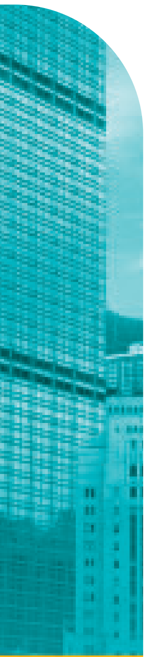

INCUTECH INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 356

2008
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tung Tat Wah *(Chairman)*
Mr. Michael Wu Chun Wah

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Allan Kwok Ming Fai
Mr. Robert Siu Siu Ling
Mr. Stephen Lee Ming Ching

AUDIT COMMITTEE

Mr. Allan Kwok Ming Fai
(Chairman of the Committee)
Mr. Robert Siu Siu Ling
Mr. Stephen Lee Ming Ching

REMUNERATION COMMITTEE

Mr. Stephen Lee Ming Ching
(Chairman of the Committee)
Mr. Allan Kwok Ming Fai
Mr. Robert Siu Siu Ling

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 2008.

REVIEW OF RESULTS

For the year ended 31 December 2008, the Group recorded a net loss of HK$8,233,579 and loss per share of HK11 cents. During the year, the Group received HK$196,951 in dividend income (2007: HK$210,081) from listed securities.

As for unlisted investments, no fair value change in unlisted investments was recognized for the year ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The year 2008 was a difficult year for all economics and industries around the world. The United Stated sub-prime loan crisis triggered an unprecedented financial tsunami across the world. Global economic growth experienced an instant decline, the pace of economic growth in China was slackened, signs of recovery have yet to be seen.

The stock market in Hong Kong fluctuated in the whole year of 2008. We are still cautious about prospects in 2009 and therefore will take prudent view on investments despite believing that Greater China will be the first region to recover from the financial tsunami. Investors' confidence was severely undermined in the financial and investment markets and accelerated the trading volume of stock market decreased and the return of investment portfolio would be affected in a certain degree.

BUSINESS REVIEW AND PROSPECTS

During the year under review, the Group reported a net loss from operation of HK$8,233,579 on turnover of HK$196,951 in 2008 as compared with a loss from operation of HK$72,027,662 on turnover of HK$1,957,505 in 2007. The decrease in turnover was mainly due to the decrease in trading of listed securities. The reason of net loss incurred for the year was mainly due to the recognition of unrealized holding losses from listed securities.

Due to adverse economic condition and global financial turmoil across the world, the carrying value of the Company's listed securities had dropped significantly as at 31 December 2008 as compared to the last year. The Company had not made any new investments in both listed securities and unlisted investment.

Management Statement

Throughout the year under review, the focus of the Company was to maintain an ongoing operation of its core business included financial investments in listed shares. As at the date of this report, the Company has already taken all necessary steps to ensure compliance with the relevant Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During the year under review, there had been various changes in the Company's board composition. The current board (the "Board") of directors of the Company (the "Directors") possesses valuable skills, expertise and experience in managing the Group and the Company's affairs and business operation.

The Company aims to identify any attractive business opportunities in order to more diversify its investments and to improve its shareholders' interest in long term. In an effort to improve efficiency, the Group will undergo reorganization of the Group companies in 2009 as well as engaging external professionals to treat certain subsidiaries accordingly.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2008, the Group's current ratio was 0.46, based on the current assets of HK$5,620,405 and current liabilities of HK$12,230,477. No gearing ratio was available as the Group was in a negative equity position.

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 2008.

Capital commitment and contingent liabilities

As at 31 December 2008, no material capital commitment and contingent liabilities were noted by the directors of the Company.

Share Options

The Company does not have a share option scheme.

Management Statement

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed a total of 4 employees (2007: 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$2,055,202 (2007: HK$353,820).

CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2008, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

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.

Tung Tat Wah
Chairman

Hong Kong, 29 April 2009

Report of the Directors

The Board of Directors ("Board") is hereby present their report together with the audited accounts of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

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 21 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 2008 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 2008 (2007: Nil). No interim dividend was declared during the year (2007: Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Company and the Group during the year are set out in note 11 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

There is no movement in the Company's share capital during the year.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out on page 51 and 24 respectively.

DISTRIBUTABLE RESERVES

There is no distributable reserves of the Company at 31 December 2008.

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
Mr. Lee Kar Wai (resigned on 11 March 2008)

Independent non-executive directors

Mr. Allan Kwok Ming Fai
Mr. Robert Siu Siu Ling
Mr. Stephen Lee Ming Ching (appointed on 28 May 2008)
Mr. Kong Tze Wing (resigned on 28 May 2008)

Pursuant to articles numbered 88 of the articles of association of the Company, 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. Accordingly, Messrs. Stephen Lee Ming Ching and Robert Siu Siu Ling shall retire by rotation at the annual general meeting and will offer themselves for re-election as Independent non-executive Director.

Mr. Stephen Lee Ming Ching, Mr. Robert Siu Siu Ling, and Mr. Allan 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.

Report of the Directors

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. 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. Tung has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Michael Wu Chun Wah - Executive Director

Mr. Wu, aged 44, 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. Other than as stated above, Mr. Wu has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Stephen Lee Ming Ching - Independent Non-executive Directors

Mr. Lee, aged 61, is a qualified Professional Civil Engineer, Construction and Project Manager and Consultant for more than 37 years. He is a graduate of University of Hong Kong in 1970 and holds a Bachelor of Science in Civil Engineering. He also obtained a diploma in Management studies in finance from Hong Kong Polytechnic University. He is a member of Hong Kong Institution of Engineers and a fellow member of Hong Kong Institute of Real Estate Administration. He has worked for several construction companies including public works department of Singapore Government, Maunsell Consultants Asia, Hong Kong Land Company Limited, Hung Lung Development Company Ltd and Lolliman Holdings Ltd. He has his own Company in the last fifteen years, Tonjun Consultants Limited, and being the advisor/ consultant of couple of major building contractors and developers in Hong Kong. He has extensive experience in construction industries and project management. Mr. Lee also active in the professional institutions and social service. He is the Vice President of Hong Kong Institute of Real Estate Administrators, Executive Council Member and Vice Chairman of Association of Engineering Professionals in Society and Committee Member of Hong Kong Institution of Engineers Civil Division. Mr. Lee has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Robert Siu Siu Ling - Independent Non-executive Directors

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. Other than as stated above, Mr. Siu has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Allan Kwok Ming Fai – Independent Non-Executive Director

Mr. Kwok, aged 44, 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 China Yunnan Tin Minerals Group Company Limited (formerly known as "Poly Investments Holdings Limited").

DIRECTORS' SERVICE CONTRACTS

None of the directors who are 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.

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2008, 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:

Long position in shares of the Company

Name of Director	Type of interests	Interest in Shares	Approximate percentage of total issued ordinary shares	Interest in underlying shares/ debentures	Approximate percentage of total issued ordinary shares
Tung Tat Wah *(Note)*	Corporate	15,000,000 *(Note)*	20.83%	15,000,000 *(Note)*	20.83%
Michael Wu Chun Wah *(Note)*	Corporate	15,000,000 *(Note)*	20.83%	15,000,000 *(Note)*	20.83%

Notes:

40% equity interest in Biggish Management Limited is held by Mr. Michael Wu Chun Wah, an executive Director and 60% equity interest in Biggish Management Limited are held Mr. Tung Tat Wah, an executive Director. Mr. Michael Wu Chun Wah and Mr. Tung Tat Wah are deemed to be interested in 15,000,000 Shares.

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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2008, 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

Name of shareholder	Type of interests	Interest in Shares	Approximate percentage of total issued ordinary shares	Interest in underlying shares	Approximate percentage of total issued ordinary shares
Biggish Management Limited *(Note)*	Beneficial Owner	15,000,000	20.83%	15,000,000	20.83%

Note: These interests has been disclosed in the above section headed "Directors' Interests in Securities".

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

Details of the significant contracts in relation to the Group's business are set out in Note 26 to the accounts.

Save as disclosed in Note 26 to the accounts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were 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 2008, 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 27 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 26 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$530,017 (2007: HK$1,053,990). 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 2008.

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.

SUBSEQUENT EVENTS

Details of subsequent events are shown in note 28 to the accounts.

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
Tung Tat Wah
Chairman

Hong Kong, 29 April 2009

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. Allan Kwok Ming Fai, independent non-executive director and chairman of audit committee has 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.

Corporate Governance Report

The Board held four regular Board meetings at approximately quarterly interval during year 2008 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 2008

	Number of meetings	Attendance Rate
Executive Director		
Mr. Tung Tat Wah	13/13	100%
Mr. Michael Wu Chun Wah	14/14	100%
Mr. Lee Kar Wai	01/01	100%
INEDs		
Mr. Allan Kwok Ming Fai	04/10	40%
Mr. Robert Siu Siu Ling	09/10	90%
Mr. Stephen Lee Ming Ching	04/06	67%
Mr. Kong Tze Wing	03/03	100%

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. Allan Kwok Ming Fai, Mr. Robert Siu Siu Ling and Mr. Stephen Lee Ming Ching. It is chaired by Mr. Stephen Lee Ming Ching. The terms of reference of the Remuneration Committee have been reviewed with reference to the Corporate Governance Code.

Corporate Governance Report

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 2008:

– 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 2008. Details of individual attendance of its members are set out in the table below:–

	Number of meetings	Attendance Rate
Executive Director		
Mr. Michael Wu Chun Wah	1/1	100%
INEDs		
Mr. Stephen Lee Ming Ching	1/1	100%
Mr. Robert Siu Siu Ling	1/1	100%
Mr. Allan Kwok Ming Fai	1/1	100%

Audit Committee

The Company's Audit Committee is composed of three independent non-executive directors, namely Mr. Allan Kwok Ming Fai, Mr. Robert Siu Siu Ling and Mr. Stephen Lee Ming Ching. It is chaired by Mr. Allan Kwok Ming Fai. 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.

Corporate Governance Report

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 2008. Details of individual attendance of its members are set out in the table below:–

	Number of Meetings Attended	Attendance Rate
INEDs		
Mr. Allan Kwok Ming Fai	2/2	100%
Mr. Robert Siu Siu Ling	2/2	100%
Mr. Stephen Lee Ming Ching	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 2008.

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 auditors in respect of audit services amounted to HK$180,000. No non-audit services were provided by the Company's auditors for the financial year ended 31 December 2008.

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 2008 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.

Corporate Governance Report

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 page 20.

Voting by poll

The voting procedures for demanding a poll by shareholders were written in the 2008 annual general meeting (the "AGM") circular, and the voting procedures were explained in the AGM.

Independent Auditor's Report

TO THE SHAREHOLDERS OF INCUTECH INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited Liability)

We were engaged to audit the consolidated financial statements of Incutech Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 55, which comprise the consolidated balance sheet as at 31 December 2008, 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' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 these consolidated 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 RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 consolidated 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

(1) Scope limitation – Available-For-Sale Investments

We have not been provided with sufficient information and explanations as we consider necessary in order to carry out all the relevant verification works on available-for-sale investments as referred in note 15 to the financial statements. In the absence of the sufficient evidence available to us, we were unable to carry out adequate audit procedures to satisfy ourselves that the carrying value and other disclosures in the consolidated balance sheet and the notes thereon relating to the available-for-sale investments are fairly stated.

(2) Going concern

As set out in note 1(b) to the financial statements, the Group incurred a loss for the year and the Group's consolidated net liabilities as at 31 December 2008 was approximately HK$6,491,848. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

(3) Scope limitation – Prior year's audit scope limitation affecting opening balance of Available-For-Sale Investments

As detailed in our report dated 29 April 2008 on the consolidated financial statements of the Group for the year ended 31 December 2007, we have not been provided with sufficient information and explanations as we consider necessary in order to carry out all the relevant verification works on available-for-sale investments. In the absence of the sufficient evidence available to us, we were unable to carry out adequate audit procedures to satisfy ourselves that the carrying value in the consolidated balance sheet as at 31 December 2007 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 consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of its 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 consolidated 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 2009

Ted K.T. Ho
Practising Certificate number P02296

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$	2007 HK$
Turnover	7	196,951	1,957,505
(Loss)/gain on disposals of investments held for trading	7	(84,916)	1,317,789
Fair value loss on investments held for trading	16	(3,468,180)	(5,933,281)
Allowance for impairment			
– Available-for-sale investments	15	–	(42,252,303)
– Loans receivable	17	–	(23,574,731)
Investment management fee	26	(530,017)	(1,053,990)
Other operating expenses		(3,846,553)	(1,196,578)
Operating loss		(7,732,715)	(70,735,589)
Finance costs	8	(500,864)	(1,292,073)
Loss before income tax	9	(8,233,579)	(72,027,662)
Income tax	10	–	–
Loss attributable to shareholders	12	(8,233,579)	(72,027,662)
Loss per share	13	(HK$0.11)	(HK$1.00)

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	11	118,222	–
Available-for-sale investments	15	2	2
		118,224	2
CURRENT ASSETS			
Investments held for trading	16	5,295,228	9,117,030
Loans receivable	17	2	2
Prepayments and other receivables		184,079	270,404
Cash and cash equivalents	22b	141,096	11,516
		5,620,405	9,398,952
CURRENT LIABILITIES			
Margin accounts payable		–	870
Short term loans	18	6,399,905	4,399,041
Other payables and accruals		3,195,604	2,252,230
Due to director	19	1,629,886	–
Tax payable		1,005,082	1,005,082
		12,230,477	7,657,223
NET CURRENT (LIABILITIES)/ASSETS		(6,610,072)	1,741,729
NET (LIABILITIES)/ASSETS		(6,491,848)	1,741,731
CAPITAL AND RESERVES			
Share capital	20	720,000	720,000
Reserves		(7,211,848)	1,021,731
SHAREHOLDERS' FUNDS		(6,491,848)	1,741,731
NET (LIABILITIES)/ASSET VALUE PER SHARE		(HK$0.09)	HK$0.02

The consolidated financial statements on page 22 to 55 were approved and authorised for issue by the Board of Directors on 29 April 2009 and are signed on its behalf by:

Tung Tat Wah	**Michael Wu Chun Wah**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share premium HK$	Retained earnings/ (accumulated losses) HK$	Reserves HK$	Share capital HK$	Total equity HK$
At 1 January 2007	67,320,071	5,729,322	73,049,393	720,000	73,769,393
Loss for the year	–	(72,027,662)	(72,027,662)	–	(72,027,662)
At 31 December 2007	67,320,071	(66,298,340)	1,021,731	720,000	1,741,731
Loss for the year	–	(8,233,579)	(8,233,579)	–	(8,233,579)
At 31 December 2008	67,320,071	(74,531,919)	(7,211,848)	720,000	(6,491,848)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$	2007 HK$
Operating activities			
Net cash inflow/(outflow) from operating activities	22a	358,044	(14,909,031)
Investing activities			
Purchases of available-for-sale investments		–	(15,000,000)
Purchases of property, plant and equipment		(228,464)	–
Interest income		–	1,747,424
Acquisition of a subsidiary		–	(1)
Net cash outflow from investing activities		(228,464)	(13,252,577)
Net increase/(decrease) in cash and cash equivalents		129,580	(28,161,608)
Cash and cash equivalents, beginning of year	22b	11,516	28,173,124
Cash and cash equivalents at end of year		141,096	11,516
Analysis of balance of cash and cash equivalents	22b	141,096	11,516

Notes to the Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

(a) 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.

(b) In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net liabilities of approximately HK6.49 million at 31 December 2008 and the loss of approximately HK$8.23 million reported for the current year. The directors of the Company are also taking active steps to improve the liquidity position of the Group. These steps include raising new loans from independent third parties; and implementing stringent cost control measures to strengthen its cash flow position. Provided that these measures can successfully improve the liquidity position of the Group, the directors are satisfied that the Group will be able to continue to operate with no significant financial difficulties. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs has no significant impact on the group's results and financial position.

2. APPLICATION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the group anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32&1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidations[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual years beginning on or after 1 January 2009
[2] Effective for annual years beginning on or after 1 July 2009
[3] Effective for annual years beginning on or after 1 July 2008
[4] Effective for annual years beginning on or after 1 October 2008

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

Notes to the Financial Statements

For the year ended 31 December 2008

3. 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 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.

Notes to the Financial Statements

For the year ended 31 December 2008

3. 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) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follow:

Decoration and office equipment	2 years

Notes to the Financial Statements

For the year ended 31 December 2008

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Impairment of assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized for 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) 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.

(f) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) 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.

Available-for-sale investments

Available-for-sale investments are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized directly in equity, except for impairment losses which are recognized directly in profit or loss. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of receivables is described in accounting policy for impairment.

Notes to the Financial Statements

For the year ended 31 December 2008

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

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 short term loans, other payables and accruals, due to director 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.

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.

(g) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) **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.

(i) **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.

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.

(j) **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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) 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.

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.

(l) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) 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.

4. 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:

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 2008, the carrying amounts of loans receivable and commercial paper receivable are HK$ 1 (2007: HK$ 1) and HK$ 1 (2007: HK 1) respectively.

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 (2007: HK$2) and HK$5,295,228 (2007: HK$9,117,030).

Notes to the Financial Statements

For the year ended 31 December 2008

5. 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 equity attributable to shareholders which comprise issued share capital, share premium and retained earnings.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, investments held for trading, other receivables, loans receivable 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.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 2008 would increase/decrease by HK$3,200 (2007: decrease/increase by HK$22,000). 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 2008 would decrease/increase by HK$264,761 (2007: increase/decrease by HK$455,852) as a result of the changes in fair value of financial assets at fair value through profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2008

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

As at 31 December 2008, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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.

Notes to the Financial Statements

For the year ended 31 December 2008

6. 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:

2008

	Carrying amount HK$000	Total contractual undiscounted cash flow HK$000	Within one year or on demand HK$000	More than 1 year less than 2 years HK$000
Short term loans	6,400	6,400	6,400	–
Other payables and accruals	3,195	3,195	3,195	–
Due to director	1,630	1,630	1,630	–
Tax payable	1,005	1,005	1,005	–
	12,230	12,230	12,230	–

2007

	Carrying amount HK$000	Total contractual undiscounted cash flow HK$000	Within one year or on demand HK$000	More than 1 year less than 2 years 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	–

Notes to the Financial Statements

For the year ended 31 December 2008

7. TURNOVER, REVENUES AND SEGMENT INFORMATION

Total revenues recognised during the year are as follows:

	2008 HK$	2007 HK$
Turnover:		
Interest income		
– Commercial paper	–	1,565,646
– Short term loans	–	181,778
Dividend income	196,951	210,081
	196,951	1,957,505
Other revenue:		
(Loss)/Gain on disposals of		
Investments held for trading	(84,916)	1,317,789
Total revenues	112,035	3,275,294

The principal activities of the Group are investments in listed Hong Kong securities and unlisted investment as a single business segment. No separate disclosure of geographical or business segment information is presented.

8. FINANCE COSTS

	2008 HK$	2007 HK$
Interest on short term margin loans	–	145,030
Interest on short term loans	500,864	1,147,043
	500,864	1,292,073

9. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging the following:

	2008 HK$	2007 HK$
Auditors' remuneration	180,000	160,000
Depreciation	110,242	–
Listing fees	145,000	145,000
Rental charges under operating leases of land and building	630,400	117,563
Share registration fees	114,745	105,412
Staff costs (including directors' remuneration)	2,055,202	353,820

10. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both years.

Reconciliation between tax expense and accounting result at applicable rate:

	2008 HK$	2007 HK$
Loss before income tax	(8,233,579)	(72,027,662)
Notional tax at the domestic tax rate of 16.5% (2007: 17.5%)	(1,358,541)	(12,604,840)
Tax effect of income not subject to taxation	(32,497)	(36,764)
Tax effect on non-deductible expenses	18,190	11,520,815
Tax effect of tax losses not recognised	1,372,848	1,120,789
Income tax expense	–	–

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

Notes to the Financial Statements

For the year ended 31 December 2008

11. PROPERTY, PLANT AND EQUIPMENT

	Decoration	Office equipment	Total
	HK$	HK$	HK$
Cost			
At 31 December 2007 and 1 January 2008	–	–	–
Additions	174,388	54,076	228,464
At 31 December 2008	174,388	54,076	228,464
Accumulated depreciation			
At 31 December 2007 and 1 January 2008	–	–	–
Charge for the year	86,787	23,455	110,242
At 31 December 2008	86,787	23,455	110,242
Net book value			
At 31 December 2008	87,601	30,621	118,222
At 31 December 2007	–	–	–

12. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$45,074,880 (2007: loss of HK$2,238,587) which has been dealt with in the financial statements of the Company (note 21(b)).

13. LOSS PER SHARE

The calculation of the loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$8,233,579 (2007: loss of HK$72,027,662) and the weighted average number of 72,000,000 (2007: 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.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	2008 HK$	2007 HK$
Executive Directors		
Wu Chun Wah	700,000	–
Tung Tat Wah	483,871	–
Lee Kar Wai	11,992	19,500
Choi Wai Yin	–	41,667
Wong Wai Kwong, David	–	29,570
Wong Wing Hong, Benny	–	41,667
Independent Non-executive Directors		
Siu Siu Ling, Robert	50,000	50,000
Kwok Ming Fai	50,000	16,250
Kong Tze Wing	20,501	50,000
Ng Yick Man, Andy	–	29,166
Lee Ming Ching, Stephen	29,704	–
	1,346,068	277,820

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include two (2007: four) directors, whose emoluments have been reflected in the analysis presented in part (a).

The five highest paid individuals consists of:

	2008 HK$	2007 HK$
Two directors (2007: four)	1,183,871	183,334
Three staff	717,000	62,000
	1,900,871	245,334

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

Notes to the Financial Statements

For the year ended 31 December 2008

15. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$	2007 HK$
Unlisted equity securities, at cost		
Balance b/f	45,882,000	30,882,000
Additions	–	15,000,000
Disposals	–	–
Balance c/f	45,882,000	45,882,000
Less: Allowance for impairment losses		
Balance b/f	45,881,998	3,629,695
Impairment loss recognised during the year	–	42,252,303
Written back	–	–
Balance c/f	45,881,998	45,881,998
Carrying amount	2	2

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 as at 31 December 2008 are as follows:

Name of investee company	Nature of business	Particulars of issued share held	Portion of interest held	Cost 2008 HK$	% of total assets of the Group
Super Plus Investments Limited	Distribution of Consumer Products in Greater China	10,000 (2007:10,000) Ordinary shares Of US$1 each	20% (2007: 20%)	30,882,000 (2007: 30,882,000)	0% (2007:NIL)
Good Spirit Group Limited	Investments	14 (2007: 14) Ordinary shares of US$1 each	14% (2007: 14%)	15,000,000 (2007: 15,000,000)	0% (2007:NIL)

Notes to the Financial Statements

For the year ended 31 December 2008

15. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

(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 interest in associated company.

(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, full impairment was made against these investments in the financial statements.

16. INVESTMENTS HELD FOR TRADING

	2008 HK$	2007 HK$
Equity securities listed in Hong Kong, at fair values	5,295,228	9,117,030

Notes to the Financial Statements

For the year ended 31 December 2008

16. INVESTMENTS HELD FOR TRADING (Continued)

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:

Name of investee company	Number of shares held	2008 Fair value HK$'000	2008 Fair value loss HK$'000	2007 Fair value HK$'000	2007 Fair value gain/(loss) HK$'000	% of total assets of the Group	Net assets attributable to the Group HK$'000	Note
UBA Investments Limited ("UBA Investments")	23,622,000 (2007: 36,310,000)	803	(2,873)	4,030	399	14% (2007: 43%)	2,203 (2007: 6,325)	1
Upbest Group Limited ("Upbest")	6,606,000 (2007: 6,606,000)	4,492	(595)	5,087	(6,332)	78% (2007: 54%)	4,760 (2007: 3,917)	2
		5,295	(3,468)	9,117	(5,933)			

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 loss attributable to shareholders of UBA Investments for the six months ended 30 September 2008 was HK$25,794,516 (six months ended 30 September 2007: HK$32,046,394). As at 30 September 2008, the unaudited net asset value of UBA Investments was HK$98,851,989 (30 September 2007: HK$184,612,278).

16. INVESTMENTS HELD FOR TRADING (Continued)

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 2008 was approximately HK$18,159,000 (six months ended 30 September 2007: HK$41,144,000). As at 30 September 2008, the unaudited net asset value of Upbest was approximately HK$933,442,000 (30 September 2007: HK774,359,000). Upbest is the ultimate holding company of the Group's investment manager, Upbest Asset Management Limited ("UAM").

17. LOANS RECEIVABLE

	2008 HK$	2007 HK$
Loans receivable	2,863,000	2,863,000
Commercial paper	20,711,733	20,711,733
	23,574,733	23,574,733
Allowance for impairment	(23,574,731)	(23,574,731)
Carrying amount	2	2

The loans receivable were all made to an independent third party. The Group had taken legal action for the recovery of the loans and no response was received, 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 had been made against the loans receivable.

Notes to the Financial Statements

For the year ended 31 December 2008

18. SHORT TERM LOANS

Short term loans were borrowed from one independent unrelated person and Upbest Finance Company Limited ("UFC"), which is a fellow subsidiary of Upbest Asset Management Limited ("UAM"), the Group's investment manager.

The loans from one independent unrelated person are unsecured, and repayable on demand. Interest is charged at the rate at the Hong Kong prime rate plus 1% per annum.

The loans from UFC are unsecured, and repayable on demand. Interest is charged at the rate at the Hong Kong prime rate plus 4% per annum (2007: 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. DUE TO DIRECTOR

The amount due to director is unsecured, interest free and has no fixed term of repayment. The carrying amount of the amount due to director approximates to its fair value.

20. SHARE CAPITAL

	2008 HK$	2007 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

Notes to the Financial Statements

For the year ended 31 December 2008

21. FINANCIAL INFORMATION OF THE COMPANY

	Note	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	11	118,222	–
Interests in subsidiaries	(a)	–	47,136,930
		118,222	47,136,930
CURRENT ASSETS			
Prepayment and other receivables		5,304,588	270,404
Cash and bank balances		134,845	1,630
		5,439,433	272,034
CURRENT LIABILITIES			
Other payables and accruals		3,195,595	2,248,621
Amount due to subsidiary		2,276,597	–
		5,472,192	2,248,621
NET CURRENT LIABILITIES		(32,759)	(1,976,587)
NET ASSETS		85,463	45,160,343
CAPITAL AND RESERVES			
Share capital	20	720,000	720,000
Reserves	(b)	(634,537)	44,440,343
SHAREHOLDERS' FUNDS		85,463	45,160,343

Notes to the Financial Statements

For the year ended 31 December 2008

21. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Interests in subsidiaries

	2008 HK$	2007 HK$
Unlisted shares, at cost	24	24
Amounts due from subsidiaries	40,994,183	47,136,906
	40,994,207	47,136,930
Less: Loss on disposal of subsidiaries	(14,048)	–
Allowance for impairment	(40,980,159)	–
	–	47,136,930

Details of the subsidiaries, which were all wholly-owned by the Company, as at 31 December 2008, are as follows:

Name	Principal activities and operation	Place of Incorporation	Particulars of issued share capital	Interest held in the Company 2008	2007
Jointline Investment Limited	Investment holding in Hong Kong	British Virgin Islands	1 ordinary share of US$1 each	100%	100%
Perfect Partner Holdings Limited	Investment holding in Hong Kong	Hong Kong	1 ordinary share of HK$1 each	100%	100%
Good Connection Traders Limited	Inactive	British Virgin Islands	1 ordinary share of US$1 each	–	100%
Excel Win Development Corporation	Inactive	British Virgin Islands	1 ordinary share of US$1 each	–	100%

21. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(b) Reserves

	Share premium	Retained earnings/ (Accumulated losses)	Total
	HK$	HK$	HK$
At 1 January 2007	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
Loss for the year	–	(45,074,880)	(45,074,880)
At 31 December 2008	67,320,071	(67,954,608)	(634,537)

Notes to the Financial Statements

For the year ended 31 December 2008

22. CONSOLIDATED CASH FLOW STATEMENT

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

	2008 HK$	2007 HK$
Loss before income tax	(8,233,579)	(72,027,662)
Adjustment for:		
Interest income	–	(1,747,424)
Interest expenses	500,864	1,292,073
Depreciation of fixed assets	110,242	–
Loss/(Gain) on disposal of investment held for trading	84,916	(1,317,789)
Fair value loss on investments held for trading	3,468,180	5,933,281
Allowance for impairment		
– Available-for-sale investment	–	42,252,303
– Loans receivable	–	23,574,731
Operating cash outflow before changes in working capital	(4,069,377)	(2,040,487)
Increase in loans receivable	–	(6,567,746)
Decrease/(Increase) in prepayments and other receivables	86,325	(58,499)
Decrease in investments held for trading	268,706	14,319,492
Decrease in margin accounts payable	(870)	(439,518)
Increase/(Decrease) in short term loans	2,000,864	(20,319,039)
Increase in other payables and accruals	943,374	1,488,839
Increase in due to director	1,629,886	–
Net cash inflow/(outflow) from operations	858,908	(13,616,958)
Interest paid	(500,864)	(1,292,073)
Net cash inflow/(outflow) from operating activities	358,044	(14,909,031)

(b) Analysis of balance of cash and cash equivalents

	2008 HK$	2007 HK$
Cash and bank balances	141,096	11,516

Notes to the Financial Statements

For the year ended 31 December 2008

23. DECONSOLIDATION OF DISSOLVED SUBSIDIARIES

During the year, 2 inactive wholly-owned subsidiary companies of the Group, Good Connection Traders Limited and Excel Win Development Corporation had been dissolved by way of de-registration. Apart from the inter group companies' balances, these subsidiaries did not have any assets and liabilities on de-registration. Therefore, the deconsolidation did not have any effect to the cash flow of the Group.

24. CONTINGENT LIABILITIES

	Group and the Company	
	2008	2007
	HK$	HK$
Guarantees for bank overdrafts and margin accounts of subsidiaries at the balance sheet date	–	870

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

25. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases for its office as follows:

	2008	2007
	HK$	HK$
Not later than one year	538,484	554,752
Over one year and not later than five years	–	538,484
	538,484	1,093,236

The above lease agreement was made between the Group and the landlord and the lease payments were guaranteed by the Company.

Notes to the Financial Statements

For the year ended 31 December 2008

26. CONNECTED TRANSACTIONS

	Group and the Company	
	2008	2007
	HK$	HK$
Investment management fees paid to UAM *(Note a)*	530,017	1,053,990
Custodian fees paid to Wing Hang Bank, Limited *(Note b)*	60,495	60,000

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 Company signed another investment management agreement with UAM for a period of one year commencing from 28 May 2008 after the expiration of previous agreement. Pursuant to this agreement, the Company pays to the investment manager a monthly management fee of HK$60,000.

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-minimise threshold under Rule 14A of the Listing Rules.

27. RELATED PARTY TRANSACTIONS

In addition to note 26, the Group undertook the following transactions with related parties in the normal course of its business:

	2008 HK$	2007 HK$
Interest expenses on the short term loans *(Note a)*	444,614	1,147,043

Notes

a. Interest expenses on the short term loans, charged at the rate at the Hong Kong prime rate plus 4% per annum (2007: 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$4,492,080 (2007: HK$5,087,000) at the balance sheet date. As set out in note 16, Upbest is the ultimate holding company of the Group's investment manager, UAM.

28. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 28 February 2009, the Company terminated the investment management agreement with UAM as described out in note 26(a). On 23 February 2009, the Company entered into a new investment management agreement with Hua Yu Investment Management Limited, who has been appointed as the investment manager of the Company for a term of two years from 1 March 2009.

(b) As at the date of approving the consolidated financial statements, the closing market price of investments held for trading and the change in fair value in comparing with the value as at the balance sheet date are as follows:

Name of investee company	Number of shares held	Market value 31/3/2009 HK$'000	Market value 31/12/2008 HK$'000	Fair value change HK$'000
UBA Investments Limited	23,622,000	756	803	(47)
Upbest Group Limited	6,606,000	3,699	4,492	(793)
		4,455	5,295	(840)

29. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 29 April 2009.

Five Year Financial Summary

	2008 HK$	2007 HK$	2006 HK$	2005 HK$	2004 HK$
RESULTS					
Profit/(loss) attributable to shareholders	(8,233,579)	(72,027,662)	7,474,866	(18,973,893)	10,590,402
ASSETS AND LIABILITIES					
Total assets	5,738,629	9,398,954	100,696,334	103,062,036	118,810,084
Total liabilities	12,230,477	7,657,223	26,926,941	36,767,509	33,541,664
Shareholders' funds	6,491,848	1,741,731	73,769,393	66,294,527	85,268,420