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CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1196)

PROPOSED RIGHTS ISSUE AND RESUMPTION OF TRADING

Financial adviser to Cheong Ming Investments Limited



VXL

FINANCIAL SERVICES LIMITED

卓越企业融资有限公司

The Company aims to raise about HK\$40 million after expenses by issuing 121,832,765 new Shares at a price of HK\$0.35 per Share.

The Company will provisionally allot 1 Rights Share for every 4 Shares held by Qualifying Shareholders.

The Rights Issue is not available to the Excluded Shareholders.

The net proceeds of the Rights Issue will be used as to approximately HK\$15 million to repay bank indebtedness; approximately HK\$10 million to expand production facilities of the Group in Dongguan and Shenzhen, the PRC; and the balance of approximately HK\$15 million as general working capital of the Group.

The Rights Issue is conditional. In particular, it is subject to the Underwriters not terminating the Underwriting Agreement (see the section on "Termination of the Underwriting Agreement" below).

The Company will send a prospectus for the Rights Issue, a provisional allotment letter and an application for excess Rights Shares to all Qualifying Shareholders by 20th June, 2007.

To qualify for the Rights Issue, any transfers of Shares must be lodged for registration by **4:00 p.m. on 13th June, 2007.**

Trading of Shares has been suspended with effect from 9:30 a.m. on 25th May, 2007 pending the release of this announcement. Application has been made for resumption of trading of Shares with effect from 9:30 a.m. on 28th May, 2007.

Rights Issue

Basis of Rights Issue:

1 Rights Share for every 4 Shares held by Qualifying Shareholders on the Record Date.

Total number of Rights Shares:

121,832,765 Rights Shares based on the current issued share capital of 487,331,061 Shares. The Company does not have any warrants, options or other securities convertible into Shares as at the date of this announcement.

Qualifying Shareholders:

The Company will send a provisional allotment letter to Qualifying Shareholders only.

To qualify for the Rights Issue, shareholders must:

- be registered as a member of the Company on 20th June, 2007, the record date; and
- not be an Excluded Shareholder.

In order to be registered as a member on the Record Date, shareholders must lodge any transfers of Shares (with the relevant Share certificates) with the Company's branch Share Registrar in Hong Kong by **4:00 p.m. on 13th June, 2007**.

The registrar is:

Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

The register of members of the Company will be closed from 14th June, 2007 to 20th June, 2007 (both dates inclusive). No transfer of Shares will be registered during this period.

Subscription price:

HK\$0.35 per Rights Share, payable in full on acceptance.

This price is at a discount of about 44.44% to the closing price of HK\$0.63 per Share quoted on the Stock Exchange on 23rd May, 2007, a discount of about 40.68% to the average closing price of HK\$0.59 per Share for the five trading days ended on 23rd May, 2007 and a discount of about 34.8% to the theoretical ex-rights price of HK\$0.537 per Share based on the aforesaid closing price per Share quoted on the Stock Exchange on 23rd May, 2007.

The Directors consider that the subscription price is fair and reasonable.

Status of the Rights Shares:

When fully paid, the Rights Shares will rank equally with existing Shares. Holders of Rights Shares will receive all future dividends and distributions.

Share certificates:

Share certificates for all fully-paid Rights Shares are expected to be posted to subscribers by 11th July, 2007.

Rights of Excluded Shareholders:

The Rights Issue prospectus will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong and Bermuda. The Company will exclude from the Rights Issue shareholders whose addresses on the register of members of the Company on the Record Date are outside Hong Kong and who the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges, consider it necessary or expedient to do so. The Company will send a Rights Issue prospectus to Excluded Shareholders for information only, but not provisional allotment letter or application for excess Rights Shares.

If a premium (net of expenses) can be obtained, the Company will sell each Excluded Shareholder's provisional allotment of Rights Shares once dealings in the nil-paid Rights Shares start. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Excluded Shareholder in Hong Kong dollars. The Company will keep individual amounts of less than HK\$100.

Fractions of Rights Shares:

The Company will not provisionally allot fractions of Rights Shares. The Company will sell any Rights Shares created by adding together fractions of Rights Shares, and will keep the proceeds.

Application for excess Rights Shares:

Qualifying Shareholders may apply for any unsold entitlements of Excluded Shareholders, any unsold Rights Shares created by adding together fractions of Rights Shares, and any Rights Shares provisionally allotted but not accepted.

Application should be made by completing the application for excess Rights Shares. The Directors will allocate the excess Shares at their discretion on a fair and equitable basis and will give preference to Qualifying Shareholders topping up odd lots to whole board lots.

Application for listings:

The Company will apply to the Listing Committee of the Stock Exchange for the listings of and permission to deal in the Rights Shares in both nil-paid and fully-paid forms.

Dealings in Rights Shares in nil-paid and fully paid forms in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Underwriting arrangements

Undertakings:

HLC is beneficially interested in a total of 250,409,029 Shares (representing about 51% of the issued share capital of the Company) as at the date of this announcement. HLC has given an irrevocable undertaking to accept or procure acceptance of the full entitlement to a total of 62,602,257 Rights Shares which will be provisionally allotted to it.

Approximately 48.4% of the issued share capital of HLC is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming Brian (an executive Director)) of The Lui Unit Trust are held by a trustee of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong (all executive Directors) and other family members of Mr. Liu Chi (an executive Director and the chairman of the Company). Mr. Lui Chi and his spouse are the founders of the discretionary trust. Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong also own approximately 24.13%, 14.59% and 12.88% of the issued share capital of HLC respectively.

Underwriting agreement dated 25th May, 2007:

Underwriters : HLC and CEPA

CEPA is an independent third party not connected with the Company, its directors or substantial shareholders or any of its subsidiaries or their respective associates.

Number of Rights Shares underwritten : 59,230,508 Shares, up to 49,230,508 Shares of which will first be underwritten by HLC and the balance of up to 10 million Shares by CEPA

Commission : 2.5% of the total subscription price of the Rights Shares underwritten by the Underwriters

Termination of the Underwriting Agreement:

Up to 5:00 p.m. on the second business day immediately prior to the date of despatch of the certificates for the Rights Shares, the Underwriters may terminate the Underwriting Agreement if certain things (including force majeure) happen, including if:

(a) there develops, occurs or comes into force:

- (1) any new law or government regulation or other occurrence of any nature whatsoever which in the reasonable opinion of HLC will materially adversely affect the business of the Group or the Rights Issue; or**
- (2) any change in local, national, international, financial, political or economic conditions which in the reasonable opinion of HLC will materially adversely affect the Rights Issue materially; or**
- (3) any material adverse change in market conditions which in the reasonable opinion of HLC makes it inadvisable or inexpedient to proceed with the Rights Issue; or**

(b) there comes to the notice of either of the Underwriters any event showing any of the representations and warranties given by the Company in the Underwriting Agreement to be untrue or inaccurate which HLC consider to be material.

If the Underwriters terminate the Underwriting Agreement, the Rights Issue will not proceed.

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following happening on or before 5:00 p.m. on the business day immediately before the date of despatch of certificates of the Rights Shares, which according to the expected timetable set out below, is 11th July, 2007:

- (a) the Listing Committee of the Stock Exchange granting listings of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms; and
- (b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

Warning of the risks of dealing in Shares and Rights Shares

Existing Shares will be dealt with on an ex-rights basis from 12th June, 2007. The Rights Shares will be dealt with in their nil-paid form from 22nd June, 2007 to 29th June, 2007 (both dates inclusive). If the Underwriters terminate the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not happen.

Any buying or selling of Shares or Rights Shares between the date of this announcement and the date the Rights Issue becomes unconditional is at the investors' own risk.

Investors may want to get professional advice about this.

Shareholding structure

The shareholding structures of the Company immediately before and upon completion of the Rights Issue are set out below:

Shareholders	As at the date of this announcement and prior to the Rights Issue		Upon completion of the Rights Issue			
	Number of Shares	Approximate %	No acceptance by Qualifying Shareholders other than HLC (Note 1) Number of Shares	Approximate %	Full acceptance by Qualifying Shareholders (Note 2) Number of Shares	Approximate %
<i>Directors</i>						
Mr. Lui Shing Ming Brian	4,375,000	0.90	4,375,000	0.72	5,468,750	0.90
Mr. Lui Shing Cheong	3,125,000	0.64	3,125,000	0.51	3,906,250	0.64
Mr. Lui Shing Chung, Victor	4,375,000 (Note 3)	0.90	4,375,000	0.72	5,468,750	0.90
Mr. Lung Wai Kee	3,750,000 (Note 4)	0.77	3,750,000	0.61	4,687,500	0.77
HLC	250,409,029	51.38	362,241,794	59.47	313,011,286	51.38
CEPA	—	—	10,000,000	1.64	—	—
	266,034,029	54.59	387,866,794	63.67	332,542,536	54.59
Public shareholders (other than stated above)	221,297,032	45.41	221,297,032	36.33	276,621,290	45.41
Total	<u>487,331,061</u>	<u>100</u>	<u>609,163,826</u>	<u>100</u>	<u>609,163,826</u>	<u>100</u>

Notes:

1. Assuming no Qualifying Shareholders other than HLC take up the Rights Shares provisionally allotted to them and all the Rights Shares underwritten by the Underwriters were taken up by the Underwriters.
2. Assuming all the Qualifying Shareholders take up all the Rights Shares provisionally allotted to them respectively.
3. These included 1,250,000 Shares owned by his spouse.
4. These included 2,500,000 Shares owned by his spouse.

Expected timetable

2007

Last day of dealings in Shares on cum-entitlement basis	11th June
First day of dealings in Shares on ex-entitlement basis	12th June
Latest time and date for lodging transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on 13th June
Register of members closed to determine eligibility for the Rights Issue	14th June to 20th June, both dates inclusive
Record Date	20th June
Rights Issue prospectus, provisional allotment letters and applications for excess Rights Shares to be posted	20th June
First day for dealings in nil-paid Rights Shares	22nd June
Latest time and date for splitting of nil-paid Rights Shares	4:00 p.m. on 26th June
Last day for dealings in nil-paid Rights Shares	29th June
Latest time for acceptance of Rights Issue and payment	4:00 p.m. on 5th July
Latest time for the Rights Issue to become unconditional	5:00 p.m. on 9th July
Refund cheques for unsuccessful excess applications to be posted	11th July
Share certificates for Rights Shares to be posted	11th July
Dealings of Rights Shares commence	13th July

Use of the proceeds of the Rights Issue

The Rights Issue will enable the Company to raise additional fund to strengthen its financial position and have more flexibility in its growth strategy. It is intended that the net proceeds of the Rights Issue will be used as to approximately HK\$15 million to repay bank indebtedness; approximately HK\$10 million to expand production facilities of the Group in Dongguan and Shenzhen, the PRC; and the balance of approximately HK\$15 million as general working capital of the Group.

Equity fund raising exercises in the previous 12 months

The Company has not effected any equity fund raising exercises in the 12 months immediately proceeding the date of this announcement.

Financial adviser

The Company has appointed VXL Financial Services Limited as financial adviser in respect of the Rights Issue.

Suspension and resumption of trading

Trading of Shares has been suspended with effect from 9:30 a.m. on 25th May, 2007 pending the release of this announcement. Application has been made for resumption of trading of Shares with effect from 9:30 a.m. on 28th May, 2007.

Terms used in this announcement

“CEPA”	CEPA Alliance Securities Limited
“Company”	Cheong Ming Investments Limited, an exempted company incorporated in Bermuda with limited liability
“Directors”	directors of the Company
“Excluded Shareholders”	shareholders of the Company who are excluded from the Rights Issue as mentioned in the section headed “Rights of Excluded Shareholders” in this announcement

“Group”	the Company and its subsidiaries
“HLC”	Harmony Link Corporation, the majority shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China
“Qualifying Shareholders”	shareholders of the Company, other than the Excluded Shareholders, on the register of members of the Company on the Record Date
“Record Date”	20th June, 2007
“Rights Issue”	the issue of the Rights Shares at a price of HK\$0.35 per Rights Share
“Rights Shares”	121,832,765 new Shares to be issued under the Rights Issue
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriters”	HLC and CEPA
“Underwriting Agreement”	the underwriting agreement dated 25th May, 2007 between the Company and the Underwriters in relation to the Rights Issue
“HK\$”	Hong Kong dollar(s)

By order of the Board
Lui Chi
Chairman

Hong Kong, 25th May, 2007

As at the date of this announcement, the executive Directors are Messrs. Lui Chi, Lui Shing Ming, Brian, Lui Shing Cheong, Lui Shing Chung, Victor and Lung Wai Kee, and the independent non-executive Directors are Dr. Lam Chun Kong, Mr. Lo Wing Man and Dr. Ng Lai Man, Carmen.

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