1. BACKGROUND INFORMATION

Incutech Investments Limited (the "Company") was incorporated in the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 December 2001.

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries are set out in note 12 to the accounts.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") (Collectively referred to as the "New HKFRSs") 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").

The accounting policies and method of computation used in the preparation of these accounts are consistent with those used in the annual accounts of the Group for the year ended 31 December 2004, except that the Group has changed certain of its presentation of the accounts following the adoption of the New HKFRSs which have become effective for accounting periods beginning on or after 1 January 2005, and have not been early adopted by the Group for the preparation of the annual accounts of the Group for the year ended 31 December 2004.

Except for adoption of HKAS 32, which result in changes to the presentation of the accounts, and HKAS 39, which result in changes to the accounting policies, the adoption of all other New HKFRSs did not result in substantial changes to the accounting policies and their methods of computation used in the Group's accounts for the year ended 31 December 2005.

The following is a summary of material changes in the presentation of the accounts as a result of adoption of HKAS 32 and HKAS 39:

(a) Classification of investment securities and trading securities to available-for-sale investments and investments held for trading respectively

HKAS 32 requires debt and equity securities to be classified based on the purposes for which these are acquired. As a result, investment securities under non-current assets and trading securities under current assets with carrying amounts of HK$59,401,002 and HK$59,370,462 respectively as at 1 January are now classified as available-for-sale investments (at fair value through equity) and investments held for trading (at fair value through profit or loss) retrospectively in accordance with HKAS 32 respectively.

2. **ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES (Continued)**

(b) **Change in the accounting policies on financial assets and liabilities other than debt and equity securities**

HKAS 39 requires that loan receivables which have fixed and determinable payments and are not quoted in an active market are initially measured at fair value plus transaction cost directly attributable to the acquisition of the loan receivables. These loan receivables are subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses. The change in accounting policies on financial assets and liabilities other than debt and equity securities does not have any impact to the accounts for the year ended 31 December 2005.

3. **PRINCIPAL ACCOUNTING POLICIES**

The accounts have been prepared under the historical cost convention, except that, as disclosed in the accounting policies below, available-for-sale investments and investments held for trading, are stated at fair value.

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.

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

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.

3. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

(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%.

(d) **Impairment of assets**

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.

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.

(e) **Operating lease**

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-sales 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Investments held for trading

Investments held for trading are recognized and derecognized 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 recognized initially at fair value and subsequently measured at amortized 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 recognized 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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. When the contributions do not fall due wholly within twelve months after the end of period in which the employees render the related service, the contributions are discounted using the discount rate determined by reference to market yields at the balance sheet date on high quality investments. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(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.

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

4. TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group principally invests in securities listed on the Stock Exchange and unlisted securities including equity securities, notes and bonds issued by corporate entities in Hong Kong and the PRC.

Total revenues recognised during the year are as follows:

	2005 HK$	2004 HK$
Dividend income	975,761	2,040,506
Other revenues	–	2,000
Total revenues	975,761	2,042,506

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.

5. FINANCE COSTS

	2005 HK$	2004 HK$
Interest on bank overdraft	–	20,523
Interest on commercial paper	199,619	128,326
Interest on short term margin loans	553,537	680,196
Interest on short term loans (Note 23)	1,495,020	1,499,918
	2,248,176	2,328,963

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging the following:

	2005 HK$	2004 HK$
Staff costs (including directors' remuneration)	300,000	308,333
Listing fees	145,000	145,000
Share registration fees	73,518	97,311
Depreciation of fixed assets	4,254	4,256
Rental charges under operating leases	83,113	22,977
Auditors' remuneration	182,300	177,200
Provision for impairment losses	3,659,000	2,639,000

7. **INCOME TAX**

No provision for Hong Kong profits tax is made in the accounts as the company has sustained a loss for the year (2004: 17.5%).

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

	2005 HK$	2004 HK$
Hong Kong		
– Current year	–	–
Over-provision in prior year	–	636,284
	–	636,284

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

	2005 HK$	2004 HK$
(Loss)/profit before taxation	(18,973,893)	9,954,118
Tax at the domestic tax rate of 17.5% (2004: 17.5%)	(3,320,431)	1,741,971
Tax effect on income not subject to taxation	(170,758)	(4,258,967)
Tax effect on non-deductible expenses	1,064,403	1,748,394
Tax effect on tax losses not recognized	2,426,786	768,602
Over-provision in prior year	–	(636,284)
	–	(636,284)

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

8. **(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

Of the loss attributable to shareholders, a loss of HK$2,223,687 (2004: HK$1,999,842) has been dealt with in the accounts of the Company.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the (loss)/earnings per share is based on the loss attributable to shareholders of HK$18,973,893 (2004: profit of HK$10,590,402). The basic earnings per share is based on the weighted average number of 72,000,000 (2004: 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.

10. 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:

	2005 HK$	2004 HK$
Executive Directors		
Wong Wing Hong, Benny	50,000	50,000
Choi Wai Yin	50,000	50,000
Wong Wai Kwong, David	50,000	29,167
Chan Nap Kee, Joseph (retired on 24 June 2005)	–	50,000
Independent Non-executive Directors		
Kong Tze Wing	50,000	50,000
Ng Yick Man, Andy	50,000	29,166
Siu Siu Ling, Robert	50,000	50,000
	300,000	308,333

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 (2004: five) directors, whose emoluments have been reflected in the analysis presented in part (a).

11. FIXED ASSETS

	Group & Company Furniture and fixtures HK$
Cost	
At 1 January 2005 and 31 December 2005	21,290
Accumulated depreciation	
At 1 January 2005	10,335
Charge for the year	4,254
At 31 December 2005	14,589
Net book value	
At 31 December 2005	6,701
At 31 December 2004	10,955

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 HK$	2004 HK$
Investments at cost:		
Unlisted shares	31	31
Amounts due from subsidiaries	62,723,965	64,964,265
	62,723,996	64,964,296

12. INVESTMENT IN SUBSIDIARIES (Continued)

The amounts due from and to subsidiaries are unsecured, interest free and have no fixed repayment terms. Details of the subsidiaries, which were all incorporated in British Virgin Islands ("BVI"), at 31 December 2005:

Name	Principal activities and operation	Particulars of issued share capital	Interest held
Good Connection Traders Limited	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%*
Excel Win Development Corporation	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%*
Hover Technologies Limited	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%*
Jointline Investment Limited	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%*

* Shares held directly by the Company.

13. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2005 HK$	2004 HK$
Equity securities		
Unlisted, at cost	76,720,002	62,040,002
Less: provision for impairment losses	(6,298,000)	(2,639,000)
Total	70,422,002	59,401,002

	Group	
	2005 HK$	2004 HK$
Non-current assets	14,562,002	59,401,002
Current assets	55,860,000	–
	70,422,002	59,401,002

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.

13. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Certain available-for-sale investments will be disposed in the next twelve months and therefore, these are classified as current assets as at 31 December 2005. Details of the unlisted equity securities are as follows:

Name of investee company	Nature of business	Particulars of issued shares held	Interest held	Cost 2005 HK$	% of total assets of the Group
NON-CURRENT ASSETS					
Super Plus Investments Limited	Distribution of consumer products in Greater China	6,000 (2004: 6,000) ordinary shares of US$1 each	12.00% (2004: 12.00%)	16,250,000 (2004: 16,250,000)	15.23% (2004: 13.68%)
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	2 (2004: 2) ordinary shares of HK$1 each	20.00% (2004: 20%)	2 (2004: 2)	Nil (2004: nil)
CURRENT ASSETS					
Tonga Group Holding Limited	Distribution of building material and commodity products in China and Indonesia	100 (2004: 100) ordinary shares of US$1 each	5.00% (2004: 5.00%)	14,800,000 (2004: 14,800,000)	13.87% (2004: 12.46%)
Charming Sunlit Inc.	Investment fund with participation in and access to high-end consumer products distribution network and public facilities in Guangzhou	5,000 (2004: 4,875) ordinary shares of US$1 each	10.00% (2004: 9.75%)	16,420,000 (2004: 15,990,000)	15.38% (2004: 13.46%)

13. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Name of investee company	Nature of business	Particulars of issued shares held	Interest held	Cost 2005 HK$	% of total the Group
Jetpower Finance Limited	Investment fund with participation in and access to high-end consumer products distribution network and public facilities in Taiwan	5,000 (2004: 5,000) ordinary shares of US$1 each	10.00% (2004: 10.00%)	15,000,000 (2004: 15,000,000)	14.06% (2004: 12.63%)
Positive Mind Enterprise Limited	Investment holding	4,750 (2004:Nil) ordinary shares of US$1 each	9.50% (2004: Nil)	14,250,000 (2004: Nil)	13.35% (2004: Nil)

Other than Canton Glory Technology Limited which was incorporated in Hong Kong, the above investee companies were all incorporated in BVI.

14. INVESTMENTS HELD FOR TRADING

	Group	
	2005 HK$	2004 HK$
Equity securities listed in Hong Kong, at fair values	31,836,942	59,370,462

14. INVESTMENTS HELD FOR TRADING (Continued)

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

Name of Investee company	Number of shares	2005 Fair value HK$'000	2005 Fair value (loss)/gain HK$'000	2004 Fair value HK$'000	2004 Fair value (loss)/gain HK$'000	% of total assets of the Group HK$000	Net assets attributable to the Group	Note
Shares								
EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil")	10,366,931 (2004: 16,160,931)	19,179	1,688	26,344	1,834	17.97% (2004: 22.17%)	16,838 (2004: 20,980)	1
UBA Investments Limited ("UBA Investments")	36,310,000 (2004: 36,310,000)	3,631	–	3,631	(396)	3.04% (2004: 3.06%)	3,274 (2004: 3,065)	2
Upbest Group Limited ("Upbest")	9,304,000 (2004: 17,190,000)	6,420	(9,490)	29,395	20,743	6.02% (2004: 24.74%)	3,386 (2004: 2,735)	3
Egana Jewellery & Pearls Limited ("Egana Jewellery")	2,328,000 (2004: Nil)	2,607	(405)	–	–	2.44% (2004: Nil)	3,923 (2004: Nil)	4
		31,837	(8,207)	59,370	22,181			

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 is 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 2005 was approximately HK$147,196,000 (Six months ended 30 November 2004: HK$88,691,000). As at 30 November 2005, the unaudited net asset value of EganaGoldpfeil was approximately HK$1,751,463,000 (30 November 2004: HK$1,532,580,000).

14. INVESTMENTS HELD FOR TRADING (Continued)

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 2005 was HK$2,564,979 (Six months ended 30 September 2004: HK$10,891,718). As at 30 September 2005, the unaudited net asset value of UBA Investments was HK$95,565,949 (30 September 2004: HK$89,466,708).

Note 3: Upbest

Upbest is 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 2005 was approximately HK$61,324,000 (Six months ended 30 September 2004: HK$15,263,000). As at 30 September 2005, the unaudited net asset value of Upbest was approximately HK$429,538,000 (30 September 2004: HK$178,173,000). Upbest is the ultimate holding company of the Group's investment manager, Upbest Asset Management Limited ("UAM").

Note 4: Egana Jewellery

Egana Jewellery is principally engaged in design, manufacturing, distribution and trading of jewellery products, licensing or assignment of brand names to third parties for the design, manufacturing and/or distribution of jewellery and consumer products other than timepieces and holding of investments.

The unaudited profit attributable to shareholders of Egana Jewellery for the six months ended 30 November 2005 was approximately HK$52,578,000. As at 30 November 2005, the unaudited net asset value of Egana Jewellery was approximately HK$705,986,000.

15. MARGIN ACCOUNTS PAYABLE

The margin accounts payable as at 31 December 2005 were secured by the Group's investments held for trading of HK$31,836,942 (2004: HK$59,368,218).

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 (2004: Hong Kong prime rate plus 4% per annum).

17. SHARE CAPITAL

	2005 HK$	2004 HK$
Authorised:		
500,000,000 (2004: 500,000,000) ordinary shares of HK$0.01 each	5,000,000	5,000,000
Issued and fully paid:		
72,000,000 (2004: 72,000,000) ordinary shares of HK$0.01 each	720,000	720,000

18. RESERVES

	Group		
	Share premium HK$	Retained earnings/ (Accumulated losses) HK$	Total HK$
At 1 January 2004	67,320,071	6,637,947	73,958,018
Profit for the year	–	10,590,402	10,590,402
At 31 December 2004 and 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

	Company		
	Share premium HK$	Accumulated losses HK$	Total HK$
At 1 January 2004	67,320,071	(2,603,714)	64,716,357
Loss for the year	–	(1,999,842)	(1,999,842)
At 31 December 2004 and 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

Distributable reserves of the Company at 31 December 2005 according to the Company's Articles of Association amounted to HK$60,492,828 (2004: HK$62,716,515).

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 2005 of HK$66,294,527 (2004: HK$85,268,420) and 72,000,000 (2004: 72,000,000) ordinary shares in issue as at year end.

20. CONTINGENT LIABILITIES

	Group		Company	
	2005	2004	2005	2004
	HK$	HK$	HK$	HK$
Guarantees for bank overdrafts and margin accounts of subsidiaries at the balance sheet date	–	–	5,494,665	8,890,094

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

21. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases for its office as follows:

	Group	
	2005	2004
	HK$	HK$
Not later than one year	68,400	46,512

22. CONNECTED TRANSACTIONS

	Group and Company	
	2005	2004
	HK$	HK$
Investment management fees paid to UAM (Note a)	1,155,692	1,051,370
Custodian fees paid to Wing Hang Bank, Limited (Note b)	60,000	60,000

22. 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.

23. RELATED PARTY TRANSACTIONS

In addition to note 22, the Group undertook the following transactions with related parties in the normal course of its business:

	2005 HK$	2004 HK$
Interest expenses on the extended short term loans (Note a)	1,495,020	1,499,918

Notes

a. Interest expenses on the extended short term loans, charged at the rate at the Hong Kong prime rate plus 4% per annum (2004: 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$6,420,000 (2004: HK$29,395,000) at the balance sheet date. As set out in note 14, Upbest is the ultimate holding company of the Group's investment manager, UAM.

24. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2005:

On 24 January 2006 and 28 February 2006, available-for-sales investments amounting to HK$55,860,000 have been disposed at its net book value as at 31 December 2005.

On 24 January 2006, the Group invested in a 3-month interest bearing commercial paper amounting to HK$22,500,000 issued by a third party financier.

25. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

26. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18 April 2006.