



INCUTECH INVESTMENTS LIMITED

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

2008
Interim Report



INTERIM RESULTS AND CONDENSED ACCOUNTS

The Board of Directors (the "Board") of Incutech Investments Limited (the "Company") is hereby present the interim report and condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008. The consolidated results, consolidated cash flow statement, and consolidated statement of changes in equity for the period ended 30 June 2008 and the consolidated balance sheet as at 30 June 2008 of the Group, all of which are unaudited and condensed, are set out on pages 9 to 18 of the interim report, along with selected explanatory notes.

INTERIM DIVIDEND

The Board of Directors has resolved not to pay any interim dividend for the period ended 30 June 2008

REVIEW OF RESULTS

For the six months ended 30 June 2008, the Group recorded a net loss of HK\$ 3,204,891 and loss per share of HK4.45 cents.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2008, threatened by the credit crisis and inflation, the global economy recorded sluggish growth and the stock markets came under pressure. The Hong Kong asset management industry, being a part of the global markets, faces the same set of challenges. In the first seven months of 2008, gross and net sales of mutual funds went down by 40.9% and 98.1% as compared with the same period in 2007, according to the Hong Kong Investment Funds Association.

Due to weak global economic outlook and the negative implications on corporate earnings, as well as the volatility in the commodity and financial markets, along with adverse impact brought by surging energy prices and US dollar depreciation to global economic growth, investors are very cautious about making investments in financial markets.

BUSINESS REVIEW

The Group reported a net loss from operation of HK\$2,984,265 on nil turnover in 2008 as compared with a profit from operation of HK\$13,148,878 on turnover of HK\$989,425 in 2007. The reason of significant loss incurred during the period was due to the recognition of fair value loss on investments held for trading of approximately HK\$1,535,090 as expenses which were arising from investments held for trading during the period.

The Group's portfolio of investment comprises mainly securities listed in Hong Kong. The value of our portfolio diminished significantly during the first half year of 2008 following the downturn in the global stock markets. The portfolio of listed securities investments was affected by the poor market sentiment and the market value of approximately HK\$7,581,940 was recorded as at 30 June 2008.

Due to further deterioration and spill of US sub-prime mortgage crisis, the Group will adopt a conservative investment strategy and will also closely monitor its investment portfolio and actively explore the suitable secured investment opportunities with reasonable return in order to maximize the shareholders' value.

PROSPECTS

We continue to see downside risk in the stock market ahead of us in the forthcoming half year. Although the global economic is in a downside position, we will be able to take advantage of further major market adjustments and sustain our non-cash revaluation losses.

In the second half of 2008, the rapidly changing economic environment is still a challenge to the Group, but our management team has always been maintaining cautious, optimistic and endeavored attitudes to manage the Group and make the best contribution.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2008, the Group's current ratio was 0.84, based on the current assets of HK\$8,659,179 and current liabilities of HK\$10,296,178.

As at 30 June 2008, the Group had cash and cash equivalents of HK\$807,966 and net financial asset investments of approximately HK\$7,581,940.

Capital Structure

There has been no change to the capital structure of the Company during the period ended 30 June 2008.

Material Acquisitions and Disposals of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the period ended 30 June 2008.

Capital commitment and contingent liabilities

As at 30 June 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.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 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 period under review amounted to HK\$432,131.

DETAILS OF CHARGES ON GROUP ASSETS

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

PLEDGE OF ASSETS

The margin accounts payable as at 30 June 2008 were secured by the Group's investments held for trading of HK\$7,581,940 (2007: HK\$9,117,030).

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period 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' INTERESTS IN SECURITIES

As at 30 June 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:

As at 30 June 2008, Mr. Tung Tat Wah, through his 60% equity interest in Biggish Management Limited, held 15,000,000 shares of the Company, representing approximately 20.83% of the entire issued share capital of the Company. The remaining 40% equity interest in Biggish Management Limited, the substantial shareholder of the Company, is held by Mr. Michael Wu Chun Wah.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 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 register 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 (<i>Note</i>) | 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.

DIRECTORS' INTERESTS IN CONTRACTS

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

CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered by the Group during the period ended 30 June 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 14 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 14 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 period amounted HK\$170,017 (2007: HK\$579,859). 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 interim results for the period ended 30 June 2008. In addition, the Group's external auditors have reviewed the unaudited interim financial report set out on pages 9 to 18 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 period 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.

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.

By order of the Board

Tung Tat Wah

Chairman

Hong Kong, 25 September 2008

As at the date of this report, the Board comprises of Mr. Tung Tat Wah and Mr. Michael Wu Chun Wah as executive directors; Mr. Kwok Ming Fai, Allan, Mr. Siu Siu Ling, Robert and Mr. Lee Ming Ching, Stephen as independent non-executive directors.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF INCUTECH INVESTMENTS LIMITED (INCORPORATED IN CAYMAN ISLAND WITH LIMITED LIABILITY)

INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 18 which comprise the condensed consolidated balance sheet of Incutech Investments Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

World Link CPA Limited
Certified Public Accountants

Hong Kong, 25 September 2008

Ted K.T. Ho
Practising Certificate No. P02296

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | | Six months ended 30 June 2008 (Unaudited) HK\$ | Six months ended 30 June 2007 (Unaudited) HK\$ |
|---|---|---|---|
| Turnover | 2 | - | 989,425 |
| (Loss)/profit on disposal of investments held for trading | | (15,025) | 1,317,790 |
| Fair value (loss)/gain on investments held for trading | | (1,535,090) | 11,779,319 |
| Other revenue | | 192,000 | - |
| Investment management fee | | (170,017) | (579,856) |
| Other operating expenses | | (1,456,133) | (357,800) |
| Operating (loss)/profit | | (2,984,265) | 13,148,878 |
| Finance costs | | (220,626) | (1,033,357) |
| (Loss)/profit before income tax | | (3,204,891) | 12,115,521 |
| Income tax | 3 | - | (1,141,647) |
| (Loss)/profit for the period | 5 | (3,204,891) | 10,973,874 |
| (Loss)/profit per share | 4 | (4.45 cents) | 15.24 cents |
| Interim dividend | 6 | Nil | Nil |

09

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

| | | 30 June 2008 (Unaudited) HK\$ | 31 December 2007 (Audited) HK\$ |
|---|----|-------------------------------------|---------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 173,837 | – |
| Available-for-sale investments | 8 | 2 | 2 |
| | | <u>173,839</u> | <u>2</u> |
| CURRENT ASSETS | | | |
| Investments held for trading | 9 | 7,581,940 | 9,117,030 |
| Loans receivable | | – | 2 |
| Prepayments and other receivables | | 269,273 | 270,404 |
| Cash and cash equivalents | | 807,966 | 11,516 |
| | | <u>8,659,179</u> | <u>9,398,952</u> |
| CURRENT LIABILITIES | | | |
| Margin accounts payable | 10 | – | 870 |
| Short term loans | 11 | 6,119,667 | 4,399,041 |
| Other payable and accruals | | 3,171,429 | 2,252,230 |
| Tax payable | | 1,005,082 | 1,005,082 |
| | | <u>10,296,178</u> | <u>7,657,223</u> |
| NET CURRENT (LIABILITIES)/ASSETS | | <u>(1,636,999)</u> | <u>1,741,729</u> |
| NET (LIABILITIES)/ASSETS | | <u>(1,463,160)</u> | <u>1,741,731</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 12 | 720,000 | 720,000 |
| Reserves | | (2,183,160) | 1,021,731 |
| SHAREHOLDERS' FUNDS | | <u>(1,463,160)</u> | <u>1,741,731</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | For the six months ended 30 June 2007 (unaudited) | | | |
|---------------------------|---|-------------------|-----------------------|--------------------|
| | Share capital | Share premium | Retained earnings | Total |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| Balance at 1 January 2007 | 720,000 | 67,320,071 | 5,009,322 | 73,049,393 |
| Profit for the period | - | - | 10,973,874 | 10,973,874 |
| At 30 June 2007 | <u>720,000</u> | <u>67,320,071</u> | <u>15,983,196</u> | <u>84,023,267</u> |
| | For the six months ended 30 June 2008 (unaudited) | | | |
| | Share capital | Share premium | Accumulated losses | Total |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| Balance at 1 January 2008 | 720,000 | 67,320,071 | (66,298,340) | 1,741,731 |
| Loss for the period | - | - | (3,204,891) | (3,204,891) |
| At 30 June 2008 | <u>720,000</u> | <u>67,320,071</u> | <u>(69,503,231)</u> | <u>(1,463,160)</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | Six months ended 30 June 2008 (Unaudited) HK\$ | Six months ended 30 June 2007 (Unaudited) HK\$ |
|--|---|---|
| Net cash inflow/(outflow) from operating activities | 1,023,413 | (14,121,469) |
| Cash flow used in investing activities | (226,963) | (14,010,575) |
| Net increase/(decrease) in cash and cash equivalents | 796,450 | (28,132,044) |
| Cash and cash equivalents at the beginning of the period | 11,516 | 28,173,124 |
| Cash and cash equivalents at the end of the period | 807,966 | 41,080 |
| Analysis of cash and cash equivalents | | |
| Cash at banks | 807,966 | 41,080 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounting policies used in the condensed consolidated financial statements are consistent with those set out in annual financial statements for the year ended 31 December 2007.

In the current period, 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 HKICPA.

| | |
|--------------------|--|
| 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.

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 Company 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 |
| 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 |

¹ Effective for annual periods beginning on or after January 1, 2009

² Effective for annual periods beginning on or after July 1, 2009

³ Effective for annual periods beginning on or after July 1, 2008

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in investments in listed and unlisted securities issued by companies having operations and activities in Hong Kong. Total revenues recognized during the six months ended 30 June 2008 are as follows:

| | Six months ended 30 June 2008 (Unaudited) HK\$ | Six months ended 30 June 2007 (Unaudited) HK\$ |
|-----------------------|---|---|
| Turnover comprises of | | |
| Interest Income | - | 989,425 |

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

3. INCOME TAX

No provision for Hong Kong profits tax is required since the company has no assessable profit for the period.

| | Six months ended 30 June 2008 (Unaudited) HK\$ | Six months ended 30 June 2007 (Unaudited) HK\$ |
|-----------------------|---|---|
| Hong Kong profits tax | - | 1,141,647 |

4. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2008 is based on the Group's loss attributable to the shareholders of HK\$3,204,891 and the weighted average number of 72,000,000 ordinary shares in issue during the period. Basic profit per share for the six months ended 30 June 2007 is based on the Group's profit attributable to shareholders of HK\$10,973,874 and the weighted average number of 72,000,000 shares in issue during the prior period.

No diluted (loss)/earnings per share are presented since the Group did not issue any dilutive potential ordinary shares during both periods presented.

5. (LOSS)/PROFIT FOR THE PERIOD

| | Six months ended 30 June 2008 (Unaudited) HK\$ | Six months ended 30 June 2007 (Unaudited) HK\$ |
|--|---|---|
| Depreciation of property, plant and equipment | 53,126 | - |
| Listing fees | 72,500 | 72,500 |
| Rental charges under operating leases of land and buildings | 289,984 | - |
| Staff costs (including directors' remuneration) | 432,131 | - |

6. DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for both periods.

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$226,963 (2007: NIL) on acquisition of property, plant and equipment.

8. AVAILABLE-FOR-SALE INVESTMENTS

| | 30 June 2008 (Unaudited) HK\$ | 31 December 2007 (Audited) HK\$ |
|--|-------------------------------------|---------------------------------------|
| Unlisted equity securities, at cost | 45,882,000 | 45,882,000 |
| Less: Allowances for impairment losses | (45,881,998) | (45,881,998) |
| Total | 2 | 2 |

9. INVESTMENTS HELD FOR TRADING

| | 30 June 2008 (Unaudited) HK\$ | 31 December 2007 (Audited) HK\$ |
|------------------------------------|-------------------------------------|---------------------------------------|
| Equity securities: | | |
| Listed in Hong Kong, at fair value | 7,581,940 | 9,117,030 |

10. MARGIN ACCOUNTS PAYABLE

The margin accounts payable as at 30 June 2008 was secured by the Group's investments held for trading of HK\$7,581,940 (2006: HK\$26,829,630).

11. SHORT TERM LOANS

| | 30 June 2008 (Unaudited) HK\$ | 31 December 2007 (Audited) HK\$ |
|------------------|-------------------------------------|---------------------------------------|
| Short term loans | 6,119,667 | 4,399,041 |

Notes:

- (a) Short term loans comprised the loan from Upbest Finance Company Limited ("UFC") of HK\$4,619,667 (2007: HK\$4,399,041), which is a fellow subsidiary of Upbest Assets Management Limited, the Group's investment manager. The loan is unsecured, 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).
- (b) Short term loan from a third party of HK\$1,500,000 (2007: NIL) is unsecured and repayable in November 2008. Interest is charged at the rate at the Hong Kong prime rate plus 1% per annum.

12. SHARE CAPITAL

| | 30 June 2008 (Unaudited) HK\$ | 31 December 2007 (Audited) HK\$ |
|--|-------------------------------------|---------------------------------------|
| Authorized: | | |
| 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 |

13. COMMITMENTS UNDER OPERATING LEASES

On 30 June 2008, the Group had future aggregate minimum lease prepayments in respect of land ad buildings under non-cancellable operating leases as follows:

| | 30 June 2008 (Unaudited) HK\$ | 31 December 2007 (Audited) HK\$ |
|---|-------------------------------------|---------------------------------------|
| Not later than one year | 554,752 | 554,752 |
| Over one year and not later than five years | 302,592 | 538,484 |
| | 857,344 | 1,093,236 |

14. CONNECTED TRANSACTIONS

| | Group and Company | |
|--|---|---|
| | Six months ended 30 June 2008 (Unaudited) HK\$ | Six months ended 30 June 2007 (Unaudited) HK\$ |
| Investment management fees (<i>note a</i>) | 170,017 | 579,856 |
| Custodian fee paid to Wing Hang Bank, Limited (<i>note b</i>) | 30,000 | 30,000 |

Notes:

- (a) The Company signed an investment management agreement with Upbest Assets Management Limited ("UAM"), the investment manager, for one year commencing from 28 May 2008. 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. Pursuant to this agreement, the Company pays UAM 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 of Hong Kong Limited and will continue in force until it is terminated by either party giving a written notice to the other party at any time.

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

15. RELATED PARTY TRANSACTIONS

In addition to note 14, the Group undertook the following transactions with related parties in the normal course of its business:

| | Six months ended 30 June 2008 (Unaudited) HK\$ | Six months ended 30 June 2007 (Unaudited) HK\$ |
|---|---|---|
| Interest expenses on the extended short term loans (<i>note a</i>) | 220,626 | 88,327 |

Notes:

- (a) Interest expenses on the extended 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\$4,822,380 (2007: HK\$15,391,980) at the balance sheet date. Upbest is the ultimate holding company of the Group's investment manager, UAM.