of an initial subscription price of HK\$0.10 per Share (subject to adjustment), will be in issue immediately upon full exercise of the 2011 Warrants.

The principal terms and conditions of the 2011 Warrants will be set out in the certificates for the 2011 Warrants and will include provisions to the effect set out below. Holders of the 2011 Warrants will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, a copy of which will be available for inspection at the Company’s registered office in Hong Kong for the time being.

### 1. EXERCISE OF SUBSCRIPTION RIGHTS

- (A) Subject to the provisions of the terms and conditions of the Instrument and in compliance with all exchange control, fiscal and other laws and regulations applicable thereto, the registered holder of the 2011 Warrants represented by certificate for the 2011 Warrants (the “**2011 Warrant Certificate**”) will have the right, which may be exercised in whole or in part (but not in respect of any fraction of a Share) at any time during the period commencing from 23rd April, 2009 and ending on 22nd April, 2011 (*Note*), both days inclusive, to subscribe for fully paid Shares at the subscription price of HK\$0.10 per Share (the “**Subscription Price**”), subject to adjustment (the “**Subscription Rights**”). After 22nd April, 2011 (*Note*), any Subscription Rights which have not been exercised will lapse and the 2011 Warrants and the 2011 Warrants Certificates will cease to be valid for any purpose.

For the purpose of the Instrument, “**Shares**” shall mean shares of HK\$0.10 each in the capital of the Company existing on the date of the Instrument and all other (if any) stock or Shares from time to time and for the time being ranking *pari passu* therewith and all other (if any) Shares or stock in the equity share capital of the Company resulting from any sub division, consolidation or reclassification of Shares.

- (B) In order to exercise in whole or in part the Subscription Rights represented by the 2011 Warrant Certificate, the holder(s) of the 2011 Warrant (“**2011 Warrantholder**”) must deliver to the registrar of the Company (“**Registrar**”)
- (i) the 2011 Warrant Certificate;
  - (ii) completed and signed subscription form (the “**Subscription Form**”) printed on the overleaf of the 2011 Warrant Certificate (which shall be irrevocable); and

*Note:* based on the expected timetable set out in this Prospectus.

- (iii) a remittance for the Exercise Moneys (as defined below) for the Shares in respect of which the Subscription Rights are being exercised (or, in the case of a partial exercise, the relevant portion of the Exercise Moneys).

In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

The date of receipt by the Registrar of the above documents is the “**Subscription Date**”. If such rights are exercised during a period when the register of holders of Shares is closed the “**Subscription Date**” will be the next following business day on which such register is open.

“**Exercise Moneys**” shall mean in relation to any 2011 Warrant or 2011 Warrants, the amount in cash which the holder of such 2011 Warrant or 2011 Warrants is entitled to subscribe upon the exercise of the Subscription Rights represented thereby.

- (C) The Company has undertaken in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights represented by the 2011 Warrant Certificate will be issued and allotted not later than 21 days after the relevant Subscription Date and (unless adjustment thereof has been made as provided in the Instrument) will rank *pari passu* with the fully paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the relevant Subscription Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.
- (D) As soon as practicable after the relevant allotment of Shares (and not later than 21 days after the relevant Subscription Date) there will be issued free of charge to the 2011 Warrantholder(s) of the 2011 Warrant represented by the 2011 Warrant Certificate:
  - (i) a certificate (or certificates) for the relevant Shares in the name(s) of such 2011 Warrantholder(s); and
  - (ii) (if applicable) a balancing 2011 Warrant Certificate in registered form in the name(s) of such 2011 Warrantholder(s) in respect of any Subscription Rights represented by the 2011 Warrant Certificate and remaining unexercised.

The certificate(s) for Shares arising on the exercise of Subscription Rights and the balancing 2011 Warrant Certificate (if any) will be sent by post at the risk of such 2011 Warrantholder(s) to the address of such 2011 Warrantholder(s) or (in the case of a joint holding) to that one of them whose name stands first on the register. If the Company agrees, such certificates may by prior arrangement be retained by the Registrar to await collection by the relevant 2011 Warrantholder(s).

**2. ADJUSTMENTS OF SUBSCRIPTION RIGHTS AND/OR SUBSCRIPTION PRICE**

The Instrument contains detailed provisions relating to the adjustment of the Subscription Rights and/or the Subscription Price. The following is a summary of, and is subject to, the provisions of the Instrument:–

- (A) The Subscription Rights shall be adjusted if and whenever there is an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision and the Subscription Price at which the 2011 Warrantholder is entitled to subscribe for each Share shall be proportionately adjusted;
- (B) The Subscription Price shall (except as mentioned in paragraphs (C) and (D) below) be adjusted as provided in the Instrument in each of the following cases:
  - (i) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
  - (ii) Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of its Shares in their capacity as such;
  - (iii) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire cash assets of the Company or any of its subsidiaries;
  - (iv) an offer or grant being made by the Company to holders of its Shares of Shares by way of rights or of options or warrants to subscribe for Shares at a price which is less than 90 per cent of the market price (calculated as provided in the Instrument);
  - (v) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 90 per cent of the market price (calculated as provided in the Instrument), or the terms of any such issue being altered so that the said total Effective Consideration is less than 90 per cent of the market price;
  - (vi) an issue being made wholly for cash of Shares (other than pursuant to a share option scheme) at a price less than 90 per cent of the market price (calculated as provided in the Instrument); and
  - (vii) the purchase of Shares by the Company in circumstances where the total Effective Consideration per Share (as defined in the Instrument) is more than 110 per cent of the closing price of one Share on the Stock Exchange (calculated as provided in the Instrument).

- (C) Except as mentioned in paragraph (D) below, no such adjustment as is referred to in paragraph (B) above shall be made in respect of:
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
  - (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company or a grant of rights to acquire Shares to directors or employees of the Company or any subsidiary of the Company pursuant to a share option scheme;
  - (iii) an issue by the Company of Shares or by the Company or any subsidiary of securities convertible into or a grant of rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
  - (iv) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities convertible into or rights to acquire Shares); or
  - (v) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated as provided in the Instrument) of such Shares is not more than 110 per cent of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.
- (D) Notwithstanding the provisions referred to in paragraphs (B) and (C) above, in any circumstance where the Company shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions, the Company may appoint an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) as shall be certified by such approved merchant bank to be in its opinion appropriate.
- (E) Any adjustment to the Subscription Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one

cent and any adjustment which would otherwise then be required shall not be carried forward. No adjustment may be made (except on a consolidation of Shares into Shares of a larger nominal amount) which would increase the Subscription Price.

- (F) Every adjustment to the Subscription Price will be certified to be fair and appropriate by the auditors or an approved merchant bank and notice of each adjustment (giving the relevant particulars) will be given to the 2011 Warrantholders. In giving any certificate or making any adjustment hereunder, the auditors or the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decision shall be conclusive and binding on the Company and the 2011 Warrantholders and all persons claiming through or under them respectively. Any such certificates of the Auditors or approved merchant bank will be available at the registered office in Hong Kong for the time being of the Company, where copies may be obtained.

### 3. REGISTERED 2011 WARRANTS

The 2011 Warrants are issued in registered form. The Company shall be entitled to treat the registered holder of any 2011 Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such 2011 Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

### 4. TRANSFER, TRANSMISSION AND REGISTER

- (A) The Subscription Rights represented by the 2011 Warrant Certificate are transferable, in multiples of one whole Share, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Company shall maintain a register of 2011 Warrantholders accordingly. Transfers of 2011 Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the board of Directors for this purpose), the transfer may be executed under the hands of authorized person(s) or by machine imprinted signatures on its behalf or of such person(s), as the case may be. The provisions of the Company's articles of association relating to the registration, transmission and transfer of Shares shall, mutatis mutandis, apply to the registration, transmission and transfer of the 2011 Warrants and shall have full effect as if the same had been incorporated herein.
- (B) Since the Warrants will be admitted to CCASS, so far all applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the 2011 Warrants to be a date at least 3 trading days before the last day of subscription being 22nd April, 2011 (*Note*). Persons who own 2011 Warrants and have not registered the 2011 Warrants in their own names and wish to exercise the Subscription Rights should note that they may incur additional costs and expenses in connection with any expedited re-registration of the 2011 Warrants prior to the transfer or exercise of the Subscription Rights, in particular

*Note: based on the expected timetable set out in this Prospectus*



during the period commencing 10 business days, or any period from time to time fixed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or other rules or regulations of other relevant regulatory authorities for standard securities registration service, prior to and including the last day of subscription being 22nd April, 2011 (*Note*).

- (C) The register of 2011 Warrantholders may be closed from time to time, subject to the same restrictions, mutatis mutandis, as apply to the closure of the register of members of the Company in accordance with the Companies Ordinance. Any exercise of Subscription Rights during the period for which the register is closed shall be deemed to be and shall be effective upon the first day upon which the register of 2011 Warrantholders reopens and such date shall be deemed to be the relevant Subscription Date for all purposes in respect of such exercise of Subscription Rights.

## 5. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries may at any time purchase 2011 Warrants:

- (i) in the open market or by tender (available to all 2011 Warrantholders alike) at any price; or
- (ii) by private treaty at a price, exclusive of expenses, not exceeding 110 per cent of the closing price on the Stock Exchange per 2011 Warrant for one or more board lots of 2011 Warrants prior to the date of purchase of the 2011 Warrants,

but not otherwise. All 2011 Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or resold.

## 6. MEETINGS OF 2011 WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (A) The Instrument contains provisions for convening meetings of 2011 Warrantholders to consider any matter affecting the interests of 2011 Warrantholders, including the modification by special resolution of the provisions of the Instrument and/or these conditions. A special resolution duly passed at any such meeting shall be binding on the 2011 Warrantholders, whether present or not.
- (B) All or any of the rights for the time being attached to the 2011 Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of these conditions and/or the Instrument) and the sanction of a special resolution shall be necessary and sufficient to effect such alteration or abrogation.

*Note: based on the expected timetable set out in this Prospectus*

- (C) Where the 2011 Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any 2011 Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number of 2011 Warrants in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarized authorization and/or further evidence for substantiating the facts that it is duly authorised and will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual 2011 Warrantholder.
- (D) On a poll or a show of hands, votes may be given either personally or by proxy or by authorised representative.

#### **7. REPLACEMENT OF 2011 WARRANT CERTIFICATES**

In the case of lost 2011 Warrant Certificates, Section 71A of the Company Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included 2011 Warrants.

If a 2011 Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the Registrar on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK\$2.50 (or such higher fee as may from time to time be permitted by the Stock Exchange) as the Company may determine. Mutilated or defaced 2011 Warrant Certificates must be surrendered before replacements will be issued.

#### **8. PROTECTION OF SUBSCRIPTION RIGHTS**

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

#### **9. CALL**

If at any time the aggregate number of Shares which would fall to be issued on the exercise of outstanding 2011 Warrants is equal to or less than 10 per cent of the aggregate number of Shares which would fall to be issued on the exercise of all the 2011 Warrants issued under the Instrument then the Company may, on giving not less than 1 month's notice, require 2011 Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised 2011 Warrants will be automatically cancelled without compensation to 2011 Warrantholders and will cease to be valid for any purpose.

#### **10. FURTHER ISSUES**

The Company shall be at liberty to issue further subscription warrants.

**11. UNDERTAKINGS BY THE COMPANY**

In addition to the undertakings given by it in relation to the grant and exercise of the Subscription Rights and the protection thereof the Company has undertaken in the Instrument that:

- (i) it will use its best endeavours to ensure that all Shares allotted on the exercise of Subscription Rights shall be admitted to listing on the Stock Exchange;
- (ii) it will send to each 2011 Warrantholder, at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally; and
- (iii) it will pay all Hong Kong stamp duties, registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the 2011 Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights. If any 2011 Warrants holder shall take any action or proceedings in any jurisdiction to enforce the obligations of the Company in respect of the 2011 Warrants or the Instrument, and for the purposes of such action or proceedings the Instrument or any 2011 Warrant is taken into such jurisdiction and any stamp duties or similar duties or taxes become payable thereon or in respect thereof in connection with or as a result of such action or proceedings, the Company shall not be under any obligation to pay (or reimburse any person making payment of) any such duties or taxes (including, if applicable, any penalties).

**12. NOTICES**

The Instrument contains provisions relating to notices to be given to 2011 Warrantholders.

Every 2011 Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices can be sent.

The provisions of the Company's articles of association relating to service of notices on members of the Company shall apply, mutatis mutandis, to service of notices on 2011 Warrantholders and shall have full effect as if the same had been incorporated herein.

**13. OVERSEAS 2011 WARRANTHOLDERS**

If a 2011 Warrantholder has a registered address in any territory other than Hong Kong where, in the opinion of the Directors (after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange), the allotment of Shares to such 2011 Warrantholder upon the exercise of any Subscription Rights would or may in the absence of compliance with registration or any other special formalities in such territory be unlawful or impracticable under the laws of such territory or Hong Kong, then the Company will as soon as practicable after the exercise by such 2011 Warrantholder of any Subscription Rights allot such Shares to such 2011 Warrantholder and then, on his behalf, sell them to one or more third parties

selected by the Company for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following such allotment and sale, the Company will pay such 2011 Warrantholder an amount equal to the consideration received (less expenses and duties) by it by posting the remittance to him as his risk.

#### **14. WINDING UP OF THE COMPANY**

- (A) In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind-up the Company voluntarily, every 2011 Warrantholder shall be entitled by irrevocable surrender of his 2011 Warrant Certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not less than 5 business days prior to the proposed shareholders' meeting) to be allotted and issued, as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholder's meeting, the Shares which fall to be issued pursuant to the exercise of the relevant Subscription Rights.
- (B) If an effective resolution is passed during the Subscription Period for the voluntary winding up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the 2011 Warrantholders, or some persons designated by them for such purpose by special resolution, shall be a party or in conjunction with which a proposal is made to the 2011 Warrantholders and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the 2011 Warrantholders.
- (C) Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the date of the passing of such resolution shall lapse and each 2011 Warrant Certificate shall cease to be valid for any purpose.

#### **15. GOVERNING LAW**

The Instrument and the 2011 Warrants are governed by and shall be construed in accordance with the laws of Hong Kong.

## 1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the directors of YMIM, the investment manager of the Company, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date, upon the Completion and full exercise of the 2011 Warrants were as follows:

### a. Share capital as at the Latest Practicable Date

<i>Authorised</i>		<i>HK\$</i>
3,000,000,000	Shares as at the Latest Practicable Date (immediately before the increase in the authorised share capital of the Company)	300,000,000
 <i>Issued and fully paid or credited as fully paid</i>		
1,869,172,517	Shares as at the Latest Practicable Date	186,917,251.7

### b. Share capital upon the increase in the authorised share capital of the Company and upon the Completion, assuming no other new Shares were issued before the Completion

<i>Authorised</i>		<i>HK\$</i>
7,000,000,000	Shares	700,000,000
 <i>Issued and fully paid or credited as fully paid</i>		
3,738,345,034	Shares upon the Completion	373,834,503.4
4,112,179,537	Shares upon the Completion and full exercise of the 2011 Warrants	411,217,953.7

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares and the Warrant Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares as to voting, dividends and return of capital.

**c. 2009 Warrants**

Since 31st December 2007, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company issued 528 Shares upon conversion of the 2009 Warrants.

Details of the outstanding 2009 Warrants as at the Latest Practicable Date were as follows:

<b>Beneficial Owner</b>	<b>Underlying Shares subject to the 2009 Warrants as at the Latest Practicable Date</b>	<b>Exercise price HK\$</b>	<b>Issue date</b>	<b>Exercise period</b>
Bright Clear	100,874,360	0.33	29th May, 2008	29th May, 2008 to 28th May, 2009
Chong Sok Un and associates	23,012,800	0.33	29th May, 2008	29th May, 2008 to 28th May, 2009
Lee Yip Wah, Peter	310,000	0.33	29th May, 2008	29th May, 2008 to 28th May, 2009
Albert Ho	200,000	0.33	29th May, 2008	29th May, 2008 to 28th May, 2009
Other holders	249,436,709	0.33	29th May, 2008	29th May, 2008 to 28th May, 2009

Saved as disclosed above and in this Prospectus, none of the members of the Group has any other options, or agreed conditionally or unconditionally to be put under option, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

Save for the listing of the Shares, proposed listing of the Rights Shares, the 2011 Warrants and the Warrants Shares which may fall to be issued to be sought on the Stock Exchange, no part of any equity or debt securities of the Company is listed or dealt in or which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

### 3. DIRECTOR'S INTERESTS

As at the Latest Practicable Date, the interests and the short positions (within the meaning of Part XV of the SFO) of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

*Interests in the issued ordinary shares and underlying shares of the Company*

Name of Directors	Number of Shares		Number of	Total	% of total issued shares
	Personal interests	Corporate interests	2009 Warrants held		
Lee Yip Wah, Peter	1,550,000	–	310,000	1,860,000 <i>(Note i)</i>	0.10%
Albert Ho	1,000,000	–	200,000	1,200,000 <i>(Note ii)</i>	0.06%

*Notes:*

- i. The total interest includes the holding of (i) 1,550,000 Shares and (ii) 310,000 units of 2009 Warrants giving rise to an interest of 310,000 underlying Shares.
- ii. The total interest includes the holding of (i) 1,000,000 Shares and (ii) 200,000 units of 2009 Warrants giving rise to an interest of 200,000 underlying Shares.

Save as disclosed in this Prospectus, 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 Part XV 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 Issuers.

## 4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

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, has an interest or short position in the Shares or underlying Shares which would fall 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	Note	Capacity	Number of Shares	Number of warrants	Total interests	% of total issued shares
Get Nice Securities Limited	<i>i</i>	Beneficial owner	1,637,760,860	–	1,637,760,860	39.83% (Note vii)
Get Nice Incorporated	<i>i</i>	Interest of controlled corporation	1,637,760,860	–	1,637,760,860	39.83% (Note vii)
Get Nice Holdings Limited	<i>i</i>	Interest of controlled corporation	1,637,760,860	–	1,637,760,860	39.83% (Note vii)
Bright Clear	<i>ii</i>	Beneficial owner	1,008,743,600	201,748,720	1,210,492,320	29.43% (Note vii)
AGL	<i>ii</i>	Interest of controlled corporation	1,008,743,600	201,748,720	1,210,492,320	29.43% (Note vii)
Lee and Lee Trust (“LLT”)	<i>iii</i>	Interest of controlled corporation	1,008,743,600	201,748,720	1,210,492,320	29.43% (Note vii)
Poly (Hong Kong) Investments Limited	<i>iv</i>	Interest of controlled corporation	109,150,000	–	109,150,000	5.84%
Fung Wing Cheung, Tony	<i>v</i>	Interest of children under 18/ Other interest	168,254,258	–	168,254,258	9.00%
Megaland Development Limited (“Megaland”)	<i>v</i>	Beneficial owner	164,926,258	–	164,926,258	8.82%
HSBC International Trustee Limited	<i>v</i>	Trustee	165,712,258	2,420,000	168,132,258	9.00%



Name of Shareholders	Note	Capacity	Number of Shares	Number of warrants	Total interests	% of total issued shares
Sparkling Summer Limited ("Sparkling Summer")	vi	Beneficial owner	127,030,000	22,916,400	149,946,400	8.02%
Classic Fortune Limited ("Classic Fortune")	vi	Interest of controlled corporation	127,030,000	22,916,400	149,946,400	8.02%
COL Capital Limited ("COL Capital")	vi	Interest of controlled corporation	127,030,000	22,916,400	149,946,400	8.02%
Vigor Online Offshore Limited ("Vigor Online")	vi	Interest of controlled corporation	127,030,000	22,916,400	149,946,400	8.02%
China Spirit Limited ("China Spirit")	vi	Interest of controlled corporation	127,030,000	22,916,400	149,946,400	8.02%
Chong Sok Un	vi	Interest of controlled corporation	127,512,000	23,012,800	150,524,800	8.05%

*Notes:*

- i. Get Nice Securities Limited is deemed to be interested in 1,637,760,860 Shares under the SFO as a result of being the underwriter of the Company for the Rights Issue. Get Nice Incorporated is the sole shareholder of Get Nice Securities Limited and Get Nice Holdings Limited is the sole shareholder of Get Nice Incorporated.
- ii. The interests includes (i) 1,008,743,600 Shares, of which 504,371,800 Shares are Rights Shares undertaken to be taken up by Bright Clear under the Rights Issue approved at the EGM; and (ii) 201,748,720 units of warrants, of which 100,874,360 warrants are 2011 Warrants undertaken to be taken up by Bright Clear under the 2011 Warrants Issue approved at the EGM, giving rise to a deemed interest of 1,210,492,320 underlying Shares. Bright Clear is a wholly owned subsidiary of AGL. AGL is therefore deemed to have an interest in the Shares and warrants in which Bright Clear is interested.
- iii. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are trustees of LLT, being a discretionary trust. They together own 44.54% interest in the issued share capital of AGL and therefore are deemed to have an interest in the Shares and warrants in which AGL is interested or deemed interested.
- iv. The interest of Poly (Hong Kong) Investments Limited, formerly known as Continental Mariner Investment Company Limited, was attributable on account through a number of wholly owned subsidiaries.
- v. Out of these 168,132,258 Shares, 164,926,258 Shares are held by Megaland. Megaland is also wholly-owned by Oyster Services Limited, the trustee of the Oyster Unit Trust, which in turn Oyster Services Limited is deemed to be interested in 164,926,258 Shares. The entire issued share capital of Megaland is the trust property of the Oyster Unit Trust. The trust property of the Oyster Unit Trust comprises the entire issued capital of Megaland. The beneficiary of Oyster Unit Trust is HSBC International Trustee Limited which holds the trust property (including the beneficial interest under the Oyster Unit Trust) on trust for the beneficiaries of The Alyssa Js 1 Trust. The beneficiaries of The Alyssa Js 1 Trust are, inter alia, Fung Wing Cheung, Tony's children under 18.

As such, Fung Wing Cheung, Tony is deemed to be interested in 164,926,258 Shares in which his children under 18 have ultimate beneficial interest under the above arrangement. In addition, Fung Wing Cheung, Tony has family interest in 3,328,000 Shares in which his children under 18 have interest.

- vi. Sparkling Summer is a wholly-owned subsidiary of Classic Fortune. Classic Fortune is wholly owned by COL Capital Limited which in turn is owned 46.31% by Vigor Online. Vigor Online is a wholly-owned subsidiary of China Spirit which in turn is wholly-owned by Chong Sok Un. Accordingly, Chong Sok Un, China Spirit, Vigor Online, COL Capital and Classic Fortune are deemed to have an interest in the Shares and warrants in which Sparkling Summer is interested.

The total interests of 150,524,800 Shares and warrants represent the aggregate of (i) the 149,946,400 Shares and warrants held by Sparkling Summer and (ii) the 578,400 Shares and warrants held by Bilistyle Investments Limited, which is wholly-owned by Chong Sok Un.

- vii. The percentage of total issued shares is calculated on the basis that the issued share capital of the Company is enlarged by the completion of the Rights Issue and full exercise of the 2011 Warrants for the purpose of disclosure under the SFO.

As at the Latest Practicable Date, Data Communications Limited and Greatness Technology Limited are respectively interested in 11.43% and 10% of the issued shares of Kickradio.com Limited, a subsidiary of the Company.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person (other than Directors and chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

## 5. DIRECTORS' INTERESTS IN CONTRACTS

On 22nd June, 2007, a new investment management agreement (the “**New Investment Management Agreement**”) was entered into by the Company and YMIM, which was approved by the Shareholders on 3rd August, 2007. On 24th August, 2007, YMIM became an indirectly wholly-owned subsidiary of AGL, a substantial Shareholder of the Company. As at the Latest Practicable Date, (i) AGL held 26.98% interests in the Shares; (ii) Mr. Lo King Yau, Edwin and Mr. Arthur George Dew were common directors of the Company and AGL; and (iii) Mr. Lee Wa Lun, Warren was common director of the Company and YMIM. Under the New Investment Management Agreement, YMIM agreed to assist the Board with the day-to-day management of the Group from (i) earlier of 1st October, 2007; or (ii) the date immediately following the day on which the New Investment Management Agreement was approved by the Shareholders, to 31st December, 2009. YMIM entitles to a management fee equal to 1.5% per annum of the consolidated net asset value of the Group attributable to the equity holders of the Company, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the consolidated net asset value of the Group attributable to the equity holders of the Company 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 the Group attributable to the equity holders of the Company of each year ending 31st December, exceeds (i) if a performance fee has been paid during the management period, the audited consolidated net asset value of the Group

attributable to the equity holders 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 Group attributable to the equity holders of the Company on the effective date of the New Investment Management Agreement.

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

#### **6. DIRECTORS' INTERESTS IN ASSETS**

The Directors confirm that none of the Directors has any interest, direct or indirect, in any assets which had been, since 31st December, 2007, being the date the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **7. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any service contracts with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **8. MATERIAL CONTRACTS**

Save as disclosed below, as at the Latest Practicable Date, none of the members of the Group has entered into any material contracts not being contracts entered into in the ordinary course of business within the two years immediately preceding the date of this Prospectus.

- (a) the warrant instrument dated 23rd May, 2008 executed by the Company by way of deed poll in relation to the 2009 Warrants; and
- (b) the Underwriting Agreement.

#### **9. LITIGATION**

As at the Latest Practicable Date, so far as is known to the Directors, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**10. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion which is contained in this Prospectus:

<b>Name</b>	<b>Qualification</b>
Grant Thornton	Certified Public Accountants in Hong Kong

As at the Latest Practicable Date, Grant Thornton:

- (a) did not have any direct or indirect interest in any assets which have since 31st December, 2007 (being the date to which the latest published audited accounts of the Group were made up) been 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; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Grant Thornton has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its report or letter in Appendix II to this Prospectus and references to its name in the form and context in which it appears.

**11. CORPORATE INFORMATION**

<b>Registered Office</b>	Room 1901B, 19th Floor Allied Kajima Building 138 Gloucester Road Wanchai, Hong Kong
<b>Company secretary</b>	Lee Yip Wah, Peter
<b>Authorized representatives</b>	Lee Wa Lun, Warren Lo King Yau, Edwin
<b>Solicitors</b>	Richards Butler 20th Floor, Alexandra House 16-20 Chater Road Central, Hong Kong  Woo, Kwan, Lee & Lo 26th Floor, Jardine House 1 Connaught Place Hong Kong

	P.C. Woo & Co. Room 1225, 12th Floor Prince's Building 10 Chater Road Central, Hong Kong
<b>Auditors</b>	Grant Thornton <i>Certified Public Accountants</i> 13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
<b>Share registrar and transfer office in Hong Kong</b>	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
<b>Principal bankers</b>	Industrial and Commercial Bank of China (Asia) Limited 29th Floor, ICBC Tower 3 Garden Road Central Hong Kong  Merrill Lynch (Asia Pacific) Limited 15th Floor, St. George's Bldg 2 Ice House Street Central Hong Kong  UBS AG 52nd Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong  Citi Private Bank 30th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong  Wing Hang Bank Main-branch 161 Queen's Road Central Hong Kong

	CITIC Ka Wah Bank Limited 9th Floor Tower 1, Lippo Centre No. 89 Queensway Hong Kong
	Dah Sing Bank, Limited 35th Floor, Dah Sing Financial Centre 108 Gloucester Road, Hong Kong
<b>Hong Kong legal adviser in respect of the Rights Issue and 2011 Warrants Issue</b>	Woo, Kwan, Lee & Lo 26th Floor, Jardine House 1 Connaught Place Hong Kong
<b>Investment Manager</b>	Yu Ming Investment Management Limited Room 1901B, 19th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong

## 12. PARTICULARS OF DIRECTORS

<b>Name</b>	<b>Address</b>
<i>Executive Directors</i>	
Lee Wa Lun, Warren	Flat B, 12th Floor, Tower 2, Tregunter 14 Tregunter Path Mid-levels, Hong Kong
Lo King Yau, Edwin	Flat B, 14th Floor, Block 3, Bauhinia Mansion Whampoa Garden, Hung Hom Kowloon, Hong Kong
Wong Tai Chun, Mark	Flat F, 44th Floor, Two Robinson Place 70 Robinson Road, Hong Kong
<i>Non-executive Directors</i>	
Arthur George Dew	Flat 8B, Bonny View House 63-65 Wong Nai Chung Road Happy Valley, Hong Kong
Lee Yip Wah, Peter	Flat A, 10th Floor, 140 Argyle Street Kowloon, Hong Kong

*Independent non-executive Directors*

So Shu Fai, Ambrose	23C Po Garden, 9 Brewin Path Mid-levels, Hong Kong
Albert Ho	Flat B, 11th Floor, Tower Three Dynasty Court 23 Old Peak Road Hong Kong
Lam Tak Yee	18G, One Island Place North Point, Hong Kong

**Brief biographical details***Executive Directors*

Mr. Lee Wa Lun, Warren, aged 45, became a Director of the Group in 2004 and is a director of YMIM. From December 2006 to May 2007, Mr. Lee was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, he was an independent non-executive director of Nam Tai Electronic and Electrical Products Limited (“NTEEP”), and from February 2006 to April 2007, he was re-designated as a non-executive director. From January 2007 to April 2007, he was also a non-executive director of J.I.C. Technology Company Limited (“JIC”). Both NTEEP and JIC are listed on the main board of the Stock Exchange. Mr. Lee graduated with a Bachelor of Science Degree from The University of East Anglia in England in 1986 and obtained a Master of Science Degree from The City University Business School in London in 1988.

Mr. Lo King Yau, Edwin, aged 48, a chartered company secretary and holder of a Master’s Degree in Applied Finance from Macquarie University, Australia, was appointed an executive director of the Company in November 2007. He had served various executive roles in several companies in Hong Kong including as company secretary for public listed companies. He is also an executive director of AGL, a substantial Shareholder of the Company, and an executive director of Tian An China Investments Company Limited (“Tian An”). Mr. Lo was previously an executive director of the Hong Kong Building and Loan Agency Limited.

Mr. Wong Tai Chun, Mark, aged 44, was an alternate Director to Mr. Arthur George Dew since November 2007 and was appointed as an executive director of the Company in December 2008. Mr. Wong is the finance director of Quality HealthCare Asia Limited, a listed public company in Hong Kong and the director of investment of AGL. Mr. Wong had been the financial controller of other listed companies in Hong Kong. Mr. Wong has a Master’s Degree in Business Administration and is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a Chartered Secretary.

*Non-executive Directors*

Mr. Arthur George Dew, aged 67, was appointed a non-executive Director of the Company in November 2007. He graduated from the Law School of the University of Sydney, Australia, and was admitted as a solicitor and later as a barrister of the Supreme Court of New South Wales, Australia. He is currently a non-practising barrister. He has a broad range of corporate and business experience and has served as a director, and in some instances chairman of the board of directors, of a number of public companies listed in Australia, Hong Kong and elsewhere. He is also the chairman and a non-executive director of each of AGL, a substantial Shareholder of the Company, Allied Properties (H.K.) Limited (“**Allied Properties**”) and Quality HealthCare Asia Limited. He was previously the chairman and a non-executive director of Sun Hung Kai & Co. Limited.

Mr. Lee Yip Wah, Peter, aged 66, joined the Group in 1998. Mr. Lee is a practising solicitor in Hong Kong. He is also an independent non-executive director of a number of listed companies including China Merchants Holdings (International) Company Limited and Sinotrans Shipping Limited. He is also the company secretary of the Company.

*Independent non-executive Directors*

Mr. So Shu Fai, Ambrose, aged 57, joined the Group since its inception in 1990, is an executive director of Shun Tak Holdings Limited, a listed company in Hong Kong. Dr. So is a committee member of the 11th National Committee of the Chinese People’s Political Consultative Conference and a director of University of Hong Kong Foundation for Education Development and Research.

Mr. Albert Ho, aged 51, joined the Group as an alternate Director in 1999 and became an independent non-executive Director in 2004. Mr. Ho graduated from the Macquarie University, Sydney, Australia with a Bachelor of Economics and MBA from the University of Hong Kong. He is a CPA of HKICPA and fellow member of the Association of Chartered Certified Accountants.

Ms. Lam Tak Yee, aged 33, joined the Group as an independent non-executive Director in May 2008. Ms. Lam is the strategic and corporate development director of I.T Limited, responsible for strategic and financial planning, corporate development, including mergers and acquisitions, joint ventures and partnerships and investor relations. Prior to joining I.T Limited, she was in investment banking for almost 10 years, handling mergers and acquisitions, new listing and corporate finance activities. Ms. Lam graduated from The Hong Kong University of Science and Technology with first class honours in Bachelor’s degree of Business Administration (Finance) in May 1997. She is also a Chartered Financial Analyst since September 2000. Ms. Lam was an independent non-executive director of Nority International Group Limited between 30th September, 2004 to 5th August, 2005.



**13. INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS**

Set out below are the investment objectives, policies and restrictions of the Company:

- (i) Investments will normally be made in listed and unlisted companies;
- (ii) the Company makes investments with a medium to long term perspective with the objective of making capital gain as well as income from dividend or interests. Over the years, the Company invests in listed and unlisted securities, bonds, direct investments, projects, properties and structured products. Investments are also made in special or recovery situations;
- (iii) there is no restriction on the proportion of the Company's assets which may be invested in any specific sector or company save for the restriction that the Company will not make an investment in any company which represents more than 20 per cent. of the consolidated net assets of the Company at the time such investment is made;
- (iv) the Company will not either on its own or in conjunction with any connected person take legal, or effective, management control of underlying investments and that in any event the investment company will not own or control more than 30 per cent (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in any one company or body; and
- (v) The Directors do not intend to seek bank borrowings until substantially all the Company's funds have been invested and, in the event that the Company borrows, the Directors do not intend to borrow amounts representing in aggregate more than the consolidated net assets of the Company at the time the borrowing is made.

All investment objectives or policies or restrictions as set out above can be altered without Shareholders' approval pursuant to the memorandum and articles of association of the Company. However, investment restrictions numbered (iii) and (iv) above are required by Rule 21.04(3)(a) and (b) of the Listing Rules, which must not be changed at all while the Company remains listed on the Stock Exchange.

**14. INVESTMENT PORTFOLIO**

Set out below are the details of the ten largest investments of the Group as at 28th February, 2009, which include all listed investments and all other investments with a value of more than 5% of the Group's gross assets as at 28th February, 2009. Save for the investments disclosed herein, there are no other listed investments or other investments with a value of more than 5% of the Company's gross assets as at 28th February, 2009.

Investment	Nature of securities	Number of Shares held	Effective holding interest (units held by the Company/total issued units)	Cost up to	Market	Revaluation	Dividends
				28th February, 2009 HK\$	value as at 28th February, 2009 HK\$	as at 28th February, 2009 HK\$	received during the financial year 2008 HK\$
1. PetroChina Company Limited	Equities	7,233,000	less than 0.01%	71,387,065.68	39,998,490.00	(31,388,575.68)	827,423.23
2. Hong Kong Exchanges and Clearing Limited	Equities	590,000	0.06%	75,300,696.15	36,875,000.00	(38,425,696.15)	2,482,580.00
3. New World Development Company Limited	Zero Coupon Guaranteed Convertible Bonds due 2014	N/A	N/A	24,843,750.00	29,926,049.00	4,182,086.36	-
4. Ping An Insurance (Group) Company of China, Limited	Equities	685,000	less than 0.01%	38,331,153.72	25,550,500.00	(12,780,653.72)	210,976.14
5. Industrial and Commercial Bank of China Limited	Equities	6,453,000	less than 0.01%	37,827,996.94	20,520,540.00	(17,307,456.94)	600,675.03
6. APAC Resources Limited	Equities	54,000,000	1.14%	59,247,790.83	18,900,000.00	(40,347,790.83)	-
7. Dan Form Holdings Company Limited	Equities	52,876,000	4.66%	19,183,882.70	18,506,600.00	(677,282.70)	-
8. HSBC Holdings plc	Equities	308,874	less than 0.01%	32,965,032.16	17,574,930.60	(15,390,101.56)	178,950.56
9. Dutaland Berhad	Equities	22,412,800	3.97%	60,202,711.28	15,004,024.83	(45,198,686.45)	-
10. ASM Co-Investment Term Trust I	Shares of a trust	2,500	12.50%	19,375,000.00	N/A	-	-

### 1) PetroChina Company Limited (“PetroChina”)

PetroChina was incorporated in PRC and its shares are listed on the main board of the Stock Exchange (Stock code: 00857). PetroChina is a producer of crude oil and natural gas in China. The Company is engaged in a range of petroleum and natural gas related activities, including the exploration, development, production and sale of crude oil and natural gas.

As at 28th February, 2009, the Group held 7,233,000 shares in PetroChina, representing less than 0.01% interest in the issued share capital of PetroChina. Dividends of HK\$827,423 were received during the year. Based on the quarterly report of PetroChina as at 30th September, 2008, the unaudited consolidated profit attributable to equity holders of PetroChina for the nine months ended 30th September, 2008 was RMB93,500 million with basic earnings per share of RMB0.51. As at 30th September, 2008, the unaudited consolidated net assets of PetroChina attributable to equity holders of the Company were approximately RMB797,108 million. As at 28th February, 2009, the market value of the investment in PetroChina was approximately HK\$40.0 million.

**2) Hong Kong Exchanges and Clearing Limited (“HKEx”)**

HKEx was incorporated in Hong Kong and its shares are listed on the main board of the Stock Exchange (Stock code: 00388). HKEx owns and operates the stock exchange and futures exchange in Hong Kong and their related clearing houses.

As at 28th February, 2009, the Group held 590,000 shares in HKEx, representing approximately 0.06% interest in the issued share capital of HKEx. Dividends of HK\$2,482,580 were received during the year. Based on the annual report of HKEx as at 31st December, 2008, the audited consolidated profit attributable to equity holders of HKEx for the year ended 31st December, 2008 was HK\$5,129 million with basic earnings per share of HK\$4.78. As at 31st December, 2008, the audited consolidated net assets of HKEx were approximately HK\$7,295 million. As at 28th February, 2009, the market value of the investment in HKEx was approximately HK\$36.9 million.

**3) New World Development Company Limited (“New World”) Zero Coupon Guaranteed Convertible Bonds due 2014 (“New World Convertible Bonds”)**

New World was incorporated in Hong Kong and its shares are listed on the main board of the Stock Exchange (Stock code: 00017). New World is an investment holding company. New World, through its subsidiaries, is principally engaged in property investment and development, contracting, provision of services, infrastructure operations, telecommunication services, department store operations, hotel and restaurant operations and telecommunications, media and technology businesses.

As at 28th February, 2009, the Group held New World Convertible Bonds with nominal value of HK\$46,000,000. Based on the annual report of New World as at 30th June, 2008, the audited consolidated profit attributable to equity holders of New World, for the year ended 30th June, 2008 was HK\$9,674 million with basic earnings per share of HK\$2.59. As at 30th June, 2008, the audited consolidated net assets of New World were approximately HK\$72,339 million. As at 28th February, 2009, the market value of the investment in New World Convertible Bonds was approximately HK\$29.9 million.

**4) Ping An Insurance (Group) Company of China, Ltd (“Ping An”)**

Ping An was incorporated in the PRC and its shares are listed on the main board of the Stock Exchange (Stock code: 02318). Ping An is a China-based company. Ping An is engaged in providing a range of financial products and services with a focus on life and property and casualty insurance products.

As at 28th February, 2009, the Group held 685,000 shares in Ping An, representing less than 0.01% interest in the issued share capital of Ping An. Dividends of HK\$210,976 were received during the year. Based on the results announcement of Ping An as at 30th September, 2008, the unaudited consolidated profit attributable to equity holders of Ping An for the nine months ended 30th September, 2008 was RMB1,610 million with basic earnings per share of RMB0.22. As at 30th September, 2008, the unaudited consolidated net assets of Ping An attributable to equity holders of the parent were approximately RMB81,572 million. As at 28th February, 2009, the market value of the investment in Ping An was approximately HK\$25.6 million.

**5) Industrial and Commercial Bank of China Limited (“ICBC”)**

ICBC was incorporated in the PRC and its shares are listed on the main board of the Stock Exchange (Stock code: 01398). ICBC primarily operates in China and provides an extensive range of commercial banking products and services.

As at 28th February, 2009, the Group held 6,453,000 shares in ICBC, representing less than 0.01% interest in the issued share capital of ICBC. Dividends of HK\$600,675 were received during the year. Based on the third quarterly report of ICBC as at 30th September, 2008, the unaudited consolidated profit attributable to equity holders of ICBC for the nine months ended 30th September, 2008 was RMB92,730 million with basic earnings per share of RMB0.28. As at 30th September, 2008, the unaudited consolidated net assets of ICBC attributable to equity holders of the parent company were approximately RMB581,123 million. As at 28th February, 2009, the market value of the investment in ICBC was approximately HK\$20.5 million.

**6) APAC Resources Limited (“APAC Resources”)**

APAC Resources was incorporated in Bermuda and its shares are listed on the main board of the Stock Exchange (Stock code: 01104). APAC Resources is principally engaged in: (i) trading in base metals; (ii) trading in fabric products and other merchandises; and (iii) trading and investment of listed securities.

As at 28th February, 2009, the Group held 54,000,000 shares in APAC Resources, representing 1.14% interest in the issued share capital of APAC Resources. No dividend was received during the year. Based on the interim report of APAC Resources at 30th June, 2008, the unaudited consolidated profit attributable to equity holders of APAC Resources for the six months ended 30th June, 2008 was HK\$259 million with basic earnings per share of HK cents 5.47. As at 30th June, 2008, the unaudited consolidated net assets of APAC Resources were approximately HK\$5,330 million. As at 28th February, 2009, the market value of the investment in APAC Resources was approximately HK\$18.9 million.

**7) Dan Form Holdings Company Limited (“Dan Form”)**

Dan Form was incorporated in Hong Kong and the shares of which are listed on the main board of the Stock Exchange (Stock code: 00271). Dan Form, through its subsidiaries, invests in and develops properties and also provides estate management services.

As at 28th February, 2009, the Group held 52,876,000 shares in Dan Form, representing 4.66% interest in the issued share capital of Dan Form. No dividend was received during the year. Based on the interim report of Dan Form as at 30th June, 2008, the unaudited consolidated profit attributable to equity holders of Dan Form for the six months ended 30th June, 2008 was HK\$213 million with basic earnings per share of HK cents 18.74. As at 30th June, 2008, the unaudited consolidated net assets of Dan Form were approximately HK\$2,456 million. As at 28th February, 2009, the market value of the investment in Dan Form was approximately HK\$18.5 million.

**8) The Hong Kong and Shanghai Banking Corporation (“HSBC”)**

HSBC was incorporated in England and its shares are listed on the main board of the Stock Exchange (Stock code: 00005). HSBC is a banking and financial services organization that provides a comprehensive range of personal financial services, commercial banking, corporate & investment banking and private banking services.

As at 28th February, 2009, the Group held 308,874 shares in HSBC, representing less than 0.01% interest in the issued share capital of HSBC. Dividends of HK\$178,951 were received during the year. Based on the annual report of HSBC as at 31st December, 2008, the audited consolidated profit attributable to equity holders of HSBC for the year ended 31st December, 2008 was US\$5,728 million with basic earnings per share of US\$0.47. As at 31st December, 2008, the audited consolidated net assets of HSBC were approximately US\$100,229 million. As at 28th February, 2009, the market value of the investment in HSBC was approximately HK\$17.6 million.

**9) DutaLand Berhad (“DutaLand”)**

DutaLand is an established public company listed on Bursa Malaysia Securities Berhad. Its group of companies is involved mainly in oil palm plantations, property development and property investments.

As at 28th February, 2009, the Group held 22,412,800 shares in DutaLand, representing 3.97% interest in the issued share capital of DutaLand. No dividend was received during the year. Based on the unaudited financial statement of DutaLand at 31st December, 2008, the unaudited consolidated loss from continuing operations attributable to equity holders of DutaLand was MYR17 million with basic loss per share of MYR2.94 sen. As at 31st December, 2008, its unaudited consolidated net assets of DutaLand were approximately MYR781 million. As at 28th February, 2009, the market value of the investment in DutaLand Berhad was approximately HK\$15.0 million.

**10) ASM Co-Investment Term Trust I (“ASM Trust”)**

ASM Trust, managed by Argyle Street Management Limited, primarily invests in pan-Asia performing bonds and loans, covering markets including Hong Kong, Thailand, Indonesia and Singapore.

As at 28th February, 2009, the Group held 2,500 units of shares of ASM Trust, representing 12.5% interest in the total issued units of shares of ASM Trust. No dividend was received during the year. As at 28th February, 2009, the net asset value of the investment in ASM Trust was approximately US\$2.5 million.

## 15. DIVIDEND POLICY

The Company in general meeting may declare dividends in any currency but no dividend shall exceed the amount recommended by the Directors. It is the intention of the Board to retain as much profit as possible to achieve a growth in the capital of the Company. It is therefore expected that either dividend will not be paid in the near future, or if dividend were to be paid, it would represent only a small proportion of profits.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared, the Directors may further resolve (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment or (b) that the members entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit. In addition, the Company may, upon the recommendation of the Directors, by special resolution resolve in respect of any one particular dividend of the Company that a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment. Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonus unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof or any profit or benefit derived therefrom. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Directors and shall revert to the Company.

## 16. FOREIGN EXCHANGE POLICY

The Group held securities and derivatives denominated in currencies other than HK\$, in particular, United States Dollars (US\$), Australian Dollars (AU\$), Malaysian Ringgit (MYR), Japanese Yen (JP¥) and New Taiwan Dollars (NT\$). 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. The Group at present does not have any contracts to hedge against its foreign exchange risks. Should the Group consider its exposure and fluctuation in foreign currency justify hedging, the Group may use forward or hedging contracts to reduce the risks.

**17. TAXATION**

The principal taxes on income and capital gains of the Company are subject to the fiscal laws and practices of Hong Kong. Prospective investors should consult their own professional advisors on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

**18. BORROWING POWERS**

The Directors may exercise all the powers of the Company to raise or borrow, or to secure the payment of, any sum or sums of money for the purposes of the Company and to mortgage or charge the undertaking, property and uncalled capital, or any part thereof, and to issue debentures or other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third part). These powers, as with other provisions in the articles of association of the Company, may be altered by a special resolution of the Company.

**19. INFORMATION ON THE INVESTMENT MANAGER**

- (a) Set out below is the information of the investment manager of the Company:

<b>Name</b>	<b>Address</b>
YMIM	Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong

YMIM is a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised 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). YMIM is also a wholly-owned subsidiary of AGL, which is a substantial shareholder of the Company.

- (b) The full names, addresses and descriptions of the directors of YMIM is as follows:

<b>Name</b>	<b>Address</b>
Lee Wa Lun, Warren	Flat B, 12th Floor, Tower 2, Tregunter, 14 Tregunter Path Mid-levels, Hong Kong
Li Chi Kong	Flat F, 24th Floor, Block 16, Yee Tsui Court, South Horizons, Ap Lei Chau, Hong Kong

Mr. Lee Wa Lun, Warren, aged 45, became a Director of the Group in 2004 and is a director of YMIM. From December 2006 to May 2007, Mr. Lee was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, he was an independent non-executive director of NTEEP, and from February 2006 to April 2007, he

was re-designated as a non-executive director. From January 2007 to April 2007, he was also a non-executive director of JIC. Both NTEEP and JIC are listed on the main board of the Stock Exchange. Mr. Lee graduated with a Bachelor of Science Degree from The University of East Anglia in England in 1986 and obtained a Master of Science Degree from The City University Business School in London in 1988.

Mr. Li Chi Kong, aged 55, a member of the Institute of Chartered Accountants of Scotland and a fellow of the Hong Kong Institute of Certified Public Accountants, was appointed a non-executive director of YMIM on 30th May, 2008. He has broad experience in the finance and accounting field, having worked in two major audit firms and as group financial controller for several sizeable listed companies in Hong Kong. He is also an executive director and the company secretary of Allied Properties and an executive director of Tian An, and the group financial controller of AGL. He was previously the vice president and an executive director of Shanghai Allied Cement Limited.

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

Save as disclosed above, none of the directors of the investment manager is or will become entitled to receive any part of any brokerage charged to the investment company, or any re-allowance of other types on purchases charged to the investment company.

- (d) On 22nd June, 2007, the Investment Management Agreement was entered into by the Company and YMIM, which was approved by the Shareholders on 3rd August, 2007. Under the New Investment Management Agreement, YMIM agreed to assist the Board with the day-to-day management of the Group from (i) earlier of 1st October, 2007; or (ii) the date immediately following the day on which the New Investment Management Agreement was approved by the Shareholders to 31st December, 2009. YMIM entitles to a management fee equal to 1.5% per annum of the consolidated net asset value of the Group attributable to the equity holders of the Company, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the consolidated net asset value of the Group attributable to the equity holders of the Company 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 the Group attributable to the equity holders of the Company of each year ending 31st December, exceeds (i) if a performance fee has been paid during the management period, the audited consolidated net asset value of the Group attributable to the equity holders 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 Group attributable to the equity holders of the Company on effective date of the New Investment Management Agreement. The management fee expenses payable to YMIM for the six months ended 30th June, 2008 amounted to approximately HK\$6,755,000. No performance fee was payable to YMIM for the six months ended 30th June, 2008.

## 20. RISK FACTORS OF INVESTING IN THE COMPANY

Prospective investors should be aware that an investment in the Company involves certain degree of risk. These risks include the following:

- (a) the Company's success is dependent on a number of factors which include the general economic and political conditions in the global capital market and properties market;
- (b) it is expected that a significant part of the Company's investment portfolio can comprise unlisted investments which may not be readily realisable;
- (c) The Group's portfolio comprises significant investments in listed equities in the global market. A significant down turn of the global stock market or any stock market, or any significant rise in interest rate can considerably impair the value of the Group's equities investments. Strength of other asset class such as commodity and precious metals may also make equities investment less attractive to investors, and hence value in equities;
- (d) The Group has significant investment in medium bonds issued by Hong Kong issuers denominated in HK\$, US\$ and RMB. Any significant rise in interest rates in Hong Kong and/or the global capital market may considerably impair the value of the Group's bond investments. The bonds the Group invested in and/or intends to invest are not liquid, therefore deployment of funds in bond investments may take time to execute, and disposal in the secondary may not be easy. The Group intends to hold the bonds until the issuers are obligated to repay or redeem them, therefore, any tightening of credit in the Hong Kong or global capital markets may cause default of obligations by the issuers;
- (e) The Group held securities and derivatives denominated in currencies other than HK\$, in particular, United States Dollars (US\$), Australian Dollars (AU\$), Malaysian Ringgit (MYR), Japanese Yen (JP¥) and New Taiwan Dollars (NT\$). 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;
- (f) The Group invests in structured products, such as forward equity contracts involving obligations to take equities or other assets at a fixed price for a relatively long period. A depressed price of those assets may cause significant losses to the group for a protracted period of time;

- (g) Although the Group has no investment in properties, it may purchase properties or interests in properties in Hong Kong or other markets in the future. Interest rates at present are at a rather low level, but future rise in interest rates as well as an anticipated rise in unemployment may cause properties value to decline;
- (h) The Group has since its inception distributed approximately HK\$2.3 billion to the Shareholders. Partly for that reason, the Group's fund size is relatively small, and may not be competitive in bidding for projects or securing investments and deals; and
- (i) In order to retain profit (if any) to grow its capital, the Company has not declared dividend since 2006 and adopts a stringent dividend policy. Shareholders expecting regular income may find that Shares of the Company may not be able to meet their investment objective.

## **21. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents and the written consent of Grant Thornton have been delivered to the Registrar of Companies in Hong Kong for registration as required by section 38D of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

## **22. GENERAL**

- a. The Company's registered office is at Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- b. The secretary of the Company is Mr. Lee Yip Wah, Peter, who is a practising solicitor in Hong Kong and a consultant of Woo, Kwan Lee & Lo, legal adviser to the Company with respect to Hong Kong law in connection with the Rights Issue and the 2011 Warrants Issue, which firm will receive normal professional fees.
- c. The English text of this Prospectus shall prevail over the Chinese text.

## **23. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the head office of the Company at Room 1901B, 19th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong up to and including 17th April, 2009:

- a. the memorandum and articles of association of the Company;
- b. the accountants' report from Grant Thornton on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this Prospectus;

- c. the consent letter from Grant Thornton referred to in the paragraph headed “Expert and consent” in this appendix;
- d. the Subscription Undertaking given by AGL and Bright Clear, the principal terms of which are set out on page 15 of this Prospectus;
- e. the New Investment Management Agreement referred to in the paragraph headed “Directors’ Interests in Contracts” in this appendix;
- f. the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- g. annual reports of the Company for the two financial years ended 31st December, 2006 and 2007;
- h. the interim report of the Company for the six months ended 30th June, 2008;
- i. all circulars of the Company issued pursuant to the requirements set out in Chapter 14 of the Listing Rules which have been issued since 31st December, 2007; and
- j. this Prospectus.