INCUTECH

Annual Report 2007

INCUTECH

Incutech Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 356)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tung Tat Wah
(appointed on 11 March 2008)
Mr. Michael Wu Chun Wah
(appointed on 1 November 2007)
Mr. Lee Kar Wai
(appointed on 4 September 2007 and resigned on 11 March 2008)

Independent Non-executive Directors

Mr. Kong Tze Wing
Mr. Siu Siu Ling, Robert
Mr. Kwok Ming Fai

AUDIT COMMITTEE

Mr. Kong Tze Wing
Mr. Siu Siu Ling, Robert
Mr. Kwok Ming Fai

AUDITORS

World Link CPA Limited

BANKER

Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

COMPANY SECRETARY

Ms. Yuen Shuk Yee

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681GT
George Town, Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1806, 18th Floor Tai Tung Building
8 Fleming Road, Wanchai
Hong Kong

PRINCIPAL REGISTRAR

Bank of Butterfield International (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH REGISTRAR

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

STOCK CODES

The Stock Exchange of Hong Kong Limited:
356

Management Statement

The Board of Directors (the "Board") of Incutech Investments Limited (the "Company") is hereby present the audited consolidated result of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2007.

REVIEW OF RESULTS

For the year ended 31 December 2007, the Group recorded a net loss of HK$72,027,662 and loss per share of HK$1.00.

MANAGEMENT DISCUSSION AND ANALYSIS

2007 is a year full of opportunities and challenges. The Hang Seng Index hit a record high in October 2007 following the announcement of news of "Hong Kong stocks through train" to mainland Chinese investors. However, the Hong Kong stock market went down dramatically by the following few months after the outbreak of collateralized debt obligation crisis in United States. High market volatility and substantial amount of provisions made by various large international financial institutions severely attacked the confidence of investors. However, the investment sentiment has not been improved although the Federal Reserve of United States has implemented various specific measures including sharp reduction of federal fund rates and expansion of securities lending facilities in order to bolster market liquidity.

On the other hand, crude oil prices exceeded United States Dollar 100 per barrel Gold prices hit the record high. Most of the precious metal prices as well as other commodities rose up significantly caused the threat of inflation on global basis.

Due to high economic growth as witnessed by high growth rate of 11.4% of China gross domestic product in 2007 as announced by the China National Bureau of Statistics, consumer prices in China rose at their fastest pace in a decade last year with consumer price index increasing 4.8%. China is obviously suffering a high inflation rate and the PRC government implemented a series of macro-economic austerity measures to tighten the money supply and depress the rocketed prices of consumer products. People's Bank of China has increased the interest rates and the deposit reserve requirement ratio of commercial banks.

Hong Kong is situated between China and United States, two different economies hence is in a dilemma position. Because of the United States Dollar pegged rate system, the interest rates of Hong Kong also dropped significantly albeit facing inflation pressure. However, the gradual appreciation of Renminbi further brought up the consumer prices in Hong Kong. All in all, the outlook of Hong Kong is ambiguous in spite of prosperous economic growth experienced in 2007.

BUSINESS REVIEW

During the year under review, the Group reported a net loss from operation of HK$72,027,662 on turnover of HK$1,957,505 in 2007 as compared with a profit from operation of HK$11,698,880 on turnover of HK$4,983,964 in 2006. The reason of significant loss incurred for the year was due to the recognition of impairment loss of approximately HK$65,827,034 as expenses which were arising from available-for-sale investments and loans receivable during the year.

Management Statement

The Group's investment portfolio comprised of unlisted investment and listed securities investment. The Group held minority stakes of unlisted companies which are severely attacked by the poor retail market sentiment and incurred a significant losses for the period under review. Taking a prudent approach, the Group decided to make a full impairment on all the unlisted investment. The portfolio of listed securities investments was affected by the poor market sentiment and the market value of approximately HK$9,117,030 was recorded as at 31 December 2007.

Whilst the outlook for 2008 is clustered with various uncertainties and opportunities, the Group will adopt a conservative investment strategy. Perceiving the global trend of inflation and low interest rate environment, resources and commodities related investments should remain optimistic and promising. The Group will closely monitor its investment portfolio and actively explore the suitable secured investment opportunities with reasonable return in order to maximize the shareholders' value.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2007, the Group's current ratio was 1.23, based on the current assets of HK$9,398,952 and current liabilities of HK$7,657,223. As at 31 December 2007, part of listed equity securities of the Group had been pledged to secure margin facilities.

Gearing Ratio

As at 31 December 2007, the amount of borrowings was approximately HK$4.4 million (2006: HK$25 million), being equal to approximately 253% (2006: 34%) of the net asset of approximately HK$1.7 million (2006: HK$74 million).

As at 31 December 2007, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet it working capital requirement.

Capital Structure

There has been no change to the capital structure of the Company since 1 January 2007.

Material Acquisitions and Disposals of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the year ended 31 December 2007.

Capital commitment and contingent liabilities

As at 31 December 2007, no material capital commitment and contingent liabilities were noted by the directors of the Company.

Management Statement

Share Options

The Company does not have a share option scheme.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2007, the Group employed a total of 3 employees (2006: 3) including the executive directors of the Company. The remuneration packages consist of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors.

STAFF COST

The Group's total staff costs for the year under review amounted to HK$353,820 (2006: HK$300,000).

DETAILS OF CHARGES ON GROUP ASSETS

The Group's other investments in listed securities are pledged against credit facilities provided by brokerage companies.

PLEDGE OF ASSETS

The margin accounts payable as at 31 December 2007 were secured by the Group's investments held for trading of HK$9,117,030 (2006: HK$28,052,013).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's assets and liabilities are denominated in Hong Kong Dollars and, therefore, the Group has no significant exposure to foreign exchange fluctuation.

APPRECIATION

The Directors would like to take this opportunity to extend our sincere thanks and express appreciation to those who have supported us during the year.

Michael Wu Chun Wah
Executive Director

Hong Kong, 29 April 2008

Report of the Directors

The Board of Directors ("Board") is pleased to submit their report together with the audited accounts of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company and its subsidiaries during the year are investment in securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and unlisted investments with a potential for earnings growth and capital appreciation. The activities of the principal subsidiaries are set out in Note 13 to the accounts.

The Group's turnover for the year comprised dividends and interest income from investments.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 22.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil). No interim dividend was declared during the year (2006: Nil).

FIXED ASSETS

There were no movements in fixed assets of the Company and the Group during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital during the year are set out in Note 19 to the accounts.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 20 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the company at 31 December 2007 are set out in Note 20 to the accounts.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 56 of this report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

DIRECTORS

The Directors of the Company during the year and as at the date of this report were as follows:

Executive directors

Mr. Tung Tat Wah *(Chairman)*	(appointed on 11 March 2008)
Mr. Michael Wu Chun Wah	(appointed on 1 November 2007)
Mr. Lee Kar Wai	(appointed on 4 September 2007 and resigned on 11 March 2008)
Mr. Choi Wai Yin	(resigned on 31 October 2007)
Mr. Wong Wing Hong, Benny	(resigned on 31 October 2007)
Mr. Wong Wai Kwong, David	(resigned on 3 August 2007)

Independent non-executive directors

Mr. Kong Tze Wing	
Mr. Siu Siu Ling, Robert	
Mr. Kwok Ming Fai	(appointed on 4 September 2007)
Mr. Ng Yick Man, Andy	(resigned on 31 July 2007)

In accordance with bye-law numbered 87(3) of the Company's bye-laws ("Bye-Laws"), any Directors appointed by the Director to fill a causal vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Messrs. Michael Wu Chun Wah and Kwok Ming Fai who were appointed in accordance with Article 87(3) shall retire and be eligible for re-election in the annual general meeting (the "AGM").

Pursuant to bye-law numbered 88 of the Bye-Laws, at each of the AGM, one third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to be not less than one third) shall retire from the office by rotation provided that every Director shall be subject to retirement at least once every three years. Mr. Kong Tze Wing will retire by rotation and being eligible, offer himself for re-election at the AGM.

Report of the Directors

Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert, and Mr. Kwok Ming Fai are independent non-executive directors.

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

INDEPENDENCE CONFIRMATION

The Company has received, from each of independent non-executive Directors, an annual confirmation of the independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Michael Wu Chun Wah – Executive Director

Mr. Wu, aged 42, is a graduate of Northeast Louisiana University and holds a master degree in business administration. Mr. Wu also obtained a diploma of China trade and investment from Beijing University, a diploma of China laws from Guangdong Economic Laws Research Centre and a postgraduate diploma in management from Asia International Open University. He was an executive director of China Chengtong Development Group Limited (listing on the Hong Kong Stock Exchange) which is a subsidiary of China Chengtong Holdings Company, a pillar enterprise under the supervision of State-owned Assets Supervision and Administration Commission. Prior to joining China Chengtong, he has worked for several international financial institutions including BNP Paribas Peregrine Capital Limited, CCIC Finance Limited and American Express Bank Limited. Mr. Wu has extensive experience in financial investment and corporate finance.

Mr. Tung Tat Wah - Executive Director

Mr. Tung, aged 48, is a merchant principally engaged in trading of building materials and property investments. Prior to his present engagement, he has worked for several international financial institutions including Charles Fulton, Tokyo Forex and was responsible for investment in financial instruments. Mr. Tung has extensive experience in investment and general management.

Mr. Kong Tze Wing – Independent Non-executive Director

Mr. Kong, aged 58, is an independent non-executive Director. Mr. Kong is a fellow member of the Association of Chartered Certified Accountants since 1985 and became a fellow member of Hong Kong Institute of Certified Public Accountant in 1995. He became a ACA of The Institute of Chartered Accountants in England and Wales in October 2004. He was a former Vice President and Former Chairman of Mainland Affairs Committee of Hong Kong Institute of Accredited Accounting Technicians. He is also the Hon. President of The Institute of Financial Accountants in Hong Kong. Mr. Kong has been a Certified Public Accountants since 1981. He holds a bachelor degree in Accounting and a bachelor degree in Business Administration. He is a sole practitioner of the firm Messrs. James T. W. Kong & Co., Certified Public Accountants (Practising). Mr. Kong was an elected District Board member since 1991 and is currently an elected District Council member. He is actively participating in community services and has been appointed by the Hong Kong SAR Government to sit on various committees and appeal boards in Hong Kong. Mr. Kong is also an independent non-executive director of SMI Publishing Group Limited. He ceased to be an independent non-executive director of Ultra Group Holdings Limited in November 2006.

Mr. Siu Siu Ling, Robert – Independent Non-executive Director

Mr. Siu , aged 56, is an independent non-executive director. Mr. Siu has been a solicitor since 1992 and has been admitted as a solicitor in England and Wales since 1993. Mr. Siu holds a bachelor degree in law and a postgraduate certificate in law. Mr. Siu was a partner of the former firm Messrs. Joseph Chu, C.P. Cheung & Co. from 1997 to 1998 and partner of the firm Messrs. C.P. Cheung & Co. from 1997 to 2000. He is now a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu's practice is mainly in the field of commercial and corporate finance. Mr. Siu is also an independent non-executive director of Ultra Group Holdings Limited. He ceased to be an executive director of MAXX Bioscience Holdings Ltd. in June 2006.

Mr. Kwok Ming Fai – Independent Non-Executive Director

Mr. Kwok, aged 42, possesses over 15 years of experience in banking, finance and accounting and held executive positions at several international financial institutions, accounting firm and listed companies. Mr. Kwok obtained a Bachelor Degree in Accounting & Economics from the University of Sheffield in the United Kingdom and a Master Degree in Business Administration from the University of Adelaide in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is now also an executive director of Zhongda International Holdings Ltd. and an independent non-executive director of Poly Investments Holdings Ltd. Saved as disclosed above, Mr. Kwok holds no directorships in other public listed companies in the past three years.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Mr. Kwok has no fixed term of service with the Company. He is entitled to a fixed director fee of HK$50,000 per annum which is determined by the Board with reference to his duties and responsibilities with the Company.

Save as disclose above, no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the year end or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (the "Stock Exchange') pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Interest in Shares

Name of Director	Type of interests	Number of Shares	Position	Approximate percentage of total issued ordinary shares
Michael Wu Chun Wah *(Note)*	Corporate interest	15,000,000 *(Note)*	Long	20.83%

Notes: As at 31 December 2007, Mr. Michael Wu Chun Wah, through his 40% equity interest in Biggish Management Limited, is interested in 15,000,000 shares of the Company, representing approximately 20.83% of the entire issued share capital of the Company. The remaining 60% equity interest in Biggish Management Limited is held by Mr. Tung Tat Wah who was appointed as Director on 11 March 2008.

Save as disclosed above, none of the Directors, chief executives of their associates had any interests and short positions in any shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2007, so far as is known to the Directors, the following persons (other than the Directors and Chief Executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the required to be kept under section 336 of the SFO.

Long positions in Shares

Substantial Shareholders	Type of interests	Number of Shares	Position	Approximate percentage of total issued ordinary shares
Biggish Management Limited *(Note)*	Beneficial Owner	15,000,000	Long	20.83%

Note: 40% of the entire issued share capital of Biggish Management Limited is beneficially owned by Mr. Michael Wu Chun Wah, a Director and 60% of the entire share capital of Biggish Management Limited is beneficially owned by Mr. Tung Tat Wah, a Director who was appointed on 11 March 2008.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Report of the Directors

CONNECTED TRANSACTIONS

(a) Significant related party transactions entered by the Group during the year ended 31 December 2007, which do not constitute connected transactions under the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rule"), are disclosed in Note 26 to the accounts.

(b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in Note 25 to the accounts.

The investment manager of the Company is regarded as a connected person of the Company under Chapter 14 of the Listing Rules. Accordingly, the investment management agreement constitutes a connected transaction of the Company.

The management fee paid during the year amounted HK$1,053,990 (2006: HK$1,081,787). The transaction was entered into by the Company in the ordinary and usual course of business in accordance with the terms of the agreement, conducted on normal commercial terms and did not exceed the cap amount as prescribed in the waiver granted by the Stock Exchange. The transaction had been reviewed by the independent non-executive directors and received approval from the Company's board of directors.

AUDIT COMMITTEE

The Company established an audit committee in accordance with rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee of the Company has reviewed the final results for the year ended 31 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice ("Code") as set out in Appendix 14 to the Listing Rules throughout the year under review, except that the independent non-executive Directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Bye-Laws.

Report of the Directors

The Code as set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

AUDITORS

World Link CPA Limited shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Michael Wu Chun Wah
Executive Director

Hong Kong, 29 April 2008

Corporate Governance Report

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders. The Stock Exchange introduced the Code on Corporate Governance Practices ("the Code") in November 2004, for replacement and enhancement of the Code of Best Practice in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Code has become effective from 1 January 2005 and the Group has complied with code provisions as set out in the Code with the exception of code provision A.4.1 of the Code in respect of the service term. None of the existing independent non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the directors of the Company are subject to the retirement provisions under paragraph (1) of article 88 of the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

THE BOARD

Composition

The Board consists of two executive directors and three independent non-executive directors ("INED(s)"). Mr. Kong Tze Wing, independent non-executive director and Chairman of audit committee have the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on pages 8 to 9 of this Annual Report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. Each INED is subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association of the Company. There is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board.

Function

The Board is responsible for managing and direction setting of the Company. For any major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters, Board approval is required.

The executive directors are responsible for day-to-day management of the Company's operations. These executive directors conduct regular meetings, at which operational issues and financial performance of the Company and its subsidiaries are evaluated.

The Company views well-developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

The Board held four regular Board meetings at approximately quarterly interval during year 2007 and additional board meetings were held when necessary. An agenda and accompanying board papers are sent in full to all directors in a timely manner and at least three days before the intended date of a board or board committee meeting. Adequate information related to the issues are also supplied for the board and its committee to make decisions which is for the best interests of the Group. Notice of at least fourteen days are given to give all directors an opportunity to attend. The directors who cannot attend in person might through other electronic means of communications to participate. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at Board meeting in 2007

	Number of Meetings Attended	Attendance Rate
Executive Director		
Mr. Michael Wu Chun Wah	1/4	25%
Mr. Lee Kar Wai	2/4	50%
Mr. Choi Wai Yin	4/4	100%
Mr. Wong Wai Kwong, David	1/4	25%
Mr. Wong Wing Hong, Benny	3/4	75%
INEDs		
Mr. Kong Tze Wing	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Mr. Ng Yick Man, Andy	1/4	25%
Mr. Kwok Ming Fai	1/4	25%

The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

Board Committees

In order to strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

Remuneration Committee

The Board has established a Remuneration Committee comprising one executive director, Mr. Michael Wu Chun Wah and three independent Non-Executive Directors, Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Kwok Ming Fai. It is chaired by Mr. Kong Tze Wing. The terms of reference of the Remuneration Committee have been reviewed with reference to the Corporate Governance Code.

The Remuneration Committee's responsibilities are to review and consider Company's policy for remuneration of directors and senior management, to determine remuneration packages of executive directors including benefits in kind, pension rights and compensation payments, and to recommend to the Board remuneration of non-executive directors.

Set out below is the summary of work of the Remuneration Committee done in 2007:

– to consider the corporate policy on remuneration basis for the executive directors and the INEDs;

– to review the remuneration of the executive directors and the INEDs;

– to consider and approve the payment of bonus (if any); and

– to ensure that no director or any of his associates is involved in deciding his own remuneration;

The Remuneration Committee held one meeting for the financial year ended 31 December 2007.

Details of individual attendance of its members are set out in the table below:

	Number of Meetings Attended	Attendance Rate
Executive Director		
Mr. Michael Wu Chun Wah	0/1	Nil
INEDs		
Mr. Kong Tze Wing	1/1	100%
Mr. Siu Siu Ling, Robert	1/1	100%
Mr. Ng Yick Man, Andy	1/1	100%
Mr. Kwok Ming Fai	1/1	100%

Audit Committee

The Company's Audit Committee is composed of three independent non-executive directors, namely Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Kwok Ming Fai. It is chaired by Mr. Kong Tze Wing. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders.

The major roles and functions of the Audit Committee of the Company are as follows:

1. to review the annual report and half-year report before submission to the Board;

2. to review the Group's financial and accounting policies and practices;

3. to review the financial controls, internal control and risk management systems;

4. to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

5. to be primarily responsible for making recommendation to the Board on the appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditors; and

6. to report to the Board on the matters set out in the code provision relating to Audit Committee as set out in the Code.

The Audit Committee held 2 meetings for the financial year ended 31 December 2007. Details of individual attendance of its members are set out in the table below:

	Number of Meetings Attended	Attendance Rate
INEDs		
Mr. Kong Tze Wing	2/2	100%
Mr. Siu Siu Ling, Robert	2/2	100%
Mr. Ng Yick Man, Andy	1/2	50%
Mr. Kwok Ming Fai	2/2	100%

Other Information

The Board has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

Corporate Governance Report

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2007.

Auditors’ Remuneration

The Audit Committee reviews each year with the external auditors of the Company as regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them.

During the year, the fees paid to the Company’s auditor in respect of audit services amounted to HK$160,000. No non-audit services were provided by the Company’s auditors for the financial year ended 31 December 2007.

Internal Control

The Company places great importance on internal control and risk management.

The Company encourages a risk aware and control conscious environment throughout the Company. The Board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks facing the Company. These include strategic planning, political and regulatory, acquisitions, investments, expenditure control, treasury and environment.

Throughout the year 2007 the Company complied with the code provisions on internal controls as stipulated in the Code. In particular, during the year the Company conducted a review of the effectiveness of the internal control system of the Group. The directors are satisfied that the prevailing internal control systems as appropriate to the Group are in place and have been implemented properly and that no significant areas of improvement which are required to be brought to the attention to the members of the Audit Committee are revealed. The Audit Committee has reviewed the internal control and discussed the assessment bases with the management, and concurred that the Company has set up an effective internal control system to safeguard the assets of the Group.

Shareholder communication

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in all circulars accompanying notice convening general meeting and has been read out by the chairman at general meeting.

Directors' responsibility in preparing the financial statements

The directors acknowledge that it is their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The directors also ensure timely publication of the financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company, Messrs World Link CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 20 to 21.

Independent Auditor's Report

TO THE SHAREHOLDERS OF INCUTECH INVESTMENTS LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of Incutech Investments Limited (the "company") set out on pages 22 to 55, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of principal accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES OF THE COMPANY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as discussed below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independent Auditor's Report

BASIS FOR DISCLAIMER OF OPINION

Scope limitation – Available-For-Sale Investments

We have not been provided with sufficient information, explanations and documentations as we consider necessary in order to carry out all the relevant verification works on available-for-sale investments as referred in note 14 to the financial statements. Furthermore, as detailed in the note to the consolidated financial statements, an impairment assessment has been performed by the Company's directors to determine the recoverable amounts of available-for-sale investments. Based on their assessment, an impairment loss of approximately HK$42,252,303 has been made and charged to the consolidated income statement for the year ended 31 December 2007. In the absence of the sufficient evidence available to us, we were unable to carry out adequate audit procedures to satisfy ourselves that this impairment loss and other disclosures in the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the notes thereon relating to the available-for-sale investments are fairly stated.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Groups' loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

World Link CPA Limited
Certified Public Accountants
Hong Kong, 29 April 2008

Ted K.T. Ho
Practising Certificate number P02296

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$	2006 HK$
Turnover	6	1,957,505	4,983,964
Gain on disposals of investments held for trading	6	1,317,789	4,188,310
Fair value (loss)/gain on investments held for trading	15	(5,933,281)	12,301,207
Gain on disposal of a subsidiary	22c	–	4,627,844
Allowance for impairment			
– Available-for-sale investments	14	(42,252,303)	(12,019,697)
– Loans receivable	16	(23,574,731)	–
Investment management fee	25	(1,053,990)	(1,081,787)
Other operating expenses		(1,196,578)	(1,300,961)
Operating (loss)/profit		(70,735,589)	11,698,880
Finance costs	7	(1,292,073)	(3,218,932)
(Loss)/profit before income tax	8	(72,027,662)	8,479,948
Income tax	9	–	(1,005,082)
(Loss)/profit attributable to shareholders	10	(72,027,662)	7,474,866
(Loss)/earnings per share	11	(HK dollar 1.00)	HK10.38 cents

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$	2006 HK$
NON-CURRENT ASSETS			
Available-for-sale investments	14	2	27,252,305
CURRENT ASSETS			
Investments held for trading	15	9,117,030	28,052,013
Loans receivable	16	2	17,006,987
Prepayments and other receivables		270,404	211,905
Cash and cash equivalents	22b	11,516	28,173,124
		9,398,952	73,444,029
CURRENT LIABILITIES			
Margin accounts payable	17	870	440,388
Short term loans	18	4,399,041	24,718,080
Other payables and accruals		2,252,230	763,391
Tax payable		1,005,082	1,005,082
		7,657,223	26,926,941
NET CURRENT ASSETS		1,741,729	46,517,088
NET ASSETS		1,741,731	73,769,393
CAPITAL AND RESERVES			
Share capital	19	720,000	720,000
Reserves	20	1,021,731	73,049,393
SHAREHOLDERS' FUNDS		1,741,731	73,769,393
NET ASSET VALUE PER SHARE	21	HK$ 0.02	HK$1.02

The consolidated financial statements on pages 22 to 55 were approved and authorised for issue by the Board of Directors on 29 April 2008 and are signed on its behalf by:

Tung Tat Wah
Director

Michael Wu Chun Wah
Director

Balance Sheet

As at 31 December 2007

	Note	2007 HK$	2006 HK$
NON-CURRENT ASSETS			
Interests in subsidiaries	13	47,136,930	47,820,096
CURRENT ASSETS			
Prepayments and other receivables		270,404	211,905
Bank balances and cash		1,630	130,312
		272,034	342,217
CURRENT LIABILITIES			
Other payables and accruals		2,248,621	763,383
NET CURRENT LIABILITIES		(1,976,587)	(421,166)
NET ASSETS		45,160,343	47,398,930
CAPITAL AND RESERVES			
Share capital	19	720,000	720,000
Reserves	20	44,440,343	46,678,930
SHAREHOLDERS' FUNDS		45,160,343	47,398,930

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital HK$	Share premium HK$	Retained earnings/ (accumulated losses) HK$	Total HK$
At 1 January 2006	720,000	67,320,071	(1,745,544)	66,294,527
Profit for the year	–	–	7,474,866	7,474,866
At 31 December 2006	720,000	67,320,071	5,729,322	73,769,393
Loss for the year	–	–	(72,027,662)	(72,027,662)
At 31 December 2007	720,000	67,320,071	(66,298,340)	1,741,731

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$	2006 HK$
Operating activities			
Net cash (outflow)/inflow from operating activities	22a	(14,909,031)	32,896,451
Investing activities			
Net cash effect on disposal of a subsidiary	22c	–	(6,835,008)
Purchases of available-for-sale investments		(15,000,000)	(2,250,000)
Interest income		1,747,424	4,320,970
Acquisition of a subsidiary	13a	(1)	–
Net cash outflow from investing activities		(13,252,577)	(4,764,038)
Net (decrease)/increase in cash and cash equivalents		(28,161,608)	28,132,413
Cash and cash equivalents at beginning of year	22b	28,173,124	40,711
Cash and cash equivalents at end of year		11,516	28,173,124
Analysis of balance of cash and cash equivalents	22b	11,516	28,173,124

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL INFORMATION

Incutech Investments Limited (the "Company") was incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the Company's registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies. The principal place of business in Hong Kong is located at No. 1806 on the 18th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries during the year are investments in securities listed in the Stock Exchange and unlisted investments with a potential for earning growth and capital appreciation.

2. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, except that available-for-sale investments and investments held for trading are stated at fair value.

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new or revised HKFRSs did not result in significant changes to the Group's accounting policies applied in these accounts for the year presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group anticipate that the adoption of these new standards, amendments and interpretations will have no significant impact on the Group's operating results and financial position.

HKFSS 1 (Revised)	Note a	Presentation of Financial Statements
HKFRS 23 (Revised)	Note a	Borrowing costs
HKFRS 8	Note a	Operating segments
HK(IFRIC) – Int 11	Note b	Group and treasury share transactions
HK(IFRIC) – Int 12	Note c	Service concession arrangements
HK(IFRIC) – Int 13	Note d	Customer Loyalty Programmes
HK(IFRIC) – Int 14	Note c	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Internation

Note a: effective for annual periods beginning on or after 1 January 2009
Note b: effective for annual periods beginning on or after 1 March 2007
Note c: effective for annual periods beginning on or after 1 January 2008
Note d: effective for annual periods beginning on or after 1 July 2008

The principal accounting policies adopted in the preparation of these accounts are set out below.

(a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast the majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortized goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

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

(b) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation. Such assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in respect of the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Impairment of assets (Continued)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement except where the asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(d) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease period.

(e) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Financial assets

The Group's financial assets are classified as loans and receivables. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans receivable and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including margin accounts payable, short term loans, other payables and accruals and tax payable are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in income statement.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in income statement.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdraft.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) **Contingent liabilities and contingent assets (Continued)**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(i) **Employee benefits**

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

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(j) **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(k) Revenue recognition

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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

Gains or losses on sale of investment securities and other investments are recognized on the transfer of risks and rewards of ownership which generally coincides with the time when investments are delivered and title has passed.

(l) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 period are discussed below:

Estimated impairment of loans receivable

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amounts of loans receivable and commercial paper receivable are HK$1 (2006: HK$17,006,987) and HK$1 (2006: HK$28,016,110) respectively.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Fair value of other financial instruments

In determining the fair value of other financial instruments, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted debt and equity available-for-sale investments includes some assumptions not supported by observable market prices or rates. The carrying amounts of available-for-sale investments and investments held for trading are HK$2 (2006: HK$27,252,305) and HK$9,117,030 (2006: HK$28,052,013).

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the short term loans disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, investments held for trading, other receivables, loans receivables and bank balances. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency rates and equity prices. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) Currency risk

The Group has limited exposure to market risk resulting from changes in foreign currency exchange rates since other than the functional and presentation currency of HK dollar, the Group holds no financial assets in foreign currency and thus the Group currently does not have a foreign currency hedging policy.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate short term loans (see Note 18 for details of the short term loans). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the Group's Hong Kong dollars borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

Market risk (Continued)

(ii) *Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For short term loans, the analysis is prepared assuming the amount of the outstanding loans at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2007 would increase/decrease by HK$22,000 (2006: decrease/increase by HK$873,000). This is mainly attributable to the Group's exposure to interest rates on its short term loans.

(iii) *Other price risk*

The Group is exposed to equity price risk through its investments in financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in The Stock Exchange of Hong Kong Limited and unlisted equity instruments. In addition, the Group has appointed an investment manager to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the group's loss for the year ended 31 December 2007 would decrease/increase by HK$455,852 (2006: profit increase/decrease by HK$2,765,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of loans receivable as disclosed in note 16.

In order to minimise the credit risk, the management of the Group has imposed controls by the application of credit approval limits and monitoring procedures. In addition, the Group reviews the recoverable amount of each individual loan receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

5. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

2007

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year less than 2 years
	HK$000	HK$000	HK$000	HK$000
Margin accounts payables	1	1	1	–
Short term loans	4,399	4,399	4,399	–
Other payables and accruals	2,252	2,252	2,252	–
Tax payable	1,005	1,005	1,005	–
	7,657	7,657	7,657	–

2006

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year less than 2 years
	HK$000	HK$000	HK$000	HK$000
Margin accounts payables	440	440	440	–
Short term loans	24,718	24,718	24,718	–
Other payables and accruals	763	763	763	–
Tax payable	1,005	1,005	1,005	–
	26,926	26,926	26,926	–

6. TURNOVER, REVENUES AND SEGMENT INFORMATION

Total revenues recognised during the year are as follows:

	2007 HK$	2006 HK$
Turnover:		
Interest income		
– commercial paper	1,565,646	4,176,089
– short term loans	181,778	144,881
Dividend income	210,081	662,994
	1,957,505	4,983,964
Other revenues:		
Gain on disposals of investments held for trading	1,317,789	4,188,310
Total revenues	3,275,294	9,172,274

Since the principal activity of the Group is investing in Hong Kong securities with over 90% of its turnover and contribution to results derived from such activity in Hong Kong, no separate disclosure of geographical nor business segment information is presented.

7. FINANCE COSTS

	2007 HK$	2006 HK$
Interest on commercial paper	–	2,035,730
Interest on short term margin loans	145,030	152,443
Interest on short term loans	1,147,043	1,030,759
	1,292,073	3,218,932

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

8. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is stated after charging the following:

	2007 HK$	2006 HK$
Auditors' remuneration	160,000	187,000
Depreciation of fixed assets	–	2,839
Listing fees	145,000	145,000
Loss on disposal of fixed assets	–	3,862
Rental charges under operating leases of land and buildings	117,563	104,389
Share registration fees	105,412	163,318
Staff costs (including directors' remuneration)	353,820	300,000

9. INCOME TAX

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

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

	2007 HK$	2006 HK$
Hong Kong		
– Current year	–	1,005,082

9. INCOME TAX (Continued)

Income tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the taxation rate is as follows:

	2007 HK$	2006 HK$
(Loss)/profit before income tax	(72,027,662)	8,479,948
Notional tax at the domestic tax rate of 17.5% (2006: 17.5%)	(12,604,840)	1,483,991
Tax effect of income not subject to taxation	(36,764)	(2,931,862)
Tax effect of non-deductible expenses	11,520,815	4,476,455
Tax effect of tax losses not recognised	1,120,789	403,610
Tax effect of temporary differences not recognised	–	(326)
Tax effect of prior year's tax losses utilised this year	–	(2,426,786)
Income Tax expense	–	1,005,082

Deferred tax has not been provided because the Group had no significant temporary differences at the balance sheet date.

10. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of HK$2,238,587 (2006: loss of HK$13,813,898) which has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE

The calculation of the (loss)/earnings per share is based on the loss attributable to shareholders of HK$72,027,662 (2006: gain of HK$7,474,866). The basic earnings per share is based on the weighted average number of 72,000,000 (2006: 72,000,000) ordinary shares in issue during the year.

As the Company has not issued any warrants and options during the year, the calculation of diluted earnings per share is the same as the basic earnings per share.

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12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2007 HK$	2006 HK$
Executive Directors		
Choi Wai Yin	41,667	50,000
Wong Wai Kwong, David	29,570	50,000
Wong Wing Hong, Benny	41,667	50,000
Lee Kar Wai	19,500	–
Independent Non-executive Directors		
Kong Tze Wing	50,000	50,000
Siu Siu Ling, Robert	50,000	50,000
Ng Yick Man, Andy	29,166	50,000
Kwok Ming Fai	16,250	–
	277,820	300,000

The above emoluments payable to directors of the Company are all directors' fees.

The individual emoluments payable to the directors are within the band of HK$Nil to HK$1,000,000.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include four (2006: five) directors, whose emoluments have been reflected in the analysis presented in part (a).

The five highest paid individuals consists of:

	2007 HK$	2006 HK$
Four directors (2006: five)	183,334	300,000
One staff	62,000	–
	245,334	300,000

13. INTERESTS IN SUBSIDIARIES

	2007 HK$	2006 HK$
Unlisted shares, at cost	24	23
Amounts due from subsidiaries	47,136,906	47,820,073
	47,136,930	47,820,096

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. Details of the subsidiaries, which were all wholly-owned by the Company, as at 31 December 2007, are as follows:

Name	Principal activities and operation	Place of incorporation	Particulars of issued share capital
Good Connection Traders Limited	Investment holding in Hong Kong	British Virgin Islands	1 ordinary share of US$1 each
Excel Win Development Corporation	Investment holding in Hong Kong	British Virgin Islands	1 ordinary share of US$1 each
Jointline Investment Limited	Investment holding in Hong Kong	British Virgin Islands	1 ordinary share of US$1 each
Perfect Partners Holdings Limited (note a)	Investment holding in Hong Kong	Hong Kong	1 ordinary share of HK$1 each

(a) Perfect Partners Holdings Limited is a wholly owned Hong Kong subsidiary company incorporated by the company in November 2007.

14. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2007 HK$	Group 2006 HK$
Unlisted equity securities, at cost		
Balance brought forward	30,882,000	76,720,002
Additions	15,000,000	14,632,000
Disposals	–	(60,470,002)
Balance carried forward	45,882,000	30,882,000
Less: Allowance for impairment losses		
Balance brought forward	3,629,695	6,298,000
Impairment loss recognised during the year	42,252,303	12,301,207
Written back	–	(14,969,512)
Balance carried forward	45,881,998	3,629,695
Carrying amount	2	27,252,305

Available-for-sale equity securities are held for long term strategic purposes to the investee company in order to maintain good relationship with business counterparts and generate regular dividends in future years.

Details of unlisted equity securities are as follows:

Name of investee company	Nature of business	Particulars of issued share held	Portion of Interest held	Cost 2007 HK$	% of total assets of the group
Super Plus Investments Limited	Distribution of consumer products in Greater China	10,000 (2006: 10,000) ordinary shares of US$1 each	20% (2006: 12%)	30,882,000 (2006: 30,882,000)	0% (2006:27.06%)
Good Spirit Group Limited	Investments	14 (2006: Nil) ordinary shares of US$1 each	14% (2006: NIL)	15,000,000 (2006: NIL)	0% (2006:NIL)

(a) Super Plus Investments Limited and Good Spirit Group Limited were companies incorporated in the British Virgin Islands.

(b) In the opinion of the directors, the group had no significant influence to the management and operation in Super Plus Investments Limited. Therefore the investment is not regarded as interest in associated company.

14. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

(c) Due to the investments do not have a quoted market price in an active market, the investments were measured at cost less allowance for impairment if any.

In the opinion of the directors, due to the group has no significant influence or control over these investments, the directors were unable to obtain adequate and sufficient financial information from the management of these investments regarding the carrying value at year end date. In the absence of sufficient information regarding the carrying value of these investments, the directors considered full impairment in value of HK$42,252,303 made against these investments in the financial statements.

15. INVESTMENTS HELD FOR TRADING

	Group	
	2007	2006
	HK$	HK$
Equity securities listed in Hong Kong, at fair values	9,117,030	28,052,013

The fair values of the investments held for trading are determined based on the quoted market values of the securities listed in the Stock Exchange at the balance sheet date. Details of investments held for trading, which were all incorporated in Cayman Islands, are as follows:

		2007		2006				
Name of investee company	Number of shares	Fair value HK$'000	Fair value gain HK$'000	Fair value HK$'000	Fair value gain HK$'000	% of total assets of the Group	Net assets attributable to the Group HK$'000	Note
Egana Goldpfeil (Holdings) Limited ("Egana Goldpfeil")	Nil (2006: 1,339,803)	–	–	5,895	295	Nil (2006: 5.85%)	Nil (2006: 2,260)	
UBA Investments Limited ("UBA Investments")	36,310,000 (2006: 36,310,000)	4,030	399	3,631	–	42.88% (2006: 3.61%)	6,325 (2006: 3,859)	1
Upbest Group Limited ("Upbest")	6,606,000 (2006: 9,404,000)	5,087	(6,332)	18,526	12,006	54.12% (2006: 18.40%)	3,917 (2006: 4,032)	2
		9,117	(5,933)	28,052	12,301			

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For the year ended 31 December 2007

15. INVESTMENTS HELD FOR TRADING (Continued)

A brief description of the business and financial information of the listed investee companies, based on their published annual or interim reports, is as follows:

Note

1: UBA Investments

UBA Investments and its subsidiaries are principally engaged in the investments in listed and unlisted securities, including equity securities and convertible bonds.

The unaudited profit attributable to shareholders of UBA Investments for the six months ended 30 September 2007 was HK$32,046,394 (six months ended 30 September 2006: HK$9,927,313). As at 30 September 2007, the unaudited net asset value of UBA Investments was HK$184,612,278 (30 September 2006: HK$122,631,795).

2: Upbest

Upbest and its subsidiaries are principally engaged in the provision of a wide range of financial services including securities broking, futures broking, margin financing, money lending, corporate finance advisory and assets management.

The unaudited profit attributable to shareholders of Upbest for the six months ended 30 September 2007 was approximately HK$41,144,000 (six months ended 30 September 2006: HK$24,459,000). As at 30 September 2007, the unaudited net asset value of Upbest was approximately HK$774,359,000 (30 September 2006: HK$55,211,000). Upbest is the ultimate holding company of the Group's investment manager, Upbest Asset Management Limited ("UAM").

16. LOANS RECEIVABLE

	2007 HK$	2006 HK$
Loans receivable	2,863,000	17,006,987
Commercial paper	20,711,733	–
	23,574,733	17,006,987
Allowance for impairment	23,574,731	–
Carrying amount	2	17,006,987

The loans receivable were all made to a company incorporated in the British Virgin Islands named Uni-Star Corporation of which is an independent third party to the Group as according to the representation by the directors. The Group had taken legal action for the recovery of the loans and no response was received from Uni-Star Corporation, due to the loans were unsecured and were over due for repayment, the directors considered that the possibility for recovering the loans are low and full impairment in value of HK$23,574,731 had been made against the loans receivable.

17. MARGIN ACCOUNTS PAYABLE

The margin accounts payable as at 31 December 2007 were secured by the Group's investments held for trading of HK$9,117,030 (2006: HK$28,052,013). The carrying amount of margin accounts payable at the balance sheet date approximates the corresponding fair value.

18. SHORT TERM LOANS

Short term loans were extended by Upbest Finance Company Limited ("UFC"), which is a fellow subsidiary of Upbest Asset Management Limited ("UAM"), the Group's investment manager. The loans are unsecured, and repayable on demand. Interest is charged at the rate at the Hong Kong prime rate plus 4% per annum (2006: Hong Kong prime rate plus 4% per annum).The carrying amount of short term loans at the balance sheet date approximates the corresponding fair value.

19. SHARE CAPITAL

	Group and Company	
	2007 HK$	2006 HK$
Authorised:		
500,000,000 ordinary shares of HK$0.01 each	5,000,000	5,000,000
Issued and fully paid:		
72,000,000 ordinary shares of HK$0.01 each	720,000	720,000

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20. RESERVES

Group

	Share premium HK$	Retained earnings/ (Accumulated losses) HK$	Total HK$
At 1 January 2006	67,320,071	(1,745,544)	65,574,527
Profit for the year	–	7,474,866	7,474,866
At 31 December 2006	67,320,071	5,729,322	73,049,393
Loss for the year	–	(72,027,662)	(72,027,662)
At 31 December 2007	67,320,071	(66,298,340)	1,027,731

Company

	Share premium HK$	Retained earnings/ (Accumulated losses) HK$	Total HK$
At 1 January 2006	67,320,071	(6,827,243)	60,492,828
Loss for the year	–	(13,813,898)	(13,813,898)
At 31 December 2006	67,320,071	(20,641,141)	46,678,930
Loss for the year	–	(2,238,587)	(2,238,587)
At 31 December 2007	67,320,071	(22,879,728)	44,440,343

Distributable reserves of the Company at 31 December 2007 according to the Company's Articles of Association amounted to HK$44,440,343 (2006: HK$46,678,930).

21. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2007 of HK$1,741,731 (2006: HK$73,796,393) and 72,000,000 (2006: 72,000,000) ordinary shares in issue as at year end.

22. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before income tax to net cash inflow from operating activities during the year are as follows:

	2007 HK$	2006 HK$
(Loss)/profit before income tax	(72,027,662)	8,479,948
Adjustments for:		
Interest income	(1,747,424)	(4,320,970)
Interest expenses	1,292,073	3,218,932
Depreciation of fixed assets	–	2,839
Gain on disposal of investments held for trading	(1,317,789)	(4,188,310)
Gain on disposal of a subsidiary	–	(4,627,844)
Loss on disposal of fixed assets	–	3,862
Fair value loss/(gain) on investments held for trading	5,933,281	(12,301,207)
Allowance for impairment		
– available-for-sale investments	42,252,303	12,019,697
– loans receivable	23,574,731	–
Operating cash outflow before changes in working capital	(2,040,487)	(1,713,053)
Increase in loans receivable	(6,567,746)	(16,443,464)
Increase in prepayments and other receivables	(58,499)	(156,896)
Decrease in commercial paper	–	45,000,000
Decrease in investments held for trading	14,319,492	20,274,446
Decrease in margin accounts payable	(439,518)	(5,054,277)
Decrease in short term loans	(20,319,039)	(4,943,919)
Increase/(decrease) in other payables and accruals	1,488,839	(847,454)
Net cash (outflow)/inflow generated from operations	(13,616,958)	36,115,383
Interest paid	(1,292,073)	(3,218,932)
Net cash (outflow)/inflow from operating activities	(14,909,031)	32,896,451

22. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of balance of cash and cash equivalents

	2007 HK$	2006 HK$
Bank balances and cash	11,516	157,014
Commercial paper *(Note 1)*	–	28,016,110
	11,516	28,173,124

Note 1 : Commercial paper in 2006 represented unsecured loan receivable with interest bearing at 7% per annum which settled in March 2007.

(c) Disposal of subsidiary

In November 2006, the Group disposed its entire interest in a subsidiary, Hover Technologies Limited. A summary of the effects of the disposal of the subsidiary is set out as follows:

	2006 HK$
Net liabilities disposed of:	
Available-for-sale investments	33,400,000
Accounts receivable	137,148
Bank balances and cash	198
Commercial paper	(45,000,000)
	(11,462,654)
Gain on disposal of a subsidiary	4,627,844
	(6,834,810)
Discharged by:	
Cash consideration paid	(6,834,810)
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(198)
Cash paid	(6,834,810)
	(6,835,008)

23. CONTINGENT LIABILITIES

	Group		Company	
	2007	2006	2007	2006
	HK$	HK$	HK$	HK$
Guarantees for bank overdrafts and margin accounts of subsidiaries at the balance sheet date	870	440,388	–	–

The directors anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2007, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases for its office as follows:

	Group and Company	
	2007	2006
	HK$	HK$
Not later than one year	554,752	68,850
Over one year and not later than five years	538,484	–
	1,093,236	68,850

25. CONNECTED TRANSACTIONS

	Group and Company	
	2007	2006
	HK$	HK$
Investment management fees paid to UAM (Note a)	1,053,990	1,081,787
Custodian fees paid to Wing Hang Bank, Limited (Note b)	60,000	60,000

25. CONNECTED TRANSACTIONS (Continued)

Note:

(a) The Company signed an investment management agreement with UAM, the investment manager, for a period of three years commencing from 28 May 2005. UAM is a wholly owned subsidiary of Upbest in which the Group has an investment. This agreement can be terminated by either the Company or the investment manager serving not less than three month's notice in writing prior to the expiration of the three years period.

Pursuant to this agreement, the Company pays to the investment manager a monthly management fee at 1.5% of the consolidated net asset value of the Company at the agreed valuation date.

The investment manager is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the investment management agreement constituted a connected transaction for the Company under the Listing Rules.

(b) Pursuant to a custodian agreement dated 15 May 2002 between the Company and a custodian, the custodian agrees to provide securities custodian services to the Company including the safe custody of the Group's securities and the settlement of the securities of the Group, the collection of dividends and other entitlements on behalf of the Group. The appointment of the custodian commenced on the date of commencement of trading of the Company's shares on the Stock Exchange and will continue in force until it is terminated by either party giving a written notice to the other party at any time.

The custodian is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules, although the custodian fee falls below the de-minimis threshold under Rule 14A of the Listing Rules.

26. RELATED PARTY TRANSACTIONS

In addition to note 25, the Group undertook the following transactions with related parties in the normal course of its business:

	Group and Company	
	2007	2006
	HK$	HK$
Interest expenses on the short term loans (Note a)	1,147,043	1,030,759

Notes

a. Interest expenses on the short term loans, charged at the rate at the Hong Kong prime rate plus 4% per annum (2006: Hong Kong prime rate plus 4% per annum), were paid to UFC, which is a fellow subsidiary of the Group's investment manager, UAM.

b. The Group also has investments held for trading in Upbest of HK$5,087,000 (2006: HK$18,526,000) at the balance sheet date. As set out in note 15, Upbest is the ultimate holding company of the Group's investment manager, UAM.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 29 April 2008.

Five Year Financial Summary

	2007 HK$	2006 HK$	2005 HK$	2004 HK$	2003 HK$
RESULTS					
(Loss)/profit attributable to shareholders	(72,027,662)	7,474,866	(18,973,893)	10,590,402	6,574,817
ASSETS AND LIABILITIES					
Total assets	9,398,954	100,696,334	103,062,036	118,810,084	93,073,106
Total liabilities	7,657,223	26,926,941	36,767,509	33,541,664	18,395,088
Shareholders' funds	1,741,731	73,769,393	66,294,527	85,268,420	74,678,018