THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is for information in relation to the extraordinary general meeting of the Company to be held on Tuesday, 24th March, 2009 only and does not constitute an invitation or offer for securities of the Company.

YU MING INVESTMENTS LIMITED
禹銘投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

(i) PROPOSED RIGHTS ISSUE AT HK$0.10 EACH IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD 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) (ii) INCREASE IN AUTHORISED SHARE CAPITAL AND (iii) CHANGE IN BOARD LOT SIZE

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

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Menlo Capital Limited

All terms used in this cover page shall have the same meanings as defined in this circular. A notice convening the EGM to be held at Plaza V, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 24th March, 2009 at 4:30 p.m. (or any adjournment thereof) at which resolutions will be proposed to consider and, if thought fit, approve the Rights Issue, the 2011 Warrants Issue and the increase in authorized share capital of the Company is set out on pages 159 to 161 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit to Tricor Secretaries Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

To qualify for the Rights Issue and to vote at the EGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms or in the case of holders of the 2009 Warrants, subscription forms for the Shares relating to the exercise of rights attached to the 2009 Warrants accompanied by the relevant 2009 Warrant certificate together with the relevant subscription money, must be lodged for registration with the Company's share registrar, Tricor Secretaries, Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 18th March, 2009.

A letter of advice from Menlo Capital Limited, the independent financial adviser to the Independent Board Committee, is set out on pages 23 to 36 of this circular.

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 or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any dealing in the Shares or nil-paid Rights Shares during the period from Monday, 30th March, 2009 to Wednesday, 8th April, 2009 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may 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 Shares and the nil-paid Rights Shares up to Friday, 17th April, 2009, the date on which all conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue will not become unconditional and 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.

6th March, 2009

EXPECTED TIMETABLE

Set out below is an indicative timetable for the Rights Issue. The timetable is subject to results of the EGM and, if any, other 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
Last day of dealings in the Shares on a cum-right basis	Monday, 16th March
First day of dealings in the Shares on an ex-right basis	Tuesday, 17th March
Latest time for lodging transfer of the Shares and subscription forms for the 2009 Warrants for entitlement to the Rights Issue	4:30 p.m. on Wednesday, 18th March
Registers of members and holders of the 2009 Warrants of the Company closed (both days inclusive)	Thursday, 19th March to Tuesday, 24th March
Latest time for lodging forms of proxy for the EGM	4:30 p.m. on Sunday, 22nd March
EGM	4:30 p.m. on Tuesday, 24th March
Record Date	Tuesday, 24th March
Registers of members and holders of the 2009 Warrants of the Company re-opens	Wednesday, 25th March
Despatch of the Prospectus Documents to the Qualified Shareholders and Prospectus to the Excluded Shareholders for information only	Thursday, 26th March
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

	2009
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

Notes:

1. All times in this circular 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.

3. Shareholders should note that the EGM will be held on Tuesday, 24th March, 2009 at 4:30 p.m..

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 Shares and the nil-paid Rights Shares up to Friday, 17th April, 2009, the date on which all conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue will not become unconditional and 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

In this circular, 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 Warrant holder(s)"	holder(s) of the 2009 Warrant(s);
"2011 Warrant(s)"	warrant(s) proposed 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 proposed 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 time 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 registered owner of 504,371,800 Shares and 100,874,360 2009 Warrants and a wholly owned subsidiary of AGL as at the Latest Practicable Date;
"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;
"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)"	excess application form(s) to be issued to the Qualified Shareholders in respect of applications for excess Rights Shares pursuant to the Rights Issue;
"EGM"	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, *inter alia*, the resolutions in relation to the Rights Issue, the 2011 Warrants Issue and the increase in the authorised share capital of the Company on 24th March, 2009 or any adjournment thereof;
"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 to such 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;
"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 Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Mr. So Shu Fai, Ambrose, Mr. Albert Ho and Ms. Lam Tak Yee;
"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"	4th March, 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Menlo Capital"	Menlo Capital Limited, a licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the 2011 Warrants Issue;
"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 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 prepared in accordance with the requirements of the Listing Rules to be dispatched to the Shareholders in due course;
"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;
"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, or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements of the Shareholders to participate in the Rights Issue is determined;
"Rights Issue"	the proposed issue for subscription by way of rights of not less than 1,869,172,517 Rights Shares (with 2011 Warrants) and not more than 2,243,006,386 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 to be set out in the Prospectus Documents;
"Rights Share(s)"	Share(s) to be issued and allotted under the Rights Issue, being not less than 1,869,172,517 Shares and not more than 2,243,006,386 Shares;
"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;
"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.

YU MING INVESTMENTS LIMITED
禹銘投資有限公司

Executive Directors:	*Registered Office:*
Lee Wa Lun, Warren	Room 1901B, 19th Floor
Lo King Yau, Edwin	Allied Kajima Building
Wong Tai Chun, Mark	138 Gloucester Road
	Wanchai
Non-Executive Directors:	Hong Kong
Arthur George Dew	
Lee Yip Wah, Peter	

Independent Non-Executive Directors:
So Shu Fai, Ambrose
Albert Ho
Lam Tak Yee

6th March, 2009

To Shareholders

(i) PROPOSED RIGHTS ISSUE AT HK$0.10 EACH IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD 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) (ii) INCREASE IN AUTHORISED SHARE CAPITAL AND (iii) CHANGE IN BOARD LOT SIZE

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 of 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 2011 Warrants. Not less than 373,834,503 2011 Warrants and not more than 448,601,277 2011 Warrants would be issued under the 2011 Warrants Issue. To facilitate the Rights Issue and the 2011 Warrants Issue, it is proposed that the authorized share capital of the Company be increased 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).

Pursuant to the Rule 7.19(6) (a) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval by the Independent Shareholders at the EGM by way of poll by an ordinary resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Company has no controlling Shareholder. Mr. Lee Yip Wah, Peter, being a non-executive Director, holds 1,550,000 Shares and 310,000 units of 2009 Warrants, shall abstain from voting in favour of the ordinary resolution to approve the Rights Issue and the 2011 Warrants Issue at the EGM. Mr. Lee Yip Wah, Peter has confirmed that he has no intention to vote against the resolution to approve the proposed Rights Issue and the 2011 Warrants Issue at the EGM as at the Latest Practicable Date. No Shareholder shall abstain from voting on the ordinary resolution to approve the increase in the authorized share capital of the Company.

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. So Shu Fai, Ambrose, Mr. Albert Ho and Ms. Lam Tak Yee, is established to make recommendations to the Independent Shareholders in respect of the Rights Issue and the 2011 Warrants Issue. Menlo Capital has been approved by the Independent Board Committee to be appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the 2011 Warrants Issue.

The purpose of this circular is to set out further information in relation to (i) the proposed Rights Issue, the 2011 Warrants Issue, increase in authorised share capital of the Company and the change in board lot size of the Shares upon Completion; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the Rights Issue and the 2011 Warrants Issue; (iii) the recommendation from Menlo Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the 2011 Warrants Issue; and (iv) a notice of the EGM to be held for approving the proposed Rights Issue, the 2011 Warrants Issue and increase in authorised share capital of the Company.

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 Latest Practicable Date	:	1,869,172,517 Shares

Number of Shares which may be issued upon full exercise of subscription rights attaching to the 2009 Warrants *(Note)*	:	373,833,869 Shares
Number of Rights Shares *(Note)*	:	Not less than 1,869,172,517 Rights Shares (assuming no issue of new Shares from the Latest Practicable Date to the Record Date) and not more than 2,243,006,386 Rights Shares (assuming exercise in full of the subscription rights attached to the 2009 Warrants prior to the Record Date)
Underwriter	:	Get Nice Securities Limited

The number of the Rights Shares to be issued under the Rights Issue will be increased in proportion to additional Shares which might fall to be allotted and issued to the 2009 Warrant holders upon exercise of 2009 Warrants before the Record Date. As at the Latest Practicable Date, 373,833,869 2009 Warrants were outstanding. In the event of the exercise in full of the subscription rights attached to the 2009 Warrants before the Record Date, 373,833,869 Rights Shares will fall to be allotted and issued, which will result in the issue of an aggregate of 2,243,006,386 Rights Shares.

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 prior to the Record Date.

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.

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; and

(v) a discount of approximately 66.67% to the unaudited consolidated net assets value per Share as at 31st January, 2009 of approximately HK$0.30, assuming no new Shares will be issued and allotted pursuant to the 2009 Warrants before the Record Date.

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 2009 Warrants or 2011 Warrants is exercised) will be approximately HK$0.097.

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

(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 Shares 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 a 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 be 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 Latest Practicable 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 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 Latest Practicable Date and the likely costs and time involved if overseas compliance 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 Shareholders whose registered addresses are in the United Kingdom, Malaysia and 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 would receive by including the 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.

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 in the United Kingdom, Australia and 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 and Malaysia may treat the same as constituting an invitation or offer to him/her. Applications from any Shareholder who has a registered address on the register of the Company as at the Record Date in the United Kingdom, Australia or Malaysia will be deemed to be invalid. This circular is being sent to the Shareholders with a registered address in the United Kingdom, Australia and Malaysia for the purpose of voting at the EGM only.

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 commences, 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 Shareholder 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.

Closure of registers of members and holders of the 2009 Warrants and Record Date

The register of members and the register of holders of the 2009 Warrants will be closed from Thursday, 19th March, 2009 to Tuesday, 24th March, 2009 (both dates inclusive), during which period no transfer of Shares, 2009 Warrants and no subscription of Shares by way of exercise of rights attached to the 2009 Warrants will be registered for the purpose of determining the eligibility of voting at the EGM and the entitlement to the Rights Issue. In order to be entitled to vote at the EGM or to qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date. Accordingly, to qualify for the Rights Issue, all transfer of Shares accompanied by the relevant share certificates and transfer forms, and in the case of 2009 Warrant holders, subscription forms accompanied by the relevant 2009 Warrant certificates together with the relevant subscription money, must be lodged for registration with the Company's share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 18th March, 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. Application can be made by completing the EAF and lodging the same with payment for the excess Rights Shares. 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.

Shareholders with their Shares held by a nominee company should note that the Company will regard the nominee company as a single Shareholder according to the register of members of the Company on the Record Date. 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. Shareholders with their Shares held by a nominee company are 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 close of the register of members as mentioned above.

Shareholders whose Shares are held by nominee(s) and would like to have their names registered on the register of members of the Company instead, must lodge all necessary document with the share registrar of the Company in Hong Kong for completion of the relevant registration by 4:30 p.m. on or before Wednesday, 18th March, 2009.

The latest time for acceptance of and payment for Rights Shares and for the application and payment for excess Rights Shares is expected to be at 4:00 p.m. on Wednesday, 15th April, 2009, or such later date or time as may be agreed between the Company and the Underwriter.

Application for Listing

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

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, any new share certificates will be issued in board lot of 20,000 Shares each (except for odd lots or where the Company's share registrar is otherwise instructed). 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 of 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.

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 assets that offer good return. 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 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 not less than HK$181.5 million and not more than HK$218.1 million (after deduction of expenses and assuming no 2011 Warrant is exercised), is intended to be applied for investment purpose to purchase bonds as well as equities, and such other investments that offer attractive return.

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.

Subscription Undertaking

As at the Latest Practicable Date, Bright Clear, a wholly owned subsidiary of AGL, is the registered owner of 504,371,800 Shares, representing approximately 26.98% of the issued share capital of the Company, and the registered holder of 100,874,360 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.

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

In the event that 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.

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 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 not less than 1,869,172,517 Rights Shares (assuming no issue of new Shares from the Latest Practicable Date to the Record Date) and not more than 2,243,006,386 Rights Shares (assuming exercise in full of the subscription rights attached to the 2009 Warrants on or before the Record Date) to be issued pursuant to the Rights Issue, the number of 2011 Warrants to be issued will be not less than 373,834,503 2011 Warrants and not more than 448,601,277 2011 Warrants, 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 Rights Issue.

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.

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; and

(v) a discount of approximately 66.67% to the unaudited consolidated net assets value per Share as at 31st January, 2009 of approximately HK$0.30.

The subscription price of the 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 Shares pursuant to the 2011 Warrants will be adjusted on, *inter alia*, any capitalization issue, capital distribution, issue of rights, Shares or convertible securities at less than 90% of the then market price of the Shares and purchase of Shares or convertible securities 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 circular and will be set out in the Prospectus.

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 will be made to the Stock Exchange. The 2011 Warrants shall have the board lot size of 50,000 2011 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 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 the Rights Issue and 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 the Rights Issue and all 2011 Warrants are exercised in full	
	Shares	*Approx.%*	*Shares*	*Approx.%*	*Shares*	*Approx.%*	*Shares*	*Approx.%*	*Shares*	*Approx.%*
Non-public										
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%
Non-public subtotal	**506,921,800**	**27.12%**	**1,013,843,600**	**27.12%**	**1,115,227,960**	**27.12%**	**1,011,293,600**	**27.05%**	**1,112,167,960**	**27.04%**
Underwriter	0	0.00%	0	0.00%	0	0.00%	1,364,800,717	36.51%	1,637,760,860	39.83%
Public										
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%
Public subtotal	**1,362,250,717**	**72.88%**	**2,724,501,434**	**72.88%**	**2,996,951,577**	**72.88%**	**1,362,250,717**	**36.44%**	**1,362,250,717**	**33.13%**
Total	**1,869,172,517**	**100.00%**	**3,738,345,034**	**100.00%**	**4,112,179,537**	**100.00%**	**3,738,345,034**	**100.00%**	**4,112,179,537**	**100.00%**

Note:

Given the current market price of the Shares and the prevailing conditions of the stock market, the 2009 Warrant is out-of-the-money as at the Latest Practicable Date. Therefore, the above shareholding structure assumes that no rights attached to the 2009 Warrants would be exercised and converted into Shares before the Record Date in respect of difference scenarios.

INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK$300,000,000 divided into 3,000,000,000 Shares of HK$0.10 each. As at the Latest Practicable Date, there are 1,869,172,517 Shares in issue and fully paid up.

Upon Completion and the full exercise of the 2011 Warrants, the issued Shares of the Company would be increased to 4,112,179,537 Shares assuming no new Shares were issued before the Record Date and 4,934,614,049 Shares assuming full exercise of the 2009 Warrants before the Record Date. To facilitate the Rights Issue and the 2011 Warrants, the Company proposes to increase its authorised share capital from HK$300,000,000 (divided into 3,000,000,000 Shares of HK$0.10 each) to HK$700,000,000 (divided into 7,000,000,000 Shares of HK$0.10 each) by the creation of 4,000,000,000 new Shares of HK$0.10 each. Such new Shares, upon issue, shall rank *pari passu* in all respects with the existing Shares. The proposed increase in authorised share capital is conditional on the Shareholders' approval by ordinary resolution at the EGM. The increase in the authorized share capital is not conditional upon the Rights Issue.

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 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, investor compensation levy or any other applicable fees and charges in Hong Kong.

GENERAL

In accordance with Rule 7.19(6) (a) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM by way of poll by an ordinary resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Company has no controlling shareholder. Mr. Lee Yip Wah, Peter, being a non-executive Director holding 1,550,000 shares and 310,000 units of 2009 Warrants, shall abstain from voting in favour of the ordinary resolution to approve the Rights Issue and the 2011 Warrants Issue at the EGM. Mr. Lee Yip Wah, Peter has confirmed that he has no intention to vote against the resolution to approve the proposed Rights Issue and the 2011 Warrants Issue at the EGM as at the Latest Practicable Date. No shareholder shall be required to abstain from voting on the ordinary resolution to approve the increase in authorized share capital of the Company.

The allotment and issue of the Rights Shares, 2011 Warrants and Warrant Shares is subject to approval by the Independent Shareholders under special mandate at the EGM.

The Independent Board Committee of the Company comprising all the independent non-executive Directors, namely, Mr. So Shu Fai, Ambrose, Mr. Albert Ho and Ms. Lam Tak Yee, has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue and the 2011 Warrants Issue. Menlo Capital has been approved by the Independent Board committee to be appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue and the 2011 Warrants Issue.

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 Shares and nil-paid Rights Shares up to Friday, 17th April, 2009, the date on which all conditions to which the Rights Issue is subject are fulfilled, will accordingly bear the risk that the Rights Issue will not become unconditional and 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.

EGM

An EGM is proposed to be convened to approve the Rights Issue, the 2011 Warrants Issue and the increase in authorised share capital in accordance with the Listing Rules. Upon the approval of the Rights Issue and the 2011 Warrants Issue by the Shareholders at the EGM becoming effective, the Prospectus Documents, setting out details of the Rights Issue, the 2011 Warrants Issue and the increase in authorized share capital will be despatched to the Qualified Shareholders as soon as practicable and the Prospectus will be despatched to the Excluded Shareholders for information only.

RECOMMENDATION

The Board (including independent non-executive Directors) considers that the terms and conditions of the Rights Issue and the 2011 Warrants are fair and reasonable and in the interests of the Shareholders and the Company as a whole, and recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Rights Issue and the 2011 Warrants; and (ii) the increase in the authorised share capital of the Company.

Your attention is drawn to the letters from the Independent Board Committee and the independent financial adviser, Menlo Capital, which are respectively set out on page 22 and pages 23 to 36 of this circular and the additional information set out in the appendices to this circular.

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

YU MING INVESTMENTS LIMITED
禹銘投資有限公司

6th March, 2009

To the Independent Shareholders

**PROPOSED RIGHTS ISSUE AT HK$0.10 EACH
IN THE PROPORTION OF
ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD
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)**

We refer to the letter from the Board set out on pages 6 to 21 of the circular dated 6th March, 2009 (the "Circular") of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Rights Issue and the 2011 Warrants Issue and to advise the Independent Shareholders as to whether or not it would be fair and reasonable and in the interests of the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue and the 2011 Warrants Issue. Menlo Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter of advice from Menlo Capital to the Independent Board Committee and the Independent Shareholders which contains its advice in relation to the Rights Issue and the 2011 Warrants Issue as set out in the Circular.

Having taken into account the principal factors and reasons considered and the opinion given by Menlo Capital as stated in its letter of advice as set out on pages 23 to 36 of the Circular, we consider that the terms of the Rights Issue and the 2011 Warrants Issue are fair and reasonable so far as the Independent Shareholders, including both the Qualified Shareholders and the Excluded Shareholders are concerned and the Rights Issue and the 2011 Warrants Issue are in the interests of the Group and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Rights Issue and the 2011 Warrants Issue to be proposed at the EGM.

Yours faithfully,
Independent Board Committee of Yu Ming Investments Limited

So Shu Fai, Ambrose
Independent non-executive Director

Albert Ho
Independent non-executive Director

Lam Tak Yee
Independent non-executive Director

The following is the text of a letter to the Independent Board Committee from Menlo Capital in respect of the Rights Issue and the 2011 Warrants Issue prepared for the purpose of incorporation in this circular.

Menlo Capital Limited
17/F., Asia Standard Tower
59- 65 Queen's Road Central, Hong Kong

6th March 2009

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

Dear Sirs,

**PROPOSED RIGHTS ISSUE
AT HK$0.10 EACH IN THE PROPORTION OF
ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD
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)**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the Rights Issue and the 2011 Warrants Issue are in the interests of the Group and the Shareholders as a whole and whether the terms of Rights Issue and the 2011 Warrants Issue are fair and reasonable so far as the Independent Shareholders are concerned, details of the Rights Issue and the 2011 Warrants Issue are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 6th March 2009 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

The Company proposes that subject to 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 no less than 1,869,172,517 Rights Shares and no 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. The expected net proceeds from the Rights Issue of approximately HK$181.5 million and not more than HK$218.1 million (after deduction of expenses and assuming no 2011 Warrants is exercised) is intended to be applied to investment opportunities that the Company may identify from time to time. Pursuant to the Rights Issue, the Qualified Shareholders will be provisionally allotted one Rights Share in nil-paid form for every one Share held on the Record Date.

The Rights Issue other than those Rights Shares subject to the Subscription Undertaking will be fully underwritten by the Underwriter on the terms and the conditions as set out in the Underwriting Agreement. In particular, the Rights Issue is conditional upon, among other things, the approval by Independent Shareholders at the EGM.

Subject to the completion of the Rights Issue, the Company also proposes the 2011 Warrants Issue on the basis of one 2011 Warrant for every five Rights Shares taken up under the Rights Issue. Each 2011 Warrant will entitle its holder to subscribe for one new Share at an initial subscription price of HK$0.10 per Share upon exercise of the 2011 Warrant. No less than 373,834,503 2011 Warrants and no more than 448,601,277 2011 Warrants will be issued pursuant to the 2011 Warrants Issue.

We have not considered the taxation implications on the Shareholders in relation to the subscription for, holding or disposal of the Rights Shares and the Warrant Shares or otherwise, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares and the Warrant Shares or otherwise. In particular, Shareholders subject to overseas or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Company. We have taken all reasonable steps pursuant to Rule 13.80 including notes of the Listing Rules which include the following:

(a) obtaining all the information and documents relevant to an assessment of the fairness and reasonableness of the terms of the Rights Issue and the 2011 Warrants Issue, including but not limited to, the Announcement, the Board Letter, the terms of the Rights Issue and the 2011 Warrants Issue and the annual report of the Company for the year ended 31 December 2007;

(b) researching the relevant market and other conditions and trends relevant to the pricing of the rights issues and warrants issues;

(c) reviewing the fairness, reasonableness and completeness of any assumptions or projections relevant to the Rights Issue and the 2011 Warrants Issue, the performance and financial situation of the Company as well as the reasons and background of the Rights Issue and the 2011 Warrants Issue;

(d) confirming that no third party expert provides any opinion or valuation is relevant to the Rights Issue and the 2011 Warrants Issue; and

(e) reviewing and assessing the alternative ways of fund raising other than Rights Issue and the 2011 Warrants Issue and the reasons given by the management of the Company for rejecting other alternatives.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the 2011 Warrants Issue, we have taken the following principal factors and reasons into consideration:

(I) Background and the reasons for the Rights Issue and the 2011 Warrants Issue

The Company is an investment company listed under Chapter 21 of the Listing Rules and its purpose is to invest its funds in assets that offer good return. The Company's investments included listed 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 investment opportunities offering attractive valuation in both the local bond market, stock market, and such other opportunities as they arise.

The Rights Issue is effected on a pro-rata basis. We are of the view that the Rights Issue offers all the Qualified Shareholders the equal opportunity to participate in the enlargement of the capital base of the Company and to maintain their proportionate interests in the Company to continue participating in the future development of the Group. The Qualified Shareholders will have full discretion on whether or not to subscribe the Rights Issue in full or not. The Qualified Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions.

The Board has considered other means of fund raising, including both the debt financing and the placement of Shares. Fund raising through the debts is costly and will increase the leverage of the Group, which is not preferred in the recent tight credit market worldwide and the gloomy economic outlook. The placement of Shares to non-existing Shareholders will result in an immediate dilution of existing Shareholders' interests in the Company. In particular, if the Shares to be placed at a discount to the Share price in order to attract the placees may not be fair and reasonable so far as the Independent Shareholders are concerned.

(II) Use of proceeds of the Rights Issue and the 2011 Warrants Issue

The expected net proceeds from the Rights Issue of approximately HK$181.5 million and not more than HK$218.1 million (after deduction of expenses and assuming no 2011 Warrants is exercised), is intended to be applied for investment purpose to purchase bonds as well as equities, and such other investments that offer attractive return.

We consider that the net proceeds from the Rights Issue will provide the Group the flexibility to make future possible investments which may generate additional return to the Group. Accordingly, we are of the view that the Rights Issue is beneficial to the future development of the Group and therefore is in the interests of the Group and the Shareholders as a whole.

Fundraising activities of the Company in the past 12 months

On 1 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 23 May 2008. 373,834,397 2009 Warrants with subscription price of HK$0.33 per Share have been issued pursuant to the 2009 Warrants.

As at Latest Practicable Date, 528 units of 2009 Warrants have been exercised, amounting in 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 activities in the immediate 12 months before the Latest Practicable Date.

(III) The terms of the Rights Issue and the 2011 Warrants

The 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 Latest Practicable Date	:	1,869,172,517 Shares
Number of Shares which may be issued upon full exercise of subscription rights attaching to the 2009 Warrants *(Note)*	:	373,833,869 Shares

Number of Rights Shares *(Note)*	:	Not less than 1,869,172,517 Rights Shares (assuming no issue of new Shares from the Latest Practicable Date to the Record Date) and not more than 2,243,006,386 Rights Shares (assuming exercise in full of the subscription rights attached to the 2009 Warrants prior to the Record Date)
Underwriter	:	Get Nice Securities Limited

Notes:

The number of the Rights Shares to be issued under the Rights Issue will be increased in proportion to additional Shares which might fall to be allotted and issued upon exercise of 2009 Warrants before the Record Date to the 2009 Warrant holders. As at the Latest Practicable Date, 373,833,869 2009 Warrants are outstanding. In the event of the exercise in full of the subscription rights attached to the 2009 Warrants before the Record Date, 373,833,869 Rights Shares will fall to be allotted and issued, which will result in the issue of an aggregate of 2,243,006,386 Rights Shares.

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 prior to the Record Date.

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

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; and

(v) a discount of approximately 66.67% to the unaudited consolidated net assets value per Share as at 31 January, 2009 of approximately HK$0.30, assuming no new Shares will be issued and allotted pursuant to the 2009 Warrants before the Record Date.

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 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 2009 Warrants or 2011 Warrants is exercised) will be approximately HK$0.097.

We have reviewed, so far as we are aware, all the rights issues announced during the last 12 months prior to the Last Trading Day (the "Review Period") by the companies listed on the main board of the Stock Exchange. We note that five listed companies, namely, Hong Kong Chinese Limited, Lippo Limited, Wing On Travel (Holdings) Limited, ITC Properties Group Limited and Hanny Holdings Limited proposed the rights issues with bonus warrants in various ratios between the warrants and the rights shares as well as in various discount rates of the exercise price of the warrants to the closing prices of the shares traded on the last trading days.

In view of the subscription price of the 2011 Warrants (the "Warrant Subscription Price") is the same as the Subscription Price of the Rights Issue, we consider that it is appropriate to include the all the rights issues, including the rights issues both with and without bonus warrants, announced during the Review Period as the comparables (the "Comparables") to provide for a more general reference for the reasonableness of the pricing of the Rights Issue.

The pricing of a rights issue may vary under different stock market condition as well as for companies with different financial standing and business performance. The major terms of all the Comparables are summarised as below:

Company name (Stock code)	Date of Announcement	Offer ratio	(Discount) of subscription price to the closing price per share/reorganised share on the last full trading day (%)	(Discount) of subscription price to the theoretical ex-right price per share/reorganised share (%)	Premium/(Discount) of subscription price to the net asset value price per share based on the latest accounts available (%)	Underwriting commission (%)
eSun Holdings Limited (571)	7/3/2008	1 for 2	(29.18)	(21.63)	(51.55)	not available ("N/A")
Shun Cheong Holdings Limited (650)	8/4/2008	3 for 2	(64.03)	(41.59)	4.07	2.0
Midas International Holdings Limited (1172)	29/4/2008	1 for 2	(37.50)	(28.57)	(71.6)	2.5
Hongkong Chinese Limited (655)	17/5/2008	7 for 20	(32.0)	(22.0)	(71.0)	2.5
Lippo Limited (226)	17/5/2008	1 for 4	(28.0)	(21.0)	(65.0)	1.5
Wing On Travel (Holdings) Limited (1189)	20/5/2008	4 for 1	(71.83)	(33.77)	(95.7)	2.5
Citic Resources Holdings Limited (1205)	30/5/2008	3 for 20	(27.77)	(25.06)	N/A	0
Sino Katalytics Investment Corporation (2324)	3/6/2008	1 for 2	(27.54)	(20.21)	(68.53)	2.5
ITC Properties Group Limited (199)	6/6/2008	3 for 1	(62.8)	(29.6)	(88.5)	2.5
Mascotte Holdings Limited (136)	13/6/2008	1 for 2	(52.38)	(42.31)	N/A	2.5
Green Global Resources Limited (61)	17/6/2008	1 for 1	(30.3)	(18.2)	N/A	2.5
Willie International Holdings Limited (273)	19/6/2008	5 for 2	(63.86)	(33.63)	N/A	2.5
UDL Holdings Limited (620)	1/08/2008	1 for 1	(10.26)	(5.41)	16.67	2.5
China Resources Logic Limited (1193)	21/8/2008	4 for 1	(14.5)	(3.4)	216.7	0
Hanny Holdings Limited (275)	12/9/2008	4 for 1	(85.07)	(53.27)	N/A	2.5
Climax International Company Limited (439)	11/9/2008	4 for 1	(86.81)	(56.83)	(88.57)	2.5
Easyknit Enterprises Holdings Limited (616)	12/11/2008	10 for 1	(57.14)	(11.76)	(96.25)	1.0

Company name (Stock code)	Date of Announce-ment	Offer ratio	(Discount) of subscription price to the closing price per share/reorganised share on the last trading day	(Discount) of subscription price to the theoretical ex-right price per share/ reorganised share	Premium/ (Discount) of subscription price to the net asset value price per share based on the latest accounts available	Under-writing commission
			(%)	*(%)*	*(%)*	*(%)*
Standard Chartered PLC (2888)	24/11/2008	30 for 91	(48.7)	(41.6)	N/A	2.75
Hycomm Wireless Limited (499)	1/12/2008	7 for 1	(72.31)	(24.61)	(85.88)	2.5
COL Capital Limited (383)	1/12/2008	1 for 1	(48.05)	(31.62)	(97.31)	0
Victory City International Holdings Ltd (539)	3/12/2008	1 for 2	(53.79)	(43.72)	(88.01)	2.0
Freeman Corporation Limited (279)	12/1/2009	1 for 1	(28.57)	(16.67)	N/A	2.5
Unity Investments Holdings Limited (913)	2/2/2009	1 for 1	(23.66)	(13.42)	N/A	2.5
Highest premium/(Lowest discount)			**(10.26)**	**(3.4)**	**216.7**	
(Highest discount)			**(86.81)**	**(56.83)**	**(97.31)**	
Mean			**(45.92)**	**(27.82)**	**(48.7)**	**2.01**
Median			**(48.05)**	**(25.06)**	**(71.6)**	**2.5**
The Company	14/2/2009	**1 for 1**	**0**	**0**	**(66.67)**	**2.5**

Source: The Stock Exchange website, the respective announcements and circulars

As noted from the above table,

1. the subscription prices to the closing prices on the last trading day prior to the dates of announcements of the Comparables ranged from a discount of approximately 10.26 % to approximately 86.81 % (the "First Relevant Range"), with the mean and median at discounts of approximately 45.92% and 48.05% respectively. The Subscription Price is equivalent to the closing price of the Shares on the Last Trading Day which falls beyond the First Relevant Range of all the Comparables with various discounts;

2. the subscription prices to the theoretical ex-rights prices per share based on the last trading day prior to the dates of the announcements in relation to the Comparables ranged from a discount of approximately 3.4 % to approximately 56.83 % (the "Second Relevant Range"), with the mean and median at discounts of approximately 27.82% and approximately 25.06% respectively. The Subscription Price is equivalent to the theoretical ex-rights price per Share based on the closing price of the Shares on the Last Trading Day which falls beyond the Second Relevant Range of all the Comparables with various discounts; and

3. the subscription prices to the net asset value per share based on the latest accounts available prior to the dates of the announcements in relation to the Comparables ranged from a premium of approximately 216.7% to a discount of approximately 97.31% (the "Third Relevant Range"), with the mean and median at discounts of approximately 48.7% and approximately 71.6% respectively. The discount of the Subscription Price to the net asset value price per Share of approximately 66.67% based on the latest accounts available prior to the Last Trading Day which is more than the mean but less than the median and falls within the Third Relevant Range of the Comparables.

The effect of the Rights Issue on the shareholding interests of the Shareholders is set out under the section headed "Effect on the shareholding interests of the Shareholders" in this letter. We are of the view that the Subscription Price to be equivalent to both the closing price of the Share on the Last Trading Day and the theoretical ex-right price of the Shares provides an opportunity for the Qualified Shareholders to take up the Rights Shares at an attractive price if the Share price moves up above the Subscription Price before the Record Date, while providing the Company with the funding which in turn is in the interests of the Group and the Shareholders as a whole of concern.

The underwriting commission rates of the Comparables ranged from 0 to 2.75% (the "Fourth Relevant Range"), with the mean and median of approximately 2.01% and 2.5% respectively. The underwriting commission of the Right Issue, being 2.5%, is higher than the mean and equivalent to the median and falls within the Fourth Relevant Range of the Comparables. We consider that the underwriting commission in respect of the Rights Issue is in line with those of the Comparables and is fair and reasonable so far as the Group and the Shareholders are concerned.

Given that (i) the Subscription Price, to be equivalent to the closing price of the Shares on the Last Trading Day or the theoretical ex-rights price per Share, may become attractive to the Qualified Shareholders if the Share price moves up above the Subscription Price before the Record Date; (ii) the discount of the Subscription Price to the net asset value price per Share falls within the Third Relevant Range of the Comparables; (iii) the underwriting commission of the Right Issue falls within the Fourth Relevant Range of the Comparables; (iv) 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 it under the Rights Issue; (v) the Rights Issue allows all the Qualified Shareholders to maintain their proportionate interests in the Company; (vi) although the Subscription Price is not as attractive as the subscription prices with discounts of the Comparables, the Qualified Shareholders have full discretion on whether or not to subscribe the Rights Issue in full or not before the Record Date; and (vii) the Qualified Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to the market conditions. Accordingly, we are of the view the Subscription Price offered to all Qualified Shareholders is fair and reasonable so far as the Shareholders are concerned.

The 2011 Warrants Issue

Subject to the completion of the Rights Issue, the Company also proposes the 2011 Warrants Issue on the basis of one 2011 Warrant for every five Rights Shares taken up under the Rights Issue. Each 2011 Warrant will entitle its holder to subscribe for one new Share at an initial subscription price of HK$0.10 per Share upon exercise of the 2011 Warrant. No less than 373,834,503 2011 Warrants and no more than 448,601,277 2011 Warrants will be issued pursuant to the 2011 Warrants Issue. The number of 2011 Warrants proposed to be issued upon completion of the Rights Issue, 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.

The Warrant Subscription Price was determined with reference to the prevailing market prices of the Shares and it represents (i) the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) the same price as the theoretical ex-rights price of HK$0.10 per Share, which is calculated based on the closing price HK$0.1 per Share on the Last Trading Day; and (iii) a discount of approximately 66.67% to the unaudited consolidated net assets value per Share as at 31 January 2009.

The subscription price of the 2011 Warrants will be adjusted on, *inter alia*, any capitalization issue, capital distribution, issue of rights, Shares or convertible securities at less than 90% of the then market price of the Shares and purchase of Shares or convertible securities 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 the Appendix III of the Circular.

The Warrant Subscription Price per Share upon exercise of the 2011 Warrant is the same of the Subscription Price per Rights Share of HK$0.10. We have reviewed both the terms of the 2011 Warrants Issue and the Comparables with the rights issues with bonus warrants proposed. Being set out under the sub-section headed "Subscription Price" above, five of the Comparables proposed the rights issues with bonus warrants of which are in significant different ratios between the warrants and the rights shares as well as in various discount rates of the exercise price of the warrants to the closing prices of the shares traded on the last trading days. Accordingly, we are of the view that the Comparables with the rights issues with bonus warrants proposed do not provided a meaning reference for the comparing the Warrant Subscription Price. We are also of the view that (i) the 2011 Warrants Issue serves as an additional incentive of the Rights Issue to the Shareholders; (ii) the Rights Issue will allow all the Qualified Shareholders to maintain their proportionate interests in the Company; and (iii) the Qualified Shareholders have full discretion on whether or not to subscribe the Warrant Shares under the 2011 Warrants Issue in full or not. Accordingly, we consider the issue of the 2011 Warrants along with the Rights Issue is fair and reasonable so far as the Shareholders are concerned.

As the 2011 Warrants Issue may raise additional working capital to further improve the financial position of the Group, we are of the view that the issue of the 2011 Warrants attached to the Rights Shares is in the interests of the Group and the Shareholders as a whole.

(IV) Other terms of the Rights Issue and the 2011 Warrants Issue

The other terms of the Rights Issue, being set out under the section headed "Rights Issue" in the Board Letter, include the detailed terms relating to:

- the status of the Rights Shares
- the Qualified Shareholders;
- the Excluded Shareholders;
- the Record Date and closure of register of members;
- the application for excess Rights Shares;
- the basis of provisional allotments;
- the application for listing;
- the Subscription Price;
- the stamp duty and any other applicable fees and charges;
- the certificates for Rights Shares;
- the key terms of the Underwriting Agreement;
- the Subscription Undertaking;
- the conditions of the Rights Issue and the Underwriting;
- the termination of the Underwriting Agreement;
- the terms of the 2011 Warrants;
- the subscription price of 2011 Warrants;
- the listing and Board Lot;
- the certificates for the 2011 Warrants; and
- the fractions of the 2011 Warrants;

Other than the Subscription Price and the underwriting commission of the Rights Issue, we have also reviewed the other terms of the Rights Issue, the Underwriting Agreement and the 2011 Warrants Issue as listed above. No extraordinary terms being noted as compared with the terms of the Comparables being announced. Accordingly, we are of the view that the terms of the Rights Issue, the Underwriting Agreement and the 2011 Warrants Issue are on normal commercial basis and fair and reasonable so far as the Independent Shareholders are concerned.

(V) Effect on shareholding interests of the Shareholders

Being set out in the section headed "SHAREHOLDING STRUCTURE" in the Board Letter, (i) immediately upon Completion assuming no Qualified Shareholders (apart from AGL) take up their respective entitlements under the Rights Issue, the shareholding of the existing Qualified Shareholders (apart from AGL) will be substantially diluted from 73.02% to 36.51%; and (ii) immediately upon Completion assuming no Qualified Shareholders take up their respective entitlements under the Rights Issue and all 2011 Warrants exercised in full, the shareholding of the existing Qualified Shareholders (apart from AGL) will be substantially diluted from 73.02% to 33.19%. For those Qualified Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

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 of the Rights Issue.

Taking into consideration the foregoing, we consider that as the Qualified Shareholders can choose to participate in the Rights Issue and exercise 2011 Warrants or, if they are unwilling or unable to do so, to dispose of their entitlements nil-paid in the market at a premium if one can be obtained, the Rights Issue is an equitable method to raise new equity capital for the Company.

(VI) Financial effects of the Rights Issue and the 2011 Warrants Issue

(a) Net assets

The effect on the unaudited pro forma consolidated net assets of the Group immediately after completion of the Rights Issue is set out in Appendix II in the Circular.

The expected net proceeds from the Rights Issue of approximately HK$181.5 million and not more than HK$218.1 million (after deduction of expenses and assuming no 2011 Warrants is exercised), is intended to be applied for investment purpose to purchase bonds as well equities, and such other investments. Accordingly, the net assets of the Company will be improved.

The Exercise Period for the 2011 Warrants is two years from the date of issue of the 2011 Warrants Issue and the maximum net proceeds from the full exercise of the 2011 Warrants Issue can be approximately HK$44.86 million, assuming all 2009 Warrants to be exercised on or before the Record Date, the number of 2011 Warrants to be issued will be 448,601,277. Accordingly, the net assets of the Company may be further improved within two years from the date of issue of the 2011 Warrants Issue upon the exercise of the 2011 Warrants.

(b) Working capital

The expected net proceeds from the Rights Issue of approximately HK$181.5 million and not more than HK$218.1 million (after deduction of expenses and assuming no 2011 Warrants is exercised), is intended to be applied for investment purpose to purchase bonds as well equities, and such other investments. Accordingly, the cash position and the working capital (before any specific investments made) of the Group immediately after the Rights Issue will be increased by the same amount of the actual net proceeds of the Rights Issue.

We are of the view that the cash position and the working capital of the Group to be improved immediately after the Rights Issue can provide the flexibility to the Group in future investment for projected return is in the interests of the Group and the Shareholders, including both the Qualified Shareholders and the Excluded Shareholders, as a whole.

RECOMMENDATION

We have taken into consideration of the above principal factors and reasons, in particular:

- the net proceeds from the Rights Issue and the 2011 Warrants Issue will provide the Group with additional funding for future possible investments, if opportunities arise;
- the Rights Issue and the 2011 Warrants Issue is on normal commercial terms;
- the Subscription Price offered to all Qualified Shareholders is fair and reasonable so far as the Shareholders are concerned;
- the Rights Issue and the 2011 Warrants Issue (upon exercise) would enlarge the capital base of the Company;
- the Rights Issue and the 2011 Warrants Issue (upon exercise) can improve the net assets and working capital position of the Group; and

- the Rights Issue and the 2011 Warrants Issue would be an equitable and preferred method of equity financing, after considering the both the debt financing and the placement of the Shares, as it will allow all the Qualified Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group without incurring any additional cost or any dilution of shareholding of existing Shareholders.

We are of the view that the Rights Issue and the 2011 Warrants Issue are in the interests of the Group and the Shareholders as a whole and that the terms of the Rights Issue and the 2011 Warrants Issue are fair and reasonable so far as the Independent Shareholders, including both the Qualified Shareholders and the Excluded Shareholders, are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue and the 2011 Warrants Issue.

Yours faithfully,
For and on behalf of
Menlo Capital Limited
Michael Leung
Executive Director

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	**2006**	**2005**
	HK$	*HK$*	*HK$*
Continuing operations:			
Revenue	44,466,407	95,242,294	17,838,679
Other net income	87,137,758	16,794,959	20,185,952
Administrative and other operating expenses	(36,708,673)	(33,378,370)	(62,955,642)
Operating profit/(loss)	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)
Profit/(loss) before income tax	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
Discontinued operations:			
Net result for the year from discontinued operations	61,128,927	8,619,007	8,198,531
Profit/(loss) for the year	164,016,503	(115,595,718)	146,705,088
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
Profit/(loss) for the year	164,016,503	(115,595,718)	146,705,088
Dividends	–	–	33,823,440
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company (HK cents)			
– Basic			
For profit/(loss) for the year	7.96	(9.21)	8.55
For profit/(loss) from continuing operations	5.13	(9.52)	8.26
– Diluted	N/A	N/A	N/A

Consolidated Balance Sheet

	As at 31st December,		
	2007	**2006**	**2005**
	HK$	*HK$*	*HK$*
ASSETS AND LIABILITIES			
Non-current assets			
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	–	–	–
	54,703,460	1,805,657,864	1,751,891,371
Current assets			
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	652,174,260	142,878,833	5,511,805
	963,861,028	297,894,805	54,829,341
Current liabilities			
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	1,210,216	22,996,019	26,832,724
	26,793,127	87,400,044	49,189,066
Net current assets	937,067,901	210,494,761	5,640,275
Total assets less current liabilities	991,771,361	2,016,152,625	1,757,531,646

	As at 31st December,		
	2007	**2006**	**2005**
	HK$	*HK$*	*HK$*
Non-current liabilities			
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
	–	1,091,435,981	704,795,031
Net assets	991,771,361	924,716,644	1,052,736,615
EQUITY			
Equity attributable to the equity holders of the Company			
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
	991,771,361	732,331,045	900,448,485
Minority interests	–	192,385,599	152,288,130
Total equity	991,771,361	924,716,644	1,052,736,615
Net asset value per share attributable to the equity holders of the Company	0.53	0.43	0.53

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

		For the year ended 31st December,	
		2007	**2006**
	Notes	*HK$*	*HK$*
Continuing operations:			
Revenue	*5*	44,466,407	95,242,294
Other net income	*6*	87,137,758	16,794,959
Administrative and other operating expenses		(36,708,673)	(33,378,370)
Operating profit		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		1,750,778	4,458,157
Profit/(loss) before income tax	*10*	104,097,792	(124,409,725)
Income tax (expense)/credit	*11*	(1,210,216)	195,000
Profit/(loss) for the year from continuing operations		102,887,576	(124,214,725)
Discontinued operations:			
Net result for the year from discontinued operations	*12*	61,128,927	8,619,007
Profit/(loss) for the year		164,016,503	(115,595,718)

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

Consolidated Balance Sheet

		As at 31st December,	
		2007	**2006**
	Notes	*HK$*	*HK$*
ASSETS AND LIABILITIES			
Non-current assets			
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*	–	–
		54,703,460	1,805,657,864
Current assets			
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
		963,861,028	297,894,805
Current liabilities			
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
		26,793,127	87,400,044
Net current assets		937,067,901	210,494,761
Total assets less current liabilities		991,771,361	2,016,152,625

		As at 31st December,	
		2007	**2006**
	Notes	*HK$*	*HK$*
Non-current liabilities			
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
		–	1,091,435,981
Net assets		991,771,361	924,716,644
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*32*	186,917,199	169,117,199
Reserves	*33*	804,854,162	563,213,846
		991,771,361	732,331,045
Minority interests		–	192,385,599
Total equity		991,771,361	924,716,644
Net asset value per share attributable to the equity holders of the Company	*34*	0.53	0.43

Balance Sheet

		As at 31st December,	
		2007	**2006**
	Notes	*HK$*	*HK$*
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*19*	1,400,028	2,470,906
Interests in a jointly controlled entity	*21*	–	40,000
		1,400,028	2,510,906
Current assets			
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
		1,226,951,950	412,534,165
Current liabilities			
Other payables, accrued expenses and deposits received	*29*	21,682,911	963,085
Amounts due to subsidiaries	*19*	247,656,556	9,808,031
		269,339,467	10,771,116
Net current assets		957,612,483	401,763,049
Total assets less current liabilities		959,012,511	404,273,955
EQUITY			
Share capital	*32*	186,917,199	169,117,199
Reserves	*33*	772,095,312	235,156,756
Total equity		959,012,511	404,273,955

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

	Equity attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	Proposed final dividend	Retained earnings	Total		
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st January, 2006	169,117,199	311,582,062	4,031,600	366,772	14,904,808	33,823,440	366,622,604	900,448,485	152,288,130	1,052,736,615
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	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

	Equity attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	Proposed final dividend	Retained earnings	Total		
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st January, 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	186,917,199	492,745,651*	20,031,600*	366,772*	12,453,378*	–	279,256,761*	991,771,361	–	991,771,361

* *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

	Notes	For the year ended 31st December, 2007 HK$	2006 HK$
Cash flows from operating activities, including discontinued operations			
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)

	Notes	For the year ended 31st December, 2007 HK$	2006 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		(215,361,665)	–
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)		2,696,212	(4,714,123)
Net cash (used in)/generated from operating activities, including discontinued operations		(166,472,901)	7,259,595

	Notes	For the year ended 31st December, 2007 HK$	2006 HK$
Cash flows from investing activities, including discontinued operations			
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		10,537,895	6,275,136
Net cash generated from/(used in) investing activities, including discontinued operations		599,638,039	(213,993,324)
Cash flows from financing activities, including discontinued operations			
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		36,352	(37,219,045)
Net cash generated from financing activities, including discontinued operations		76,130,289	344,100,757
Net increase in cash and cash equivalents		509,295,427	137,367,028
Cash and cash equivalents at 1st January		142,878,833	5,511,805
Cash and cash equivalents at 31st December		652,174,260	142,878,833

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

Note:

1 Effective for annual periods beginning on or after 1st January, 2009
2 Effective for annual periods beginning on or after 1st March, 2007
3 Effective for annual periods beginning on or after 1st January, 2008
4 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.

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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
	44,466,407	95,242,294	80,370,937	62,793,385	124,837,344	158,035,679

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
	87,137,758	16,794,959	3,924,602	837,200	91,062,360	17,632,159

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.

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 Securities investments		Discontinued operations Property investment		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	44,466,407	95,242,294	80,370,937	62,793,385	124,837,344	158,035,679
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	1,750,778	4,458,157	–	–	1,750,778	4,458,157
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	(1,210,216)	195,000	(4,927,139)	(2,694,009)	(6,137,355)	(2,499,009)
Profit/(loss) for the year	102,887,576	(124,214,725)	61,128,927	8,619,007	164,016,503	(115,595,718)

	Continuing operations Securities investments		Discontinued operations Property investment		Consolidated	
	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	1,018,564,488	758,545,400	–	1,345,007,269	1,018,564,488	2,103,552,669
Segment liabilities	25,582,911	310,667,727	–	776,671,925	25,582,911	1,087,339,652
Unallocated	1,210,216	–	–	91,496,373	1,210,216	91,496,373
Total liabilities	26,793,127	310,667,727	–	868,168,298	26,793,127	1,178,836,025
Other information						
Capital expenditure	–	–	7,330,640	318,206,382	7,330,640	318,206,382
Impairment of available-for-sale financial assets	–	16,401,802	–	–	–	16,401,802

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
	8,754,668	5,416,588	34,797,491	32,539,020	43,552,159	37,955,608

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)	–	–	(72,312,420)	(55,799,517)	(72,312,420)	(55,799,517)

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 *(Note 35)*	–	–	1,410,842	1,621,591	1,410,842	1,621,591
Total income tax expense/(credit)	1,210,216	(195,000)	4,927,139	2,694,009	6,137,355	2,499,009

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	104,097,792	(96,123,598)	66,056,066	(16,973,111)	170,153,858	(113,096,709)
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)	1,210,216	(195,000)	4,927,139	2,694,009	6,137,355	2,499,009

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:

		2007	**2006**
	Notes	*HK$*	*HK$*
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		(54,643,386)	(53,997,194)
Profit before income tax		29,566,153	11,313,016
Income tax expense	*11*	(4,927,139)	(2,694,009)
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*	36,489,913	–
Net result for the year from discontinued operations	*15*	61,128,927	8,619,007
Operating cash flows		59,319,258	46,550,249
Investing cash flows		(7,130,808)	(282,654,063)
Financing cash flows		(51,716,041)	236,189,694
Total cash flows		472,409	85,880

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	2006
	HK$	*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 *(Note 12)*	61,128,927	8,619,007
Less: Profit for the year attributable to minority interests from discontinued operations	(9,553,903)	(3,342,451)
	51,575,024	5,276,556
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	93,628,841	(160,969,743)
	HK cents	*HK cents*
Basic earnings/(loss) per share attributable to equity holders of the Company for the continuing and discontinued operations	7.96	(9.21)
Basic earnings/(loss) per share attributable to equity holders of the Company for the continuing operations	5.13	(9.52)
Basic earnings per share attributable to equity holders of the Company for the discontinued operations	2.83	0.31

16. EMPLOYEE BENEFIT EXPENSE (including Directors' emoluments)

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*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
	3,579,862	702,000	769,667	211,830	4,349,529	913,830

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	**Other emoluments**	**Total**
	HK$	*HK$*	*HK$*
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
	1,497,500	1,771,225	3,268,725

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

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

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 *HK$*	2006 *HK$*	2007 *HK$*	2006 *HK$*	2007 *HK$*	2006 *HK$*
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
	301,000	322,000	753,567	211,830	1,054,567	533,830

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:

	2007	**2006**
	HK$	*HK$*
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	(1,347,244,640)	–
Carrying amount at 31st December	–	1,340,000,000

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:

	2007	**2006**
	HK$	*HK$*
Long leases	–	1,180,000,000
Medium-term leases	–	160,000,000
	–	1,340,000,000

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

COMPANY

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

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 Directly	Indirectly	Principal activities and place of operations
Asia Vision Holdings Limited	Hong Kong, limited liability company	2 ordinary shares of HK$0.01 each	100%	–	Investment holding, Hong Kong
Capital Sharp Investment Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
Contana Investment Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	–	Investment holding, Hong Kong
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 Directly	Indirectly	Principal activities and place of operations
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	35,963,702	35,963,702
	35,963,710	35,963,710
Loans to associates	25,636,188	25,636,188
	61,599,898	61,599,898
Less: Impairment loss	(61,599,898)	(61,599,898)
	–	–

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:

	2007	2006
	HK$	*HK$*
At 1st January and 31st December		
Gross amount	35,963,702	35,963,702
Accumulated impairment	(35,963,702)	(35,963,702)
Carrying amount	–	–

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:

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

	2007	2006
	HK$	*HK$*
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	(2,401,484)	(44,591,525)

21. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*
Unlisted shares, at cost	–	–	–	40,000
Share of net assets	–	1,438,648	–	–
	–	1,438,648	–	40,000

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	4,458,157

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

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

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

	2007	2006
	HK$	*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
	54,704,240	464,882,216

22.1 Listed equity securities

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

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

24. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

GROUP

	2007	2006
	HK$	*HK$*
Trade receivables	–	1,481,108
Other receivables	1,037,143	99,073,016
Deposits paid	–	578,953
	1,037,143	101,133,077

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:

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

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

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

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	–
	286,635,293	17,082,000

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:

Notional amount	**Number of options**	**Maturity**	**Underlying stock**
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 *HK$*	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 *HK$*	Forward price *HK$*	Time to maturity *Year*	Volatility	Risk-free rate	Dividend yield	Fair value as at 31st December, 2007 *HK$*
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
							10,320,690

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	476,710,477	150,222,990	445,168,562	93,207,971
	652,174,260	153,416,728	445,914,393	93,405,675
Less: Pledged bank fixed deposits	–	(10,537,895)	–	–
Cash and cash equivalents	652,174,260	142,878,833	445,914,393	93,405,675

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	–	5,612,535	–	–
	21,682,911	26,081,851	21,682,911	963,085

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

As at 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%

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

	2007	**2006**
	HK$	*HK$*
Hong Kong dollar	–	917,880,958
Euro	–	8,413,034
	–	926,293,992

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**	
	Number of shares	*HK$*	*Number of shares*	*HK$*
Authorised:				
Ordinary shares of HK$0.1 each				
At 1st January	2,100,000,000	210,000,000	2,100,000,000	210,000,000
At 31st December	2,100,000,000	210,000,000	2,100,000,000	210,000,000
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	(160,000,000)	(16,000,000)	–	–
At 31st December	1,869,171,989	186,917,199	1,691,171,989	169,117,199

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	Capital redemption reserve	Retained earnings/ (Accumulated losses)	Total
	HK$	*HK$*	*HK$*	*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	492,745,651	20,031,600	259,318,061	772,095,312

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	2006	2007	2006	2007	2006	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*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	–	5,132,695	–	64,580,192	–	(1,212,533)	–	68,500,354

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	2006
	HK$	*HK$*
Investment properties		
Amount receivable		
– Within one year	–	65,554,831
– In the second to fifth years	–	39,864,243
	–	105,419,074

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:

	2007	**2006**
	HK$	*HK$*
YMIM		
Management fee expense	13,343,473	13,306,316
Performance fee expense	12,207,829	–

(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

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

	2007
	HK$
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)
	335,138,087
Gain on disposal of a subsidiary *(Note 12)*	36,489,913
Net consideration	371,628,000
Satisfied by cash	
Consideration	372,000,000
Direct cost of disposal	(372,000)
Net consideration	371,628,000

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

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

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

	2007
	HK$
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)
	163,613,805
Gain on disposal of a subsidiary and a jointly controlled entity	16,206,190
Net consideration	179,819,995
Satisfied by cash	
Consideration	180,000,000
Direct cost of disposal	(180,005)
Net consideration	179,819,995

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:

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

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:

	2007 *HK$'000*					
	JP¥	**MYR**	**NT$**	**US$**	**AU$**	**Others**
Financial assets	49,514	64,243	27,079	–	5,647	–
Financial liabilities	–	–	–	(3,900)	–	–
Short-term exposure	49,514	64,243	27,079	(3,900)	5,647	–
Financial assets	–	–	–	15,617	–	593
Financial liabilities	–	–	–	–	–	–
Long-term exposure	–	–	–	15,617	–	593

	2006 *HK$'000*					
	JP¥	**MYR**	**NT$**	**US$**	**AU$**	**Others**
Financial assets	–	–	–	17,745	–	–
Financial liabilities	–	–	–	–	–	–
Short-term exposure	–	–	–	17,745	–	–
Financial assets	–	–	–	78,456	–	4,249
Financial liabilities	–	–	–	–	–	–
Long-term exposure	–	–	–	78,456	–	4,249

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**	**Effect on other components of equity**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained earnings**	**Effect on other components of equity**
		HK$'000	*HK$'000*		*HK$'000*	*HK$'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**	**Increase/ (decrease) in interest rates**	**Effect on profit after tax and retained earnings**
		HK$'000		*HK$'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**	**Effect on other components of equity**	**Increase/ (decrease) in securities market price**	**Effect on profit after tax and retained earnings**	**Effect on other components of equity**
		HK$'000	*HK$'000*		*HK$'000*	*HK$'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:

2007			2006		
Increase/ (decrease) in securities market price	**Effect on profit after tax and retained earnings** *(Note)* *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*
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:

2007			2006		
Increase/ (decrease) in underlying shares' prices	**Effect on profit after tax and retained earnings** *(Note)* *HK$'000*	**Effect on other components of equity** *HK$'000*	**Increase/ (decrease) in underlying shares' prices**	**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:

2007			**2006**		
Increase/ (decrease) in underlying shares' prices	**Effect on profit after tax and retained earnings** *(Note)*	**Effect on other components of equity**	**Increase/ (decrease) in underlying shares' prices**	**Effect on profit after tax and retained earnings**	**Effect on other components of equity**
	HK$'000	*HK$'000*		*HK$'000*	*HK$'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	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
	HK$	*HK$*	*HK$*	*HK$*
At 31st December, 2007				
Other payables	21,682,911	–	–	–
Financial liabilities at fair value through profit or loss	3,900,000	–	–	–
	25,582,911	–	–	–
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	–	–	120,172,611	–
	39,630,403	19,161,087	914,172,611	93,971,818

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	2006
	HK$	*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
	963,861,028	297,315,852
Non-current liabilities		
Borrowings	–	887,971,818
Loans from minority interests	–	120,172,611
	–	1,008,144,429
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
	25,582,911	58,791,490

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

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

		For the six months ended 30th June,	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
Continuing operations:			
Revenue	*3*	8,818	28,944
Other net (loss)/income	*4*	(163,305)	36,054
Administrative and other operating expenses		(10,996)	(9,135)
Operating (loss)/profit		(165,483)	55,863
Finance costs	*6*	–	(6,250)
Share of results of a jointly controlled entity		–	1,564
(Loss)/profit before income tax	*7*	(165,483)	51,177
Income tax expense	*8*	–	–
(Loss)/profit for the period from continuing operations		(165,483)	51,177
Discontinued operations:	*9*		
Profit for the period from discontinued operations		–	15,516
(Loss)/profit for the period		(165,483)	66,693
Attributable to:			
– Equity holders of the Company		(165,483)	53,865
– Minority interests		–	12,828
(Loss)/profit for the period		(165,483)	66,693
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company *(HK cents)*	*10*		
– Basic			
From continuing and discontinued operations		(8.85)	3.19
From continuing operations		(8.85)	2.62
– Diluted		N/A	N/A
Dividends	*11*	–	–

Condensed Consolidated Balance Sheet
As at 30th June, 2008

	Notes	Unaudited 30th June, 2008 HK$'000	Audited 31st December, 2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Available-for-sale financial assets	12	58,328	54,703
Current assets			
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
Current liabilities			
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
Net current assets		764,279	937,068
Net assets		822,607	991,771
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	16	186,917	186,917
Reserves		635,690	804,854
Total equity		822,607	991,771

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2008

	Unaudited								
	Equity attributable to equity holders of the Company							Minority interests	Total
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	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
	HK$'000	*HK$'000*
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	311,790	233,134
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
	311,790	233,134

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

Notes:

1 *Effective for annual periods beginning on or after 1st January, 2009*
2 *Effective for annual periods beginning on or after 1st July, 2009*
3 *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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
	8,818	28,944	–	38,005	8,818	66,949

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 *(Note)*	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
	(163,305)	36,054	–	4,629	(163,305)	40,683

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

	Unaudited Six months ended 30th June,					
	Continuing operations Financial instruments investment		Discontinued operations Property investment		Consolidated	
	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 Financial instruments investment		Discontinued operations Property investment		Consolidated	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities						
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
Other information						
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:

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

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:

	Unaudited Six months ended 30th June, 2008 HK$'000	2007 HK$'000
(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 *(Note 9)*	–	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	(165,483)	44,365

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 *HK$'000*	**Audited 31st December, 2007** *HK$'000*
Non-current		
Listed equity securities		
– in Hong Kong	34,880	38,494
– outside Hong Kong	64	610
	34,944	39,104
Unlisted equity and debt securities	23,384	15,599
	58,328	54,703
Current		
Unlisted debt securities	–	1
	58,328	54,704
Market value of listed equity securities	34,944	39,104

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30th June, 2008 *HK$'000*	**Audited 31st December, 2007** *HK$'000*
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
	455,638	286,635

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

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

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

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

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	
	2008	**2007**
	HK$'000	*HK$'000*
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:

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

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:

	Unaudited 30th June, 2008	Audited 31st December, 2007
	HK$'000	*HK$'000*
SHKISL	67,332	36,729

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 circular:

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 2008 in the stock market. Value of the Group's portfolio of equity securities and equity related forward contracts and derivatives fell significantly since 30th June, 2008, as shown in the net asset value statements published monthly on the website of the Company and the Stock Exchange. As at 31st January, 2009, the unaudited net asset value per Share was approximately HK$0.30 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 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 assuming the 2009 Warrants are not exercised and HK$6.2 million assuming full exercise of the 2009 Warrants as at the Record Date and payable by the Company.

8. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed in this circular, the Directors were not aware of any material 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	**Unaudited consolidated net tangible assets per Share as at 30th June, 2008**	**Estimated net proceeds from exercise of 2009 Warrants**	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma consolidated net tangible assets of the Group after the Rights Issue**	**Unaudited pro forma consolidated net tangible assets per Share after the Rights Issue**
	(Note iii)	*(Note iv)*	*(Note v)*	*(Note vi)*		*(Note vii)*
	HK$'000	*HK$*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
(a) Rights Issue of 1,869,172,517 Rights Shares, assuming no exercise of 2009 Warrants *(Note i)*	822,607	0.440	–	181,417	1,004,024	0.269
(b) Rights Issue of 2,243,006,386 Rights Shares, assuming exercise in full of 2009 Warrants *(Note ii)*	822,607	0.440	123,365	218,101	1,164,073	0.259

Notes:

(i) The Rights Issue of 1,869,172,517 Rights Shares is calculated based on existing 1,869,172,517 Shares in issue as at Latest Practicable Date on one Rights Share for one existing Share held and assuming no exercise of 2009 Warrants as at the Record Date.

(ii) The Rights Issue of 2,243,006,386 Rights Shares is calculated based on 1,869,172,517 Rights Shares to be issued on one Rights Share for one existing Share held as at Latest Practicable Date plus 373,833,869 Rights Shares to be issued assuming rights attaching to the 373,833,869 units outstanding 2009 Warrants are exercised as at the Record Date.

(iii) 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.

(iv) 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.

(v) The estimated net proceeds from full exercise of all outstanding 2009 Warrants is calculated based on the exercise price of HK$0.33 per Share, assuming there is no share issuance expense in relation to the exercise of 2009 Warrants.

(vi) The estimated net proceeds from the Rights Issue is calculated based on 1,869,172,517 or 2,243,006,386 Rights Shares to be issued at the Subscription Price of HK$0.10 per Rights Share, after the deduction of the estimated expenses of approximately HK$5.5 million (in the case of 1,869,172,517 Rights Shares) or approximately HK$6.2million (in the case of 2,243,006,386 Rights Shares) respectively.

(vii) The calculation of the unaudited pro forma consolidated net tangible assets per Share after the Rights Issue of HK$0.269 or HK$0.259 is based on 1,869,172,517 Shares in issue as at 30th June, 2008 and (a) 1,869,172,517 Rights Shares expected to be issued upon Completion, or (b) 373,833,869 Shares to be issued assuming rights attaching to the 373,833,869 units outstanding 2009 Warrants are exercised as at the Record Date plus 2,243,006,386 Rights Shares expected to be issued upon Completion.

(viii) 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 of the Group as at 31st January, 2009, being equivalent to the net assets of the Group as at 31st January, 2009 published on the website of Stock Exchange on 13th February, 2009, is approximately HK$0.30 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 Company as at 31st January, 2009 and on the same bases as the pro forma information shown in Section A above would be as follows:

	Unaudited pro forma consolidated net tangible assets per Share after the Rights Issue adjusted based on net asset value of the Company as at 30th June, 2008	**Unaudited pro forma consolidated net tangible assets per Share after the Rights Issue adjusted based on net asset value of the Company as at 31st January, 2009**
	HK$	*HK$*
Rights Issue of 1,869,172,517 Rights Shares	0.269	0.201
Rights Issue of 2,243,006,386 Rights Shares	0.259	0.203

Shareholders should note that information included in this Section B was made solely for the purpose of reference by Shareholders of updated financial information of the Group as at 31st January, 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 prepared for the purpose of incorporation in this circular.

Grant Thornton
均富

6th 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 circular dated 6th March, 2009 (the "Circular"). 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 Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

It is our responsibility to form an opinion, as required by paragraph 4.29 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 the issue of not less than 1,869,172,517 Rights Shares and not more than 2,243,006,389 Rights Shares to be issued pursuant to the Rights Issue, the total number of 2011 Warrants to be issued will be not less than 373,834,503 2011 Warrants and not more than 448,601,277 2011 Warrants, conferring rights to subscribe up to a maximum of not less than 373,834,503 Shares and not more than 448,601,277 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, copies 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 the date immediately preceding the second anniversary of the date of first issue of the 2011 Warrants, 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 circular.

(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 Registrars 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 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. 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 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 the date immediately preceding the second anniversary of the date of first issue of the 2011 Warrants.

(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 of members of the Company 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.

(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 circular 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 circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. 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

Authorised		*HK$*
3,000,000,000	Shares as at the Latest Practicable Date	300,000,000
Issued and fully paid or credited as fully paid		
1,869,172,517	Shares as at the Latest Practicable Date	186,917,251.7

b. Share capital upon the increase in authorised share capital and the Completion, assuming no outstanding 2009 Warrants are exercised and converted into Shares on or before the Record Date and no other new Shares were issued before the Completion

Authorised		*HK$*
7,000,000,000	Shares	700,000,000
Issued and fully paid or credited as fully paid		
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

c. Share capital upon the increase in authorised share capital and the Completion, assuming all outstanding 2009 Warrants are exercised and converted into Shares on or before the Record Date and no other new Shares were issued before the Completion

Authorised		*HK$*
7,000,000,000	Shares	700,000,000
Issued and fully paid or credited as fully paid		
4,486,012,772	Shares upon the Completion	448,601,277.2
4,934,614,049	Shares upon the Completion and full exercise of the 2011 Warrants	493,461,404.9

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.

d. 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:

Holder	Underlying Shares subject to the 2009 Warrants as at the Latest Practicable Date	Exercise price	Issue date	Exercise period
		HK$		
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

Holder	Underlying Shares subject to the 2009 Warrants as at the Latest Practicable Date	Exercise price	Issue date	Exercise period
		HK$		
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 circular, 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

	Number of Shares		Number of 2009		% of total
Name of Directors	Personal interests	Corporate interests	Warrants held	Total	issued shares
Lee Yip Wah, Peter	1,550,000	–	310,000	1,860,000 *(Note i)*	0.10%
Albert Ho	1,000,000	–	200,000	1,200,000 *(Note ii)*	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 Warrant giving rise to an interest of 200,000 underlying Shares.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of 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 Holdings Limited	*i*	Interest of controlled corporation	1,637,760,860	–	1,637,760,860	39.83% *(Note vii)*
Get Nice Incorporated	*i*	Interest of controlled corporation	1,637,760,860	–	1,637,760,860	39.83% *(Note vii)*
Get Nice Securities Limited	*i*	Beneficial owner	1,637,760,860	–	1,637,760,860	39.83% *(Note vii)*
AGL	*ii*	Interest of controlled corporation	1,008,743,600	201,748,720	1,210,492,320	29.43% *(Note vii)*
Lee and Lee Trust (“LLT”)	*iii*	Interest of controlled corporation	1,008,743,600	201,748,720	1,210,492,320	29.43% *(Note vii)*

Name of Shareholders	Note	Capacity	Number of Shares	Number of warrants	Total interests	% of total issued shares
Poly (Hong Kong) Investments Limited	*iv*	Interest of controlled corporation	109,150,000	–	109,150,000	5.38%
Fung Wing Cheung, Tony	*v*	Interest of children under 18/ Other interest	168,254,258	–	168,254,258	9.95%
Megaland Development Limited ("Megaland")	*v*	Beneficial owner	164,926,258	–	164,926,258	9.75%
HSBC International Trustee Limited	*v*	Trustee	165,712,258	2,420,000	168,132,258	8.99%
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	*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%
Vigor Online Offshore Limited ("Vigor Online")	*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 proposed 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. AGL is interested in (i) 1,008,743,600 Shares, of which 504,371,800 Shares are Rights Shares undertaken to be taken up by Bright Clear, a wholly owned subsidiary of AGL, under the proposed Rights Issue to be approved by the Shareholders 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 proposed 2011 Warrants Issue to be approved by the Shareholders at the EGM, giving rise to a deemed interest of 1,210,492,320 underlying Shares.

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 AGL and therefore deemed to have an interest in the Shares 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 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.

5. DIRECTORS' INTERESTS IN CONTRACTS

Under the investment management agreement approved by the 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 retired as Director of the 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 with the day-to-day management of the Group for a period of five years commencing on 27th March, 1997.

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 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 circular.

(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 qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Menlo Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton	Certified Public Accountants in Hong Kong

As at the Latest Practicable Date, Menlo Capital and 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.

Menlo Capital and Grant Thornton have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their reports or letters, as the case may be, and reference to their names in the form and context in which they respectively appear.

11. CORPORATE INFORMATION

Registered Office	Room 1901B, 19th Floor Allied Kajima Building 138 Gloucester Road Wanchai, Hong Kong
Company secretary	Lee Yip Wah, Peter
Qualified accountant	Lee Hon Sang

Authorized representatives	Lee Wa Lun, Warren Lo King Yau, Edwin
Solicitors	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
Auditors	Grant Thornton *Certified Public Accountants* 13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Share registrar and transfer office in Hong Kong	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Principal bankers	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

Legal Adviser to the Rights Issue and 2011 Warrants Issue

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Hong Kong

Investment Manager

Yu Ming Investment Management Limited
Room 1901B, 19th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

12. PARTICULARS OF DIRECTORS

Name	**Address**
Executive Directors	
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
Non-executive Directors	
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 of NTEEP and JIC are listed on the main board of the Stock Exchange of Hong Kong and subsidiaries of Nam Tai Electronics, Inc.. 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. 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.

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, and a non-executive director of Shenzhen Investment Limited (a listed public company in Hong Kong). He is also the 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 polices or restrictions as set out above can be altered without Shareholders' approval pursuant to the memorandum and article 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 31st January, 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 31st January, 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 31st January, 2009.

Investment	Nature of securities	Number of Shares held	Effective holding interest (units held by the Company/total issued units)	Cost up to 31 January 2009	Market value as at 31 January 2009	Revaluation as at 31 January 2009	Dividends received during the financial year 2008
1. Hong Kong Exchanges and Clearing Limited	Equities	590,000	0.05%	75,300,696.15	40,090,500.00	(35,210,196.15)	2,482,580.00
2. PetroChina Company Limited	Equities	6,081,000	less than 0.01%	63,487,277.67	35,391,419.99	(28,095,857.68)	827,423.23
3. New World Development Company Limited	Zero Coupon Guaranteed Convertible Bonds due 2014	N/A	N/A	24,843,750.00	27,975,285.94	3,131,535.94	–
4. Ping An Insurance (Group) Company of China, Limited	Equities	667,000	less than 0.01%	37,372,255.92	22,678,000.00	(14,694,255.92)	210,976.14
5. Industrial and Commercial Bank of China Limited	Equities	6,111,000	less than 0.01%	36,131,448.94	20,471,850.00	(15,659,598.94)	600,675.03
6. ASM Co-investment Term Trust I	Shares of a trust	2,500	12.50%	19,375,000.00	19,375,000.00	–	–
7. HSBC Holdings plc	Equities	292,874	less than 0.01%	30,989,224.16	17,792,095.50	(13,197,128.66)	178,950.56
8. Dan Form Holdings Company Limited	Equities	52,876,000	4.65%	19,183,882.70	17,449,080.00	(1,734,802.70)	–
9. Dutaland Berhad	Equities	22,412,800	3.97%	60,202,711.28	16,624,694.40	(43,578,016.88)	–
10. APAC Resources Company Limited	Equities	54,000,000	1.14%	59,247,790.83	15,930,000.00	(43,317,790.83)	–

1) 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 31st January, 2009, the Group held 590,000 shares in HKEx, representing approximately 0.05% interest in the issued share capital of HKEx. Dividends of HK$2,482,580 were received during the year. Based on the quarter report of HKEx as at 30th September, 2008, the unaudited consolidated profit attributable to equity holders of HKEx was HK$3,934 million with basic earnings per share of HK$3.67. As at 30th September, 2008, the unaudited consolidated net assets of HKEx were approximately HK$6,054 million. As at 31st January, 2009, the market value of the investment in HKEx was approximately HK$40 million.

2) 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 31st January, 2009, the Group held 6,081,000 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 on the interim report of PetroChina as at 30th June, 2008, the unaudited consolidated profit attributable to equity holders of PetroChina was RMB48,355 million with basic earnings per share of RMB0.26. As at 30th June 2008, the unaudited consolidated net assets of PetroChina were approximately RMB742,745 million. As at 31st January, 2009, the market value of the investment in PetroChina was approximately HK$35 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. The Company, through its subsidiaries, is principally engaged in property investment and development, contracting, provision of services (including property and facility management, infrastructure operations, telecommunication services, department store operations, hotel and restaurant operations and telecommunications, media, technology and strategic businesses.

As at 31st January, 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 was HK$9,674 million with basic earnings per share of HK$2.59. As at 30th June 2008, the audited unaudited consolidated net assets of New World were approximately HK$72,339 million. As at 31st January, 2009, the market value of the investment in New World Convertible Bonds was approximately HK$27.9 million.

4) Ping An Insurance (Group) Co of China, Ltd ("Ping An")

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

As at 31st January, 2009, the Group held 667,000 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 interim report of Ping An as at 30th June, 2008, the unaudited consolidated profit attributable to equity holders of Ping An was RMB9,487 million with basic earnings per share of RMB1.29. As at 30th June 2008, the unaudited consolidated net assets of Ping An were approximately RMB87,928 million. As at 31st January, 2009, the market value of the investment in Ping An was approximately HK$22.7 million.

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

ICBC was incorporated in PRC and its shares are listed on the main board of the Stock Exchange (Stock code: 01398). 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 January, 2009, the Group held 6,111,000 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 interim report of ICBC as at 30th June, 2008, the unaudited consolidated profit attributable to equity holders of ICBC was RMB64,531 million with basic earnings per share of RMB0.19. As at 30th June 2008, the unaudited consolidated net assets of ICBC were approximately RMB549,431 million. As at 31st January, 2009, the market value of the investment in ICBC was approximately HK$20.5 million.

6) 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, Singapore and Malaysia.

As at 31st January, 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 31st January, 2009, the net asset value of the investment in ASM Trust was approximately US$2.5 million.

7) 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, private banking services

As at 31st January, 2009, the Group held 292,874 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 interim report of HSBC as at 30th June, 2008, the unaudited consolidated profit attributable to equity holders of HSBC was US$7,722 million with basic earnings per share of US$0.65. As at 30th June 2008, the unaudited consolidated net assets of HSBC were approximately US$126,785 million. As at 31st January, 2009, the market value of the investment in HSBC was approximately HK$17.8 million.

8) Dan Form Holdings Co Ltd ("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, financing services, and trades securities.

As at 31st January, 2009, the Group held 52,876,000 shares in Dan Form, representing 4.65% 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 was HK$213 million with basic earnings per share of HK$18.74 cents. As at 30th June 2008, the unaudited consolidated net assets of Dan Form were approximately HK$2,456 million. As at 31st January, 2009, the market value of the investment in Dan Form was approximately HK$17.4 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 31st January, 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 31st January, 2009, the market value of the investment in DutaLand Berhad was approximately HK$16.6 million.

10) APAC Resources Company 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 31st December, 2008, 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 was HK$259 million with basic earnings per share of HK$5.47 cents. As at 30th June 2008, the unaudited consolidated net assets of APAC Resources were approximately HK$5,330 million. As at 31st January, 2009, the market value of the investment in APAC Resources was approximately HK$15.9 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, 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:

Name	**Address**
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).

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

Name	**Address**
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, 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 of NTEEP and JIC are listed on the main board of the Stock Exchange of Hong Kong and subsidiaries of Nam Tai Electronics, Inc.. 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 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, an 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. 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. 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 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;

(f) 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;

(g) The Group has since its inception distributed approximately HK$2.3 billion to 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

(h) 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. 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.

c. The qualified accountant of the Company is Mr. Lee Hon Sang. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

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

22. 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 24th March, 2009 and at the EGM:

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 circular;

c. the letter of advice from Menlo Capital, the text of which is set out on pages 23 to 36;

d. the consent letters from Menlo Capital and Grant Thornton referred to in the paragraph headed "Expert and consent" in this appendix;

e. the Subscription Undertaking given by AGL and Bright Clear, principal terms of which is set out on page 14 of this circular;

f. the New Investment Management Agreement referred to in paragraph 5 of this appendix;

g. the material contracts referred to in paragraph 8 of this appendix;

h. annual reports of the Company for the two financial years ended 31st December 2006 and 2007;

i. the interim report of the Company for the six months ended 30th June, 2008;

j. 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

k. this circular.

YU MING INVESTMENTS LIMITED
禹銘投資有限公司

(Incorporated in Hong Kong with limited liability)
(Stock code: 666)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Yu Ming Investments Limited (the "**Company**") will be held at 4:30 p.m. on 24th March, 2009 at Plaza V, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions as the ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT:**

   (a) the authorised share capital of the Company be and is hereby increased from HK$300,000,000 to HK$700,000,000 by the creation of an additional 4,000,000,000 shares of HK$0.10 each (the "**Increase in Authorised Share Capital**"; and

   (b) any one of the directors of the Company (the "**Directors**") be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in and for giving effect to the Increase in Authorised Share Capital."

2. "**THAT**, conditional upon (i) the passing of the ordinary resolution numbered 1 set out in the notice convening this Meeting; (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (as defined below) in their nil-paid and fully-paid forms, the 2011 Warrants (as defined below) and the shares of HK$0.10 each in the share capital of the Company ("**Shares**") which may fall to be issued upon the exercise of the subscription rights attaching to the 2011 Warrants; (iii) the registration and filing of all relevant documents relating to the Rights Issue (as hereinafter defined) required by law to be registered or filed with the Registrar of Companies in Hong Kong; and (iv) the obligations of Get Nice Securities Limited (the "**Underwriter**") under the underwriting agreement dated 13th February, 2008 (the "**Underwriting Agreement**", a copy of which has been produced to this Meeting marked "A" and signed by the Chairman of this Meeting for the purpose of identification, including, if any, all supplemental agreements relating thereto) made between the Company and the Underwriter becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms:

(a) the issue, by way of a rights issue, of not less than 1,869,172,517 new Shares and not more than 2,243,006,386 new Shares (the "**Rights Shares**"), such Rights Shares to be issued at a subscription price of HK$0.10 per Rights Share (the "**Subscription Price**") to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company on the relevant record date by reference to which entitlements under the Rights Issue will be determined (other than those Shareholders with registered addresses outside Hong Kong and which the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirements of the relevant regulatory body or stock exchange in that jurisdiction) (the "**Excluded Shareholders**") in the proportion of one Rights Share for every one Share then held on the relevant record date and otherwise pursuant to and in accordance with the terms and conditions set out in the circular dated 6th March, 2009 (the "**Circular**") dispatched by the Company to the Shareholders (a copy of which has been produced to this Meeting marked "B" and signed by the Chairman of this Meeting for the purpose of identification) (the "**Rights Issue**") be and is hereby approved;

(b) the creation and issue of the warrants (the "**2011 Warrants**") conferring rights on holders thereof to subscribe for new Shares at the initial subscription price of HK$0.10 per Share (subject to adjustment) 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, subject to the terms substantially set out in the instrument constituting the 2011 Warrants ("**Warrant Instrument**") (a copy of the final draft of which has been produced to this Meeting marked "C" and signed by the Chairman of this Meeting for the purpose of identification) to be executed by way of deed poll by the Company, by way of bonus to successful applicants of the Rights Shares under the Rights Issue on the basis of one 2011 Warrant for every five Rights Shares taken up under the Rights Issue (the "**2011 Warrants Issue**") be and is hereby approved provided that fractional entitlements to the 2011 Warrants shall not be issued but shall be aggregated and sold for the benefit of the Company;

(c) (i) the Directors be and are hereby authorised to allot and issue up to a maximum of not more than 2,243,006,386 Rights Shares and up to a maximum of not more than 448,601,277 2011 Warrants pursuant to or in connection with the Rights Issue and the 2011 Warrants Issue respectively and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the 2011 Warrants in accordance with the terms and conditions of the Rights Issue and the 2011 Warrants Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders; and (ii) the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Excluded Shareholders as they may, in their absolute discretion, deem necessary or expedient or appropriate; and

(d) the Directors be and are hereby authorized to do all such acts and things and to sign and execute all such further deeds, documents, instruments (including the Warrant Instrument), agreements and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and the 2011 Warrants Issue and all transactions contemplated thereunder."

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

Hong Kong, 6th March, 2009

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at Tricor Secretaries Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. The register of members and the register of holder of 2009 Warrants of the Company will be closed from Thursday, 19th March, 2009 to Tuesday, 24th March, 2009, both days inclusive. No transfer of Shares, warrants issued by the Company on 29th May, 2008 ("2009 Warrants") and no subscription of Shares by way of exercise of rights attached to the 2009 Warrants will be registered during this period.