

INCUTECH

Incutech Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 356)

INCUTECH

ANNUAL REPORT 2006

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Wai Yin
Mr. Wong Wai Kwong, David
Mr. Wong Wing Hong, Benny

Independent Non-executive Directors

Mr. Kong Tze Wing
Mr. Siu Siu Ling, Robert
Mr. Ng Yick Man, Andy

REMUNERATION COMMITTEE

Mr. Kong Tze Wing
Mr. Siu Siu Ling, Robert
Mr. Ng Yick Man, Andy
Mr. Wong Wai Kwong, David

AUDIT COMMITTEE

Mr. Kong Tze Wing
Mr. Siu Siu Ling, Robert
Mr. Ng Yick Man, Andy

BANKERS

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

AUDITORS

Baker Tilly Hong Kong Limited

COMPANY SECRETARY

Mr. Wong Wai Kwong, David, FCCA, CPA

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

IN HONG KONG

Unit 506, 5th Floor
Unicorn Trade Centre
127-131 Des Voeux Road Central
Hong Kong

PRINCIPAL REGISTRARS

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

HONG KONG REGISTRARS

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

STOCK CODE

The Stock Exchange of Hong Kong Limited:
356

QUALIFIED ACCOUNTANT

Mr. Wong Wai Kwong, David, FCCA, CPA

Management Statement

The Board of Directors (the “Board”) of Incutech Investments Limited (the “Company”) is pleased to present the audited consolidated result of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2006.

REVIEW OF RESULTS

For the year ended 31 December 2006, the Group recorded a net profit of HK\$7,474,866 and earnings per share of HK10.38 cents. The Board has resolved not to pay a final dividend and proposed that earnings be retained for future investment opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hong Kong has experienced three years of strong and broad-based economic growth as evidenced by real GDP growth of 8.6% in 2004, 7.5% in 2005 and 6.8% in 2006. Fixed investment grew robustly at 7.9% in 2006, after 4.6% in 2005, with corporate spending on machinery and equipment being the main driver. After more than five years of deflation, consumer prices have been gradually edging up along with the solid economic recovery, rising by 2% in 2006 as a whole.

The Hang Seng Index blasted through the 20,000 points barrier, hitting a six-year high. The China factor has become a red-hot concept among global investors. Hong Kong is the largest source of overseas direct investment in the Chinese mainland. Interest rate movements will however have a critical impact on the economy. Apart from the direction of US interest rates, the liquidity situation of the Hong Kong economy plays a more important role in shaping the local interest rates with strong interbank liquidity, assets markets are likely to benefit from the benign interest rate environment. The government forecast in February 2007 that a GDP growth at 4.5-5.5% in real terms for 2007.

During the year under review, the Group reported a net profit from operation of HK\$11,698,880 on turnover of HK\$4,983,964 in 2006 as compared with a loss from operation of HK\$16,725,717 on turnover of HK\$975,761 in 2005. The results achieved were attributable mainly to the improved market conditions, particularly in the local stock market.

In 2007, whilst global economic growth is expected to be moderate, the outlook for Asia market has remained positive. On top of the provisions granted in earlier phases of the Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA), further liberalisation measures were announced on 29 June 2006, covering ten additional services sectors. These measures, effective from 2007, are expected to help expand the business scope allowable in China for Hong Kong companies.

The Group's investment portfolio comprised of unlisted investment and listed securities investment. The Group held minority stakes of unlisted companies which are to have sound business

Management Statement

fundamentals, growth potential and strong management for long-term strategic investment purpose to maintain good relationship with business counterparts and achieve recurring dividend income in future years. As at 31 December 2006, the Group's unlisted investments, valued at cost less impairment, totaling HK\$27,252,305 (2005: HK\$70,422,002).

As at 31 December 2006, the Group held listed securities investments at market value of approximately HK\$28.1 million (2005: approximately HK\$31.8 million).

Whilst the outlook for 2007 remains satisfactory, the Group will closely monitor its investment portfolio so as to enhance the shareholder's value.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2006, the Group had no bank overdraft (2005: HK\$Nil).

As at 31 December 2006, part of listed equity securities of the Group had been pledged to secure margin facilities.

Gearing Ratio

As at 31 December 2006, the amount of borrowings was approximately HK\$25 million (2005: HK\$35 million), being equal to approximately 34% (2005: 53%) of the net asset of approximately HK\$74 million (2005: HK\$66 million).

Capital Structure

There has been no change to the capital structure of the Company since 1 January 2006.

Capital commitment and contingent liabilities

As at 31 December 2006, the Group had no material capital commitment and contingent liabilities.

Share options

The Company does not have a share option scheme.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2006, the Group employed a total of 3 employees including the executive directors of the Company.

STAFF COST

The Group's total staff costs for the year under review amounted to HK\$300,000 (2005: HK\$300,000).

Management Statement

DETAILS OF CHARGES ON GROUP ASSETS

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

PLEDGE OF ASSETS

The margin accounts payable as at 31 December 2006 were secured by the Group's investments held for trading of HK\$28,052,013 (2005: HK\$31,836,942).

EXPOSURES 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.

Choi Wai Yin

Executive Director

Hong Kong, 18 April 2007

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities 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 11 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 are set out in the consolidated profit and loss account on page 21.

The directors do not recommend payment of a dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 18 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 10 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 17 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2006 are set out in Note 18 to the accounts.

PRE-EMPTIVE RIGHTS

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

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 48.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors during the year and up to the date of this report were:

Executive Directors

Mr. Choi Wai Yin

Mr. Wong Wai Kwong, David

Mr. Wong Wing Hong, Benny

Independent Non-executive Directors

Mr. Kong Tze Wing

Mr. Siu Siu Ling, Robert

Mr. Ng Yick Man, Andy

In accordance with Article 88 of the Company's Articles of Association, Mr. Wong Wing Hong Benny and Mr. Kong Tze Wing shall retire by rotation from office and all of them being eligible, offer themselves for re-election at the annual general meeting. All other directors continue in office.

Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy 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.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

Executive Directors:

Mr. Choi Wai Yin, aged 48, is an executive director. Mr. Choi holds a bachelor degree in Business Administration from the Chinese University of Hong Kong, a master degree of Science in Finance from the City University of Hong Kong and a bachelor degree in Laws from the Beijing University. He has over 18 years of experience in finance and fund management. From 1992 to 1994, he was a manager of the assessing department of BOCI Direct Investment Management Limited managing direct investment funds of approximately US\$120 million. From 1994 to 1998, he was an executive director of CEF New Asia Partners Limited managing two direct investment funds, namely CEF New Asia Company Limited and CEFNA Greater China Investments Company Limited, of approximately US\$180 million on behalf of independent third parties. Mr. Choi is currently an investment adviser registered under the Securities and Futures Ordinance. He is an executive director of Success Talent Investments Limited which is the investment manager of Earnest Investment Holdings Limited and China Treasure (Greater China) Investments Limited and an independent non-executive director of Fushan Holdings Limited. The shares of which are listed on the main board of the Stock Exchange. Mr. Choi will contribute to formulate the business direction of the Company, structure investment deals and monitor the performance of individual projects.

Mr. Wong Wai Kwong, David, age 49, is a company secretary and an executive director of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, and a Certified Public Accountant. He has over 25 years of experience in finance, accounting, corporate and taxation affairs. Mr. Wong is an independent non-executive director of Yugang International Limited, Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, Upbest Group Limited, UBA Investments Limited, and CC Land Holdings Limited, a non-executive director of Tonic Industries Holdings Limited, and a director of EganaGoldpfeil (Holdings) Limited. All of the above companies are listed in Hong Kong. Mr. Wong ceased to be a non-executive director of Cardlink Technology Group Limited in March 2007, and an executive director of Egana Jewellery & Pearls Limited which was privatized in November 2006. Save as disclosed above, Mr. Wong has not held any directorship in any other listed public company in the last three years.

Report of the Directors

Mr. Wong Wing Hong, Benny, aged 47, is an executive director of the Company and is involved in formulating the business direction of the Company's structured investment deals and monitor the performances of individual projects. He is responsible for formulating investment strategies and structuring investment prospects. Mr. Wong has over 20 years' experience in commercial banking. He had been the senior manager and member of the Credit Committee of Ansbacher Hong Kong Limited, member of Henry Ansbacher Group of United Kingdom ("UK") for 13 years and had served in a UK-based international bank for 6 years. His duties included credit review of corporate clients including Hong Kong listed and unlisted companies involved in the manufacturing, trading and investment industries. Mr. Wong completed a study in corporate financial management given by the Graduate School of Business, Stanford University.

Independent Non-executive Directors:

Mr. Kong Tze Wing, aged 56, is an independent non-executive Director. Mr. Kong is a fellow member of the Association of Chartered Certified Accountants since 1985 and became a fellow member of Hong Kong Institute of Certified Public Accountant in 1995. He became a ACA of The Institute of Chartered Accountants in England and Wales in October 2004. He was a former Vice President and Former Chairman of Mainland Affairs Committee of Hong Kong Institute of Accredited Accounting Technicians. He is also the Hon. President of The Institute of Financial Accountants in Hong Kong. Mr. Kong has been a Certified Public Accountants since 1981. He holds a bachelor degree in Accounting and a bachelor degree in Business Administration. He is a sole practitioner of the firm Messrs. James T. W. Kong & Co., Certified Public Accountants (Practising). Mr. Kong was an elected District Board member since 1991 and is currently an elected District Council member. He is actively participating in community services and has been appointed by the Hong Kong SAR Government to sit on various committees and appeal boards in Hong Kong. Mr. Kong is also an independent non-executive director of SMI Publishing Group Limited. He ceased to be an independent non-executive director of Ultra Group Holdings Limited in November 2006.

Mr. Siu Siu Ling, Robert, aged 54, 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.

Report of the Directors

Mr. Ng Yick Man, Andy, age 49, is an independent non-executive director. Mr. Ng has over 23 years' experience in the fields of finance, accounting, taxation and corporate governance. He is currently a Teaching Fellow of the Faculty of Business Administration of The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and CPA Australia. Mr. Ng is an independent non-executive director of EganaGoldpfeil (Holdings) Limited. He ceased to be an independent non-executive director of Egana Jewellery & Pearls Limited which was privatized in November 2006.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2006, none of the directors or chief executive (including their spouses and children under 18 years of age) of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange.

During the year, none of the directors and chief executive (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors or chief executives (including their spouses and children under 18 years of age) of the Company to hold any interests or short positions in the shares, underlying shares in or debentures of, the Company or its associated corporations.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 December 2006, the following persons or corporations, interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

Name of shareholder	Number of ordinary shares	% of total issued shares
Endless Wealth Limited [#]	15,000,000	20.83%

[#] Principally engaged in investment holding business, and wholly owned by and controlled by Mr. Chin Melvyn Michael.

Save as disclosed above, as at 31 December 2006, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to Part XV 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 management contracts in relation to the Group's business are set out in Note 23 to the accounts.

Save as disclosed in Note 23 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 2006, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”), are disclosed in Note 24 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 23 to the accounts.

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

The management fee paid during the year amounted to HK\$1,081,787 (2005: HK\$1,155,692). 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 has established an audit committee in accordance with rule 3.21 of the Listing Rules.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The audit committee has reviewed the annual results for the year ended 31 December 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The audit committee has discussed the internal control system effectiveness review report with the management, and is satisfied with the conclusion reached by the management that “the management is satisfied that prevailing internal control system is adequately in place, and has been implemented by the company properly. In addition, there revealed no significant areas of improvement which are required to be brought to the attention of the Board.”

The Company has complied with the Code throughout the financial year ended 31 December 2006, with deviation from code provision A.4.1 of the Code only in respect of the service term of the directors.

Report of the Directors

None of the existing non-executive directors (including 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:

Mr. Choi Wai Yin is an executive director of Success Talent Investments Limited, which is the investment manager of Earnest Investment Holdings Limited and China Treasure (Greater China) Investments Limited, the shares of which are listed on the main board of the Stock Exchange. In view of the differences in the investment objectives, it is believed that his roles in these companies would not result in any conflicts of interest with the Company. Mr. Choi will abstain from voting on transactions where conflicts of interest arise between the Company, Earnest Investment Holdings Limited, and China Treasure (Greater China) Investments Limited.

AUDITORS

The accounts have been audited by Baker Tilly Hong Kong Limited.

By order of the Board

Choi Wai Yin

Executive Director

Hong Kong, 18 April 2007.

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 three executive directors and three independent non-executive directors (“INED(s)”). Mr. Wong Wai Kwong, David, executive director, Mr. Kong Tze Wing, independent non-executive director and Chairman of audit committee and Mr. Ng Yick Man, Andy, independent non-executive director and member of audit committee have the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on pages 8 to 10 of this Annual Report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed his independence to 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.

Corporate Governance Report

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

The Board held four regular Board meetings at approximately quarterly interval during 2006. 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 2006

	Number of Meetings Attended	Attendance Rate
Executive Director		
Mr. Choi Wai Yin	4/4	100%
Mr. Wong Wai Kwong, David	4/4	100%
Mr. Wong Wing Hong, Benny	4/4	100%
INEDs		
Mr. Kong Tze Wing	4/4	100%
Mr. Siu Siu Ling, Robert	3/4	75%
Mr. Ng Yick Man, Andy	4/4	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 Remuneration Committee and the Audit Committee formed under the Board, with each performing different functions.

Corporate Governance Report

Remuneration Committee

The Board has established a Remuneration Committee comprising one executive director, Mr. Wong Wai Kwong, David and three independent non-executive directors, Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy. It is chaired by Mr. Kong Tze Wing.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Corporate Governance Code.

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

Set out below is the summary of work of the Remuneration Committee done in 2006:–

- 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;
- to review the annual share option policy.

The Remuneration Committee held one meeting for the financial year ended 31 December 2006. Details of individual attendance of its members are set out in the table below:–

	Number of Meetings Attended	Attendance Rate
Executive Director		
Mr. Wong Wai Kwong, David	1/1	100%
INEDs		
Mr. Kong Tze Wing	1/1	100%
Mr. Siu Siu Ling, Robert	1/1	100%
Mr. Ng Yick Man, Andy	1/1	100%

Corporate Governance Report

Audit Committee

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

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

1. to review the annual report and half-year report before submission to the Board;
2. to review the Group's financial and accounting policies and practices;
3. to review the financial controls, internal control and risk management systems;
4. to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
5. to be primarily responsible for making recommendation to the Board on the appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditors; and
6. to report to the Board on the matters set out in the code provision relating to Audit Committee as set out in the Code.

The Audit Committee held 2 meetings for the financial year ended 31 December 2006. Details of individual attendance of its members are set out in the table below:-

	Number of Meetings Attended	Attendance Rate
INEDs		
Mr. Kong Tze Wing	2/2	100%
Mr. Siu Siu Ling, Robert	1/2	50%
Mr. Ng Yick Man, Andy	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 2006.

Auditors' Remuneration

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

During the year, the fees paid to the Company's auditor in respect of audit services amounted to HK\$187,000. No non-audit services were provided by the Company's auditors for the financial year ended 31 December 2006.

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 2006 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 Baker Tilly Hong Kong Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Report of Independent Auditors on page 20.

Report of Independent Auditors

REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF INCUTECH INVESTMENTS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of Incutech Investments Limited (the “company”) set out on pages 21 to 48 which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of principal accounting policies and other explanatory notes.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

RESPONSIBILITIES OF AUDITORS

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the company and of the group as at 31 December 2006 and of the group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BAKER TILLY HONG KONG LIMITED

Certified Public Accountants

Hong Kong, 18 April 2007

Andrew David Ross

Practising Certificate number P01183

Consolidated Profit and Loss Account

For the year ended 31 December 2006

	Note	2006 HK\$	2005 HK\$
Turnover	3	4,983,964	975,761
Gain/(loss) on disposals of investments held for trading	3	4,188,310	(3,605,865)
Fair value gain/(loss) on investments held for trading	13	12,301,207	(8,207,188)
Gain on disposal of a subsidiary	20(b)	4,627,844	—
Provision for investment losses		(12,019,697)	(3,659,000)
Investment management fees	23	(1,081,787)	(1,155,692)
Other operating expenses		(1,300,961)	(1,073,733)
Operating profit/(loss)		11,698,880	(16,725,717)
Finance costs	4	(3,218,932)	(2,248,176)
Profit/(loss) before income tax	5	8,479,948	(18,973,893)
Income tax	6	(1,005,082)	—
Profit/(loss) attributable to shareholders	7	7,474,866	(18,973,893)
Earnings/(loss) per share	8	HK10.38 cents	HK(26.35 cents)

The notes on pages 26 to 47 form an integral part of these accounts.

Consolidated Balance Sheet

As at 31 December 2006

	Note	2006 HK\$	2005 HK\$
NON-CURRENT ASSETS			
Fixed assets	10	–	6,701
Available-for-sale investments	12	27,252,305	14,562,002
		27,252,305	14,568,703
CURRENT ASSETS			
Available-for-sale investments	12	–	55,860,000
Investments held for trading	13	28,052,013	31,836,942
Accounts receivable	14	17,006,987	700,671
Prepayments and other receivables		211,905	55,009
Cash and cash equivalents	20(c)	28,173,124	40,711
		73,444,029	88,493,333
CURRENT LIABILITIES			
Margin accounts payable	15	440,388	5,494,665
Short term loans	16	24,718,080	29,661,999
Creditors and accruals		763,391	1,610,845
Taxation		1,005,082	–
		26,926,941	36,767,509
NET CURRENT ASSETS		46,517,088	51,725,824
TOTAL ASSETS LESS CURRENT LIABILITIES		73,769,393	66,294,527
FINANCED BY:			
Share capital	17	720,000	720,000
Reserves	18	73,049,393	65,574,527
SHAREHOLDERS' FUNDS		73,769,393	66,294,527
NET ASSET VALUE PER SHARE	19	HK\$1.02	HK\$0.92

Choi Wai Yin
Director

Wong Wing Hong, Benny
Director

The notes on pages 26 to 47 form an integral part of these accounts.

Balance Sheet

As at 31 December 2006

	Note	2006 HK\$	2005 HK\$
NON-CURRENT ASSETS			
Fixed assets	10	–	6,701
Interests in subsidiaries	11	47,820,096	62,723,996
		47,820,096	62,730,697
CURRENT ASSETS			
Prepayments and other receivables		211,905	55,009
Bank balances and cash		130,312	37,957
		342,217	92,966
CURRENT LIABILITIES			
Creditors and accruals		763,383	1,610,835
		763,383	1,610,835
NET CURRENT LIABILITIES			
		(421,166)	(1,517,869)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		47,398,930	61,212,828
FINANCED BY:			
Share capital	17	720,000	720,000
Reserves	18	46,678,930	60,492,828
SHAREHOLDERS' FUNDS			
		47,398,930	61,212,828

Choi Wai Yin
Director

Wong Wing Hong, Benny
Director

The notes on pages 26 to 47 form an integral part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Share capital HK\$	Share premium HK\$	Retained earnings HK\$	Total HK\$
At 1 January 2005	720,000	67,320,071	17,228,349	85,268,420
Loss for the year	–	–	(18,973,893)	(18,973,893)
At 31 December 2005	720,000	67,320,071	(1,745,544)	66,294,527
Profit for the year	–	–	7,474,866	7,474,866
At 31 December 2006	720,000	67,320,071	5,729,322	73,769,393

The notes on pages 26 to 47 form an integral part of these accounts.

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 HK\$	2005 HK\$
Operating activities			
Net cash inflow from operating activities	20(a)	32,896,451	14,740,625
Investing activities			
Net cash effect on disposal of a subsidiary	20(b)	(6,835,008)	–
Purchases of available-for-sale investments		(2,250,000)	(14,680,000)
Interest income		4,320,970	–
Net cash outflow from investing activities		(4,764,038)	(14,680,000)
Net increase in cash and cash equivalents		28,132,413	60,625
Cash and cash equivalents at beginning of year		40,711	(19,914)
Cash and cash equivalents at end of year		28,173,124	40,711
Analysis of balance of cash and cash equivalents	20(c)	28,173,124	40,711

The notes on pages 26 to 47 form an integral part of these accounts.

Notes To The Accounts

31 December 2006

1. GENERAL INFORMATION

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

The address of the Company’s registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies. The principal place of business in Hong Kong is located at Unit 506, 5th Floor, Unicorn Trade Centre, 127-131 Des Voeux Road Central, Hong Kong.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Notes To The Accounts

31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKAS 1 (Amendment)	Note a	Capital disclosures
HKFRS 7	Note a	Financial Instruments: Disclosures
HKFRS 8	Note b	Operating segments
HK(IFRIC) – Int 7	Note c	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies
HK(IFRIC) – Int 8	Note d	Scope of HKFRS 2
HK(IFRIC) – Int 9	Note e	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Note f	Interim financial reporting and impairment
HK(IFRIC) – Int 11	Note g	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 12	Note h	Service concession arrangements

Note a: effective for annual periods beginning on or after 1 January 2007

Note b: effective for annual periods beginning on or after 1 January 2009

Note c: effective for annual periods beginning on or after 1 March 2006

Note d: effective for annual periods beginning on or after 1 May 2006

Note e: effective for annual periods beginning on or after 1 June 2006

Note f: effective for annual periods beginning on or after 1 November 2006

Note g: effective for annual periods beginning on or after 1 March 2007

Note h: effective for annual periods beginning on or after 1 January 2008

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

(a) Consolidation

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

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

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

Notes To The Accounts

31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

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

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 profit and loss account.

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 profit and loss account.

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

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Furniture and fixtures are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis at an annual rate of 20%.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

Notes To The Accounts

31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Impairment of assets

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

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

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

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

(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 profit and loss account on a straight-line basis over the lease period.

(f) Available-for-sale investments

Available-for-sale investments are stated at fair value plus transaction cost, except for those securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. In such cases, these are stated at cost less impairment loss.

Notes To The Accounts

31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Investments held for trading

Investments held for trading are recognised and derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair values. At each balance sheet date, these are stated at their fair values and any gains and losses arising from changes in fair values are included in the profit and loss account during the year.

(h) Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision. Provision is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(i) 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.

(j) 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.

Notes To The Accounts

31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) 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 accounts. 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 accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(l) 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 recognised until the time of leave.

(m) Deferred income tax

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes To The Accounts

31 December 2006

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) 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 recognised on the transfer of risks and rewards of ownership which generally coincides with the time when investments are delivered and title has passed.

(o) Related parties

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

3. TURNOVER, REVENUES AND SEGMENT INFORMATION

Total revenues recognised during the year are as follows:

	2006 HK\$	2005 HK\$
Turnover:		
Interest income		
– commercial paper	4,176,089	–
– short term loans	144,881	–
Dividend income	662,994	975,761
	4,983,964	975,761
Other revenues:		
Gain on disposals of investments held for trading	4,188,310	–
Total revenues	9,172,274	975,761

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.

Notes To The Accounts

31 December 2006

4. FINANCE COSTS

	2006 HK\$	2005 HK\$
Interest on commercial paper	2,035,730	199,619
Interest on short term margin loans	152,443	553,537
Interest on short term loans (Note 24)	1,030,759	1,495,020
	3,218,932	2,248,176

5. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2006 HK\$	2005 HK\$
Auditors' remuneration	187,000	182,300
Depreciation of fixed assets	2,839	4,254
Listing fees	145,000	145,000
Loss on disposal of fixed assets	3,862	—
Rental charges under operating leases of land and buildings	104,389	83,113
Share registration fees	163,318	73,518
Staff costs (including directors' remuneration)	300,000	300,000

6. INCOME TAX

Hong Kong profits tax is provided at the rate of 17.5% (2005: HK\$nil) on the estimated assessable profit for the year.

The amount of income tax charged to the consolidated profit and loss account represents:

	2006 HK\$	2005 HK\$
Hong Kong – Current year	1,005,082	—

Notes To The Accounts

31 December 2006

6. INCOME TAX (Continued)

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

	2006 HK\$	2005 HK\$
Profit/(loss) before taxation	8,479,948	(18,973,893)
Notional tax at the domestic tax rate of 17.5% (2005: 17.5%)	1,483,991	(3,320,431)
Tax effect of income not subject to taxation	(2,931,862)	(170,758)
Tax effect of non-deductible expenses	4,476,455	1,064,403
Tax effect of tax losses not recognised	403,610	2,426,786
Tax effect of temporary differences not recognised	(326)	—
Tax effect of prior year's tax losses utilised this year	(2,426,786)	—
Taxation in income statement	1,005,082	—

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

7. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the profit/(loss) attributable to shareholders, a loss of HK\$13,813,898 (2005: HK\$2,223,687) has been dealt with in the accounts of the Company.

8. EARNINGS/(LOSS) PER SHARE

The calculation of the earnings/(loss) per share is based on the profit attributable to shareholders of HK\$7,474,866 (2005: loss of HK\$18,973,893). The basic earnings per share is based on the weighted average number of 72,000,000 (2005: 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.

Notes To The Accounts

31 December 2006

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2006 HK\$	2005 HK\$
Executive Directors		
Choi Wai Yin	50,000	50,000
Wong Wai Kwong, David	50,000	50,000
Wong Wing Hong, Benny	50,000	50,000
Independent Non-executive Directors		
Kong Tze Wing	50,000	50,000
Siu Siu Ling, Robert	50,000	50,000
Ng Yick Man, Andy	50,000	50,000
	300,000	300,000

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include five (2005: five) directors, whose emoluments have been reflected in the analysis presented in part (a).

Notes To The Accounts

31 December 2006

10. FIXED ASSETS

	Group and Company
	Furniture and fixtures HK\$
Cost	
At 1 January 2005 and 31 December 2005	21,290
Disposals	(21,290)
At 31 December 2006	–
Accumulated depreciation	
At 1 January 2005	10,335
Charge for the year	4,254
At 31 December 2005	14,589
Charge for the year	2,839
Eliminated on disposals	(17,428)
At 31 December 2006	–
Net book value	
At 31 December 2006	–
At 31 December 2005	6,701

11. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK\$	HK\$
Unlisted shares, at cost	23	31
Amounts due from subsidiaries	47,820,073	62,723,965
	47,820,096	62,723,996

Notes To The Accounts

31 December 2006

11. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. Details of the subsidiaries, which were all incorporated in the British Virgin Islands and wholly-owned by the Company, as at 31 December 2006:

Name	Principal activities and operation	Particulars of issued share capital
Good Connection Traders Limited	Investment holding in Hong Kong	1 ordinary share of US\$1 each
Excel Win Development Corporation	Investment holding in Hong Kong	1 ordinary share of US\$1 each
Jointline Investment Limited	Investment holding in Hong Kong	1 ordinary share of US\$1 each

In November 2006, the Group disposed its entire interest in a subsidiary, Hover Technologies Limited, which was a subsidiary of the Group and the related details are disclosed in note 20(b). The results of this disposed subsidiary included in the consolidated profit and loss account up to the effective date of disposal was loss of HK\$10,440,630. The results of the corresponding period in 2005 was loss of HK\$3,858,619.

12. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006 HK\$	2005 HK\$
Unlisted equity securities, at cost	30,882,000	76,720,002
Less: provision for impairment losses	(3,629,695)	(6,298,000)
	27,252,305	70,422,002

	Group	
	2006 HK\$	2005 HK\$
Non-current assets	27,252,305	14,562,002
Current assets	–	55,860,000
	27,252,305	70,422,002

Available-for-sale investments in unlisted 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.

Notes To The Accounts

31 December 2006

12. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Details of unlisted equity securities (included in non-current assets) are as follows:

Name of investee company	Nature of business	Particulars of issued shares held	Interest held	Cost 2006 HK\$	% of total assets of the Group
Super Plus Investments Limited	Distribution of consumer products in Greater China	10,000 (2005: 6,000) ordinary shares of US\$1 each	20.00% (2005: 12.00%)	30,882,000 (2005: 16,250,000)	27.06% (2005: 15.23%)
Canton Glory Technology Limited	Engaged in design and installation of safe gas supply system, supply installation, repair and contract maintenance of stainless steel kitchen equipment	Nil (2005: 2) ordinary shares of HK\$1 each	Nil (2005: 20%)	Nil (2005: 2)	Nil (2005: Nil)

Super Plus Investments Limited was incorporated in BVI and Canton Glory Technology Limited was incorporated in Hong Kong.

Notes To The Accounts

31 December 2006

13. INVESTMENTS HELD FOR TRADING

	Group	
	2006 HK\$	2005 HK\$
Equity securities listed in Hong Kong, at fair values	28,052,013	31,836,942

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:

		2006		2005		% of total	Net assets	
Name of investee company	Number of shares	Fair value	Fair value gain	Fair value	Fair value gain/(loss)	assets of the Group	attributable to the Group	Note
		HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	
EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil")	1,339,803 (2005: 10,366,931)	5,895	295	19,179	1,688	5.85% (2005: 17.97%)	2,260 (2005: 16,838)	1
UBA Investments Limited ("UBA Investments")	36,310,000 (2005: 36,310,000)	3,631	–	3,631	–	3.61% (2005: 3.04%)	3,859 (2005: 3,274)	2
Upbest Group Limited ("Upbest")	9,404,000 (2005: 9,304,000)	18,526	12,006	6,420	(9,490)	18.40% (2005: 6.02%)	4,032 (2005: 3,386)	3
Egana Jewellery & Pearls Limited ("Egana Jewellery")	Nil (2005: 2,328,000)	–	–	2,607	(405)	Nil (2005: 2.44%)	Nil (2005: 3,923)	
		28,052	12,301	31,837	(8,207)			

Notes To The Accounts

31 December 2006

13. INVESTMENTS HELD FOR TRADING (Continued)

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

Note 1: EganaGoldpfeil

EganaGoldpfeil and its subsidiaries are principally engaged in design, assembly, manufacturing and distribution of timepieces, jewellery and leather products; licensing or assignment of brand names to third parties; and trading of timepiece components, jewellery and consumer electronic product.

The unaudited profit attributable to shareholders of EganaGoldpfeil for the six months ended 30 November 2006 was approximately HK\$186,023,000 (six months ended 30 November 2005: HK\$147,196,000). As at 30 November 2006, the unaudited net asset value of EganaGoldpfeil was approximately HK\$2,428,383,000 (30 November 2005: HK\$1,751,463,000).

Note 2: UBA Investments

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

The unaudited profit attributable to shareholders of UBA Investments for the six months ended 30 September 2006 was HK\$9,927,313 (six months ended 30 September 2005: HK\$1,771,794). As at 30 September 2006, the unaudited net asset value of UBA Investments was HK\$112,631,795 (30 September 2005: HK\$95,565,949).

Note 3: 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 2006 was approximately HK\$24,301,000 (six months ended 30 September 2005: HK\$61,324,000). As at 30 September 2006, the unaudited net asset value of Upbest was approximately HK\$537,335,000 (30 September 2005: HK\$429,538,000). Upbest is the ultimate holding company of the Group's investment manager, Upbest Asset Management Limited ("UAM").

Notes To The Accounts

31 December 2006

14. ACCOUNTS RECEIVABLE

The balance at 31 December 2006 comprised a short term loan of HK\$17,000,000 to an investee company and the related interest receivable.

15. MARGIN ACCOUNTS PAYABLE

The margin accounts payable as at 31 December 2006 were secured by the Group's investments held for trading of HK\$28,052,013 (2005: HK\$31,836,942).

16. SHORT TERM LOANS

Short term loans were extended by Upbest Finance Company Limited ("UFC"), which is a fellow subsidiary of UAM, the Group's investment manager. The loans are unsecured, repayable on demand. Interest is charged at the rate at the Hong Kong prime rate plus 4% per annum (2005: Hong Kong prime rate plus 4% per annum).

17. SHARE CAPITAL

	2006 HK\$	2005 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

18. RESERVES

	Share premium HK\$	Group Retained earnings HK\$	Total HK\$
At 1 January 2005	67,320,071	17,228,349	84,548,420
Loss for the year	—	(18,973,893)	(18,973,893)
At 31 December 2005	67,320,071	(1,745,544)	65,574,527
Profit for the year	—	7,474,866	7,474,866
At 31 December 2006	67,320,071	5,729,322	73,049,393

Notes To The Accounts

31 December 2006

18. RESERVES (Continued)

	Share premium HK\$	Company Retained earnings HK\$	Total HK\$
At 1 January 2005	67,320,071	(4,603,556)	62,716,515
Loss for the year	—	(2,223,687)	(2,223,687)
At 31 December 2005	67,320,071	(6,827,243)	60,492,828
Loss for the year	—	(13,813,898)	(13,813,898)
At 31 December 2006	67,320,071	(20,641,141)	46,678,930

Distributable reserves of the Company at 31 December 2006 according to the Company's Articles of Association amounted to HK\$46,678,930 (2005: HK\$60,492,828).

19. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2006 of HK\$73,796,393 (2005: HK\$66,294,527) and 72,000,000 (2005: 72,000,000) ordinary shares in issue as at year end.

Notes To The Accounts

31 December 2006

20. CONSOLIDATED CASH FLOW STATEMENT

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

	2006 HK\$	2005 HK\$
Profit/(loss) before taxation	8,479,948	(18,973,893)
Adjustments for:		
Interest income	(4,320,970)	—
Interest expenses	3,218,932	2,248,176
Depreciation of fixed assets	2,839	4,254
(Gain)/loss on disposal of investments held for trading	(4,188,310)	3,605,865
Gain on disposal of a subsidiary	(4,627,844)	—
Loss on disposal of fixed assets	3,862	—
Fair value (gain)/loss on investments held for trading	(12,301,207)	8,207,188
Provision for impairment losses	12,019,697	3,659,000
Operating loss before changes in working capital	(1,713,053)	(1,249,410)
Increase in accounts receivable	(16,443,464)	(700,671)
Increase in prepayments and other receivables	(156,896)	(31,021)
Increase/(decrease) in commercial paper	45,000,000	(19,000,000)
Decrease in investments held for trading	20,274,446	15,720,467
Decrease in margin accounts payable	(5,054,277)	(3,395,429)
(Decrease)/increase in short term loans	(4,943,919)	26,307,210
Decrease in creditors and accruals	(847,454)	(662,345)
Net cash inflow generated from operations	36,115,383	16,988,801
Interest paid	(3,218,932)	(2,248,176)
Net cash inflow from operating activities	32,896,451	14,740,625

Notes To The Accounts

31 December 2006

20. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiary

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

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

(c) Analysis of balance of cash and cash equivalents

	2006 HK\$	2005 HK\$
Bank balances and cash	157,014	40,711
Commercial paper*	28,016,110	—
	28,173,124	40,711

* Commercial paper represented receivable from an independent third party which was unsecured and matured on 29 March 2007, and bore interest at 7% per annum.

Notes To The Accounts

31 December 2006

21. CONTINGENT LIABILITIES

	Group		Company	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Guarantees for bank overdrafts and margin accounts of subsidiaries at the balance sheet date	—	—	440,388	5,494,665

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

22. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2006, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases for its office as follows:

	Group and Company	
	2006 HK\$	2005 HK\$
Not later than one year	68,850	68,400

23. CONNECTED TRANSACTIONS

	Group and Company	
	2006 HK\$	2005 HK\$
Investment management fees paid to UAM (Note a)	1,081,787	1,155,692
Custodian fees paid to Wing Hang Bank, Limited (Note b)	60,000	60,000

Notes To The Accounts

31 December 2006

23. CONNECTED TRANSACTIONS (Continued)

Note:

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

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

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

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

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

24. RELATED PARTY TRANSACTIONS

In addition to note 23, the Group undertook the following transactions with related parties in the normal course of its business:

	2006 HK\$	2005 HK\$
Interest expenses on the extended short term loans (Note a)	1,030,759	1,495,020

Notes To The Accounts

31 December 2006

24. RELATED PARTY TRANSACTIONS (Continued)

Notes

- a. Interest expenses on the extended short term loans, charged at the rate at the Hong Kong prime rate plus 4% per annum (2005: 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\$18,526,000 (2005: HK\$6,420,000) at the balance sheet date. As set out in note 13, Upbest is the ultimate holding company of the Group's investment manager, UAM.

25. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18 April 2007.

Financial Summary

	2006 HK\$	2005 HK\$	2004 HK\$	2003 HK\$	2002 HK\$
RESULTS					
Profit/(loss) attributable to shareholders	7,474,866	(18,973,893)	10,590,402	6,574,817	63,130
ASSETS AND LIABILITIES					
Total assets	100,696,334	103,062,036	118,810,084	93,073,106	56,090,000
Total liabilities	26,926,941	36,767,509	33,541,664	18,395,088	1,024,799
Shareholders' funds	73,769,393	66,294,527	85,268,420	74,678,018	55,065,201