



INCUTECH

INTERIM REPORT 2006



INCUTECH

INCUTECH INVESTMENTS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 356)

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

AUDIT COMMITTEE

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

BANKERS

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

AUDITORS

Baker Tilly Hong Kong Limited

INVESTMENT MANAGER

Upbest Assets Management Limited
2nd Floor, Wah Kit Commercial Centre
302 Des Voeux Road Central
Hong Kong

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 405, 4th 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 AND COMPANY SECRETARY

Mr. Wong Wai Kwong, David, *FCCA, CPA*

INTERIM RESULTS AND CONDENSED ACCOUNTS

The Board of Directors (the "Board") of Incutech Investments Limited (the "Company") is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2006. The consolidated results, consolidated cash flow statement, and consolidated statement of changes in equity for the period ended 30th June, 2006 and the consolidated balance sheet as at 30th June, 2006 of the Group, all of which are unaudited and condensed, are set out on pages 8 to 16 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 30th June, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six-month period ended 30th June 2006, the Group reported a net profit of approximately HK\$946,000 on turnover of HK\$842,736 as compared with a net loss of approximately HK\$9,419,000 on turnover of HK\$398,664 for the corresponding period in 2005. The profit achieved was mainly generated from dividend income and interest income during the period. In addition, the Group recorded income of approximately HK\$11,373,000 arising from unrealized gain on investments held for trading which compared to an unrealized loss of approximately HK\$15,184,000 on marketable securities for the corresponding period in 2005. This achievement reflected improved market conditions, particularly in the stock market, in Hong Kong. After off-setting a loss of approximately HK\$8,390,000 arising from provision for losses on available-for-sale investments, and the deduction of operating expenses, a net profit of approximately HK\$946,000 was recorded.

Operating expenses had been well contained during the period. Whilst increases of interest rate occurred, with the Group's strategy to reduce borrowings, finance cost was in fact decreased substantially by almost 40% from approximately of HK\$1,145,000 for the 6-month period ended 30th June, 2005 to approximately HK\$690,000 for the 6-month period ended 30th June, 2006.

The outlook of Hong Kong remains optimistic. While China continues to carry forward reform and pursue development, marked progress has been made in curbing the inflation level by adopting measures, including strengthening and improving macro control, the overall economic situation in China is satisfactory. With this positive business and improved investment environment, the Group's investments are anticipated to provide the Group with certain recurrent dividend and incomes.

As at 30th June, 2006, the Group recorded net assets of HK\$67,241,154 (as at 31st December, 2005: HK\$66,294,527). Total net asset per share was HK\$0.934 (as at 31st December, 2005: HK\$0.921).

FINANCIAL REVIEW

Liquidity and Financial resources

As at 30th June, 2006, the Group had no bank overdraft outstanding (2005: overdraft HK\$35,565). As at 30th June, 2006, part of listed equity securities of the Group had been pledged to secure margin facilities.

Capital structure

There has been no change in the Group's capital structure since 31st December, 2005.

Capital commitment and contingent liabilities

As at 30th June, 2006, the Group had no material capital commitment and contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

During the period ended 30th June, 2006, the Group held investment in listed shares and unlisted securities of approximately HK\$14.7 million and HK\$37.9 million respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2006, the Group had 3 employees, including the executive directors of the company.

SHARE OPTIONS

The Group does not adopt any share option scheme.

PROSPECTS

The Hong Kong economy has continued to show healthy growth, with the real GDP rising above trend for more than two years. In the first half of 2006, real GDP rose by 6.6%, following growth of 8.6% in 2004, and 7.3% in 2005. Domestic demand has resumed its growth momentum since the beginning of 2005 and is now playing an increasing role in the current economic upturn. Fixed investments grew healthy at 5.9% in the first half of 2006, after 4.1% in 2005, with corporate spending on machinery and equipment being the main driver. As for the external sectors, growth of exports of goods and services maintained robust at 10.1% and 8.8% in real terms in the first half of 2006. The government forecast of GDP growth of 4-5% for 2006.

In addition, other major financial markets worldwide in particular the economic development in the Mainland are growing solidly.

Overall, the outlook of Hong Kong's economy remains satisfactory. While remaining optimistic towards the recent market conditions, the Directors would exercise caution when making investments in companies having activities in the region with good appreciation potential in order to broaden the asset base and maximize the reward to our shareholders.

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 SHARES

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

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

As at 30th June, 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.

At no time during the year, have 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.

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

As at 30th June, 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 30th June, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to good corporate governance. During the period under review, it has taken appropriate steps to ensure compliance with the code provisions of the Code on Corporate Governance Practice (Code) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

The Company has complied with the Code throughout the six months ended 30th June, 2006, with deviations from code provisions A.4.1 of the Code only in respect of the service term and rotation of 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.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has discussed and reviewed the Company's corporate governance practices with the management and is satisfied with the Company's internal controls and financial reporting matters, which have been implemented properly. In addition, there revealed no significant areas of improvement which are required to be brought to the attention of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30th June, 2006 before recommending them to the Board for approval.

The Committee comprises three independent non-executive directors, namely Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy.

By order of the Board
Wong Wing Hong, Benny
Director

Hong Kong, 14th September, 2006

As at the date of this report, the Board consists of Mr. Choi Wai Yin, Mr. Wong Wai Kwong David and Mr. Wong Wing Hong Benny as executive directors, and Mr. Kong Tze Wing, Mr. Siu Siu Ling Robert and Mr. Ng Yick Man Andy as independent non-executive directors.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

| | | Six months ended 30th June, 2006 (Unaudited) HK\$ | Six months ended 30th June, 2005 (Unaudited) HK\$ |
|---|-------|--|--|
| Turnover | 3 | 842,736 | 398,664 |
| Unrealized profit/(loss) on financial assets at fair value through profit or loss | | 11,373,310 | (15,184,184) |
| Provision for impairment losses | | (8,390,002) | - |
| (Loss)/profit on disposal of investments held for trading | | (1,265,695) | 7,335,810 |
| Investment management fee | 14(a) | (551,643) | (600,712) |
| Other operating expenses | | (371,302) | (223,969) |
| Operating profit/(loss) | | 1,637,404 | (8,274,391) |
| Finance costs | | (690,777) | (1,145,413) |
| Profit/(loss) before taxation | | 946,627 | (9,419,804) |
| Taxation | 4 | - | - |
| Profit/(loss) attributable to shareholders | | 946,627 | (9,419,804) |
| Basic profit/(loss) per share | 5 | 1.31 cents | (13.08 cents) |
| Interim dividend | | - | - |

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2006 AND 31ST DECEMBER, 2005

| | | 30th June, 2006 (Unaudited) <i>HK\$</i> | 31st December, 2005 (Audited) <i>HK\$</i> |
|---------------------------------------|-------------|--|--|
| | <i>Note</i> | | |
| ASSETS AND LIABILITIES | | | |
| Non-Current assets | | | |
| Fixed assets | 6 | 4,572 | 6,701 |
| Available-for-sales investments | 7 | 37,882,002 | 14,562,002 |
| Currents assets | | | |
| Available-for-sales investments | | - | 55,860,000 |
| Investments held for trading | 7 | 14,701,600 | 31,836,942 |
| Accounts receivable | | 3,575 | 700,671 |
| Prepayment and other receivables | 8 | 102,410 | 55,009 |
| Cash and cash equivalent | | 105,709,425 | - |
| Bank balances | | 31,740 | 40,711 |
| | | 120,548,750 | 88,493,333 |
| Current liabilities | | | |
| Margin accounts payable | 9 | - | 5,494,665 |
| Short term loan | 10 | 90,451,161 | 29,661,999 |
| Creditors and accruals | | 743,009 | 1,610,845 |
| | | 91,194,170 | 36,767,509 |
| Net current assets | | 29,354,580 | 51,725,824 |
| Total assets less current liabilities | | 67,241,154 | 66,294,527 |
| Financed by: | | | |
| Share capital | 11 | 720,000 | 720,000 |
| Reserves | 12 | 66,521,154 | 65,574,527 |
| Shareholders' funds | | 67,241,154 | 66,294,527 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

| | Six months ended 30th June, 2006 (Unaudited) <i>HK\$</i> | Six months ended 30th June, 2005 (Unaudited) <i>HK\$</i> |
|--|---|---|
| Net cash inflow/(outflow) in operating activities | 80,952,629 | (13,219) |
| Cash inflow from investing activities | 24,747,825 | - |
| Net increase/(decrease) in cash and cash equivalents | 105,700,454 | (13,219) |
| Cash and cash equivalents at beginning of period | 40,711 | (19,914) |
| Cash and cash equivalents at end of period | <u>105,741,165</u> | <u>(33,133)</u> |
| Analysis of balances of cash and cash equivalents | | |
| Cash and cash equivalents | 105,709,425 | - |
| Bank balances | 31,740 | 2,432 |
| Bank overdrafts | - | (35,565) |
| | <u>105,741,165</u> | <u>(33,133)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006 AND 30TH JUNE, 2005

| | Six months ended 30th June, 2006 (Unaudited) <i>HK\$</i> | Six months ended 30th June, 2005 (Unaudited) <i>HK\$</i> |
|--------------------------------|---|---|
| Total equity as at 1st January | 65,574,527 | 85,268,420 |
| Profit/(Loss) for the period | 946,627 | (9,419,804) |
| Total equity as at 30th June | <u>66,521,154</u> | <u>75,848,616</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Summary of significant accounting policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005 except as described below.

In the current interim period, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereafter collectively referred to as the ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 31st December, 2005 or 1st January, 2006.

The adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Presentation of financial statements: Capital disclosures ¹ |
| HKFRS 7 | Financial instruments: Disclosures ¹ |
| HK(IFRIC)-INT 7 | Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ² |
| HK(IFRIC)-INT 8 | Scope of HKFRS 2 ³ |
| HK(IFRIC)-INT 9 | Reassessment of embedded derivatives ⁴ |

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

Comparative figures have been reclassified to conform with the current period's presentation.

3. 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 30th June, 2006 are as follows:

| | Six months ended 30th June, 2006 (Unaudited) HK\$ | Six months ended 30th June, 2005 (Unaudited) HK\$ |
|-----------------|--|--|
| Turnover | | |
| Dividend Income | 244,909 | 398,664 |
| Interest Income | 597,827 | - |
| | <hr/> | <hr/> |
| Total | <u>842,736</u> | <u>398,664</u> |

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.

4. Taxation

No Hong Kong profits tax has been provided as the Group does not have any assessable profits for the period.

5. Earnings/(loss) per share

The calculation of the basic earnings per share for the six months ended 30th June, 2006 is based on the Group's profit attributable to the shareholders of HK\$946,627 and the weighted average number of 72,000,000 ordinary shares in issue during the period. Basic loss per share for the six months ended 30th June, 2005 is based on the Group's loss attributable to shareholders of HK\$9,419,804 and the weighted average number of 72,000,000 shares in issue during the prior period.

No diluted earnings per share are presented since the Company did not issue any dilutive potential ordinary shares during both periods presented.

6. Fixed assets

| | Furniture and fixtures HK\$ |
|---|--------------------------------------|
| Opening net book amount as at 1st January, 2006 (audited) | 21,290 |
| Depreciation charge for the period | <u>(16,718)</u> |
| Closing net book amount as at 30th June, 2006 | <u><u>4,572</u></u> |

7. Investments

| | 30th June, 2006 (Unaudited) HK\$ | 31st December, 2005 (Audited) HK\$ |
|---------------------------------------|---|---|
| Available-for-sale investments | | |
| Equity securities: | | |
| Unlisted, at cost | 47,960,004 | 76,720,002 |
| Less: Provision for impairment losses | <u>(10,078,002)</u> | <u>(6,298,000)</u> |
| | <u>37,882,002</u> | <u>70,422,002</u> |
| Investment held for trading | | |
| Equity securities: | | |
| Listed in Hong Kong, at fair value | <u>14,701,600</u> | <u>31,836,942</u> |

8. Prepayments and other receivables

| | 30th June, 2006 (Unaudited) HK\$ | 31st December, 2005 (Audited) HK\$ |
|--------------------|---|---|
| Utilities deposits | 20,550 | 20,550 |
| Prepayments | 72,500 | 25,099 |
| Other receivables | <u>9,360</u> | <u>9,360</u> |
| Total | <u>102,410</u> | <u>55,009</u> |

9. Margin Accounts Payable

The margin accounts payable as at 30th June, 2006 were secured by the Group's investments held for trading of HK\$14,701,600 (2005: HK\$31,836,942).

10. Short Term Loan

| | 30th June, 2006 (Unaudited) | 31st December, 2005 (Audited) |
|-----------------------------------|-----------------------------------|-------------------------------------|
| Short term loan (<i>Note a</i>) | 1,951,161 | 29,661,999 |
| Bills payable (<i>Note b</i>) | 88,500,000 | - |
| | <u>90,451,161</u> | <u>29,661,999</u> |

Notes:

- (a) Short term loan were extended by Upbest Finance Company Limited ("UFC"), which is a fellow subsidiary of Upbest Assets Management Limited, 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).
- (b) The bills of exchange were repayable within 3 months and carried a fixed interest rate at 7% per annum.

11. Share capital

| | Authorised Ordinary shares of HK\$0.01 each | |
|--|---|------------------|
| | <i>No. of shares</i> | <i>HK\$</i> |
| At 1st January, 2006 and 30th June, 2006 | <u>500,000,000</u> | <u>5,000,000</u> |
| | Issued and fully paid Ordinary shares of HK\$0.01 each | |
| | <i>No. of shares</i> | <i>HK\$</i> |
| At 1st January, 2006 and 30th June, 2006 | <u>72,000,000</u> | <u>720,000</u> |

12 Reserves

| | Share Premium <i>HK\$</i> | Retained Earnings <i>HK\$</i> | Total <i>HK\$</i> |
|-----------------------|---------------------------------|-------------------------------------|----------------------|
| At 1st January, 2006 | 67,320,071 | (1,745,544) | 65,574,527 |
| Profit for the period | - | 946,627 | 946,627 |
| At 30th June, 2006 | <u>67,320,071</u> | <u>(798,917)</u> | <u>66,521,154</u> |

13. Commitments under operating leases

At 30th June, 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Land and buildings | |
|-------------------------|---|---|
| | 30th June, 2006 Unaudited HK\$ | 31st December, 2005 Audited HK\$ |
| Not later than one year | 18,810 | 68,400 |
| | <u>18,810</u> | <u>68,400</u> |

14. Connected transactions

| | Group and Company | |
|---|--|--|
| | Six months ended 30th June, 2006 (Unaudited) HK\$ | Six months ended 30th June, 2005 (Unaudited) HK\$ |
| Investment management fees (<i>Note a</i>) | 551,643 | 600,712 |
| Custodian fees 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 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.

14. Connected transactions (continued)

Note: (continued)

- (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.

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 30th June, 2006 (Unaudited) HK\$ | Six months ended 30th June, 2005 (Unaudited) HK\$ |
|--|--|--|
| Interest expenses on the extended short term loans (Note a) | 570,841 | 699,539 |

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\$10,234,400 (2005: HK\$11,233,500) at the balance sheet date. As set out in note 14, Upbest is the ultimate holding company of the Group's investment manager, UAM.