

INCUTECH

INCUTECH INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 356

MANUFACTURING PRODUCTION INDEX
(% monthly change)



INTERIM REPORT 2010

INTERIM RESULTS AND CONDENSED ACCOUNTS

The Board of Directors (the “Board”) of Incutech Investments Limited (the “Company”) hereby presents the interim report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010. The interim results had been reviewed by the audit committee of the Company and approved by the Board.

INTERIM DIVIDEND

The Board of Directors has resolved not to pay any interim dividend for the period ended 30 June 2010 (2009: Nil).

REVIEW OF RESULTS

For the six months ended 30 June 2010, the Group recorded a net loss attributable to shareholders of approximately HK\$2,934,514 (2009: HK\$2,018,024) and loss per share of HK4.08 cents (2009: HK2.8 cents). The increase of net loss was mainly attributed to the unrealised loss on financial assets held for trading of approximately HK\$712,368.

MANAGEMENT DISCUSSION AND ANALYSIS

After a strong rebound in 2009, the global financial markets have turned lower during the period under review, reflecting the continued uncertainty of the current global financial markets and economies.

The year of 2010 started out as a challenging year. China’s annual gross domestic product (the “GDP”) growth chalked up unexpectedly strong for the first quarter at 11.9%. China’s economy cooled in the second quarter, as the Chinese Central Government implemented various measures to curtail such high growth and the GDP growth rate has moderated to about 10.3% per annum.

In such a volatile environment, the investment policies and investment portfolio in Hong Kong will continue to be managed in a conservative and prudent attitude, with a special emphasis on risk management.

BUSINESS REVIEW AND PROSPECTS

The Group reported a net loss from operation of HK\$2,934,514 as at 30 June 2010 as compared with a loss from operation of HK\$2,018,024 in 2009. During the period under review, the Company had not made any new investment. The Group's portfolio of investment comprises mainly securities listed in Hong Kong. As at 30 June 2010, the Group held listed securities investments at market value of approximately HK\$6,921,480. (2009: HK\$7,633,848).

For the ongoing global economic recovery, China is expected to stay on track through 2010 despite slowing export and tightening liquidity. China had adopted austerity measures to cooling down real estate prices by increasing bank reserve ratio, tightening on bank loan, limiting state-owned enterprise to withdraw from real estate investment, and increasing down payment from 40% to 50% on second homes. The financial and investment markets remain high volatile and unpredictable.

The Board is optimistic in the long-term economic prospect of Hong Kong and China. The management will carefully assess all potential investment to ensure that the risk is under manageable level as well as with sustainable income stream across various sectors to enhance the returns to the Group and shareholders.

The Group will also consider fund raising exercise to strengthen the financial position of the Group when suitable situation arise. With more financial resources, the Group will expand its investment opportunities in order to stabilize the return to the Group's operating results in the years to come.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2010, the Group's current ratio was 0.38, based on the current assets of HK\$7,188,025 and current liabilities of HK\$18,687,029. The Group's gearing ratio was not applicable.

As at 30 June 2010, the Group had cash and cash equivalents of HK\$102,516 and net financial asset investments of approximately HK\$6,921,480.

Capital Structure

There has been no change to the capital structure of the Company since 1 January 2010.

Material Acquisitions and Disposals of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the period ended 30 June 2010.

Capital commitment and contingent liabilities

As at 30 June 2010, no material capital commitment and contingent liabilities were noted by the directors of the Company.

Share Options

The Company does not have a share option scheme.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2010, the Group employed a total of 4 employees (2009: 4) including the executive directors of the Company. The remuneration packages consist of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors.

STAFF COST

The Group's total staff costs for the period under review amounted to HK\$1,039,200 (2009: HK\$1,039,200).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's assets and liabilities are denominated in Hong Kong Dollars and, therefore, the Group has no significant exposure to foreign exchange fluctuation.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Long position in shares of the Company

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

Notes:

As at 30 June 2010, Mr. Michael Wu Chun Wah, through his 40% equity interest in Biggish Management Limited, held 15,000,000 shares of the Company, representing approximately 20.83% of the entire issued share capital of the Company. The remaining 60% equity interest in Biggish Management Limited, the substantial shareholder of the Company, is held by Mr. Tung Tat Wah.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2010, so far as is known to the Directors, the following persons (other than the Directors and Chief Executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the required to be kept under section 336 of the SFO.

Long positions in Shares

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

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

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

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

INVESTMENT MANAGEMENT AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS

The Company's investment portfolio is managed by Hua Yu Investments Management Limited (the "Investment Manager"), in accordance with the terms and conditions of an investment management agreement (the "Investment Management Agreement") entered into between the Company and the Investment Manager dated 23 February 2009.

The Investment Manager is regarded as a connected person of the Company under Rule 21.13 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rule"). Accordingly, the Investment Management Agreement constitutes a continuing connected transaction of the Company.

The Investment Manager is appointed for a term of two years commencing from 1 March 2009. During the six months period ended 30 June 2010, investment management fees of HK\$300,000 were charged by the Investment Manager (2009: HK\$200,000).

The transaction was entered into by the Company in the ordinary and usual course of business in accordance with the terms of the Investment Management Agreement, conducted on normal commercial terms and is subject to reporting and announcement requirements under Charter 14A of the Listing Rules. The transaction had been reviewed by the independent non-executive Directors and obtained approval from the Board.

On 28 February 2009, the Company terminated the investment management agreement with Upbest Assets Management Limited ("UAM"), the former investment manager. UAM is a wholly owned subsidiary of Upbest Group Limited in which the Company holds an investment. The management fee charged during the six months period ended 30 June 2009 by UAM was amounted to HK\$121,445.

AUDIT COMMITTEE

The Company established an audit committee in accordance with rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee of the Company has reviewed the interim results for the period ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (“Code”) as set out in Appendix 14 to the Listing Rules throughout the period under review, except that the independent non-executive Directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Bye-Laws.

None of the existing independent non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the directors of the Company are subject to the retirement provisions under paragraph (1) of article 88 of the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

By order of the Board

Tung Tat Wah

Chairman

Hong Kong, 24 August 2010

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended 30 June 2010 (Unaudited) HK\$	Six months ended 30 June 2009 (Unaudited) HK\$
	<i>Note</i>		
Turnover	2	–	–
Loss on disposal of listed investments		–	(94,705)
Unrealised (loss)/surplus on listed investments		(712,368)	873,420
Other revenue		–	1
Investment management fee		(300,000)	(321,445)
Operating expenses		(1,658,943)	(2,240,321)
Finance costs	4	(263,203)	(234,974)
Loss before taxation	5	(2,934,514)	(2,018,024)
Taxation	6	–	–
Loss for the period attributable to equity holder of the Company		(2,934,514)	(2,018,024)
Other comprehensive income for the period		–	–
Total comprehensive loss for the period attributable to equity holders of the Company		<u>(2,934,514)</u>	<u>(2,018,024)</u>
Loss per share	7	<u>(4.08 cents)</u>	<u>(2.80 cents)</u>
Interim dividend	8	<u>Nil</u>	<u>Nil</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

		30 June 2010 (Unaudited) HK\$	31 December 2009 (Audited) HK\$
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1	3,990
Available-for-sale investments	<i>9</i>	2	<u>2</u>
		3	<u>3,992</u>
CURRENT ASSETS			
Investments held for trading	<i>10</i>	6,921,480	7,633,848
Loans receivable	<i>11</i>	2	2
Prepayments and other receivables		164,027	159,578
Bank balances and cash		102,516	<u>21,217</u>
		7,188,025	<u>7,814,645</u>
CURRENT LIABILITIES			
Short term loans	<i>12</i>	7,154,266	6,891,063
Other payables and accruals	<i>13</i>	6,516,214	5,285,893
Due to a director	<i>14</i>	4,011,467	3,201,086
Tax payable		1,005,082	<u>1,005,082</u>
		18,687,029	<u>16,383,124</u>
NET CURRENT LIABILITIES		(11,499,004)	<u>(8,568,479)</u>
NET LIABILITIES		(11,499,001)	<u>(8,564,487)</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	720,000	720,000
Reserves		(12,219,001)	<u>(9,284,487)</u>
SHAREHOLDERS' FUNDS		(11,499,001)	<u>(8,564,487)</u>

The condensed consolidated financial statements on pages 9 to 20 were approved by the Board of Directors on 24 August 2010.

Tung Tat Wah
Director

Michael Wu Chun Wah
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	For the six months ended 30 June 2009 (Unaudited)			
	Share	Share	Accumulated	Total
	capital	premium	Losses	
	HK\$	HK\$	HK\$	
Balance at 1 January 2009	720,000	67,320,071	(74,531,919)	(6,491,848)
Total comprehensive loss attributable to equity holders of the Company	<u>—</u>	<u>—</u>	<u>(2,018,024)</u>	<u>(2,018,024)</u>
At 30 June 2009	<u><u>720,000</u></u>	<u><u>67,320,071</u></u>	<u><u>(76,549,943)</u></u>	<u><u>(8,509,872)</u></u>

	For the six months ended 30 June 2010 (Unaudited)			
	Share	Share	Accumulated	Total
	capital	premium	losses	
	HK\$	HK\$	HK\$	
Balance at 1 January 2010	720,000	67,320,071	(76,604,558)	(8,564,487)
Total comprehensive loss attributable to equity holders of the Company	<u>—</u>	<u>—</u>	<u>(2,934,514)</u>	<u>(2,934,514)</u>
At 30 June 2010	<u><u>720,000</u></u>	<u><u>67,320,071</u></u>	<u><u>(79,539,072)</u></u>	<u><u>(11,499,001)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June 2010 (Unaudited) HK\$	Six months ended 30 June 2009 (Unaudited) HK\$
Net cash generated from /(used in) operating activities	81,299	(546,975)
Net cash generated from investing activities	–	471,395
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	81,299	(75,580)
Cash and cash equivalents at the beginning of the period	21,217	141,096
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>102,516</u>	<u>65,516</u>
 Analysis of cash and cash equivalents		
Bank balances and cash	<u>102,516</u>	<u>65,516</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In preparing the interim financial statements, the directors of the Company (“Directors”) have given careful consideration to the future liquidity of the Group in light of a loss of HK\$2,934,514 for the six months ended 30 June 2010 and the Group’s net current liabilities and net liabilities as at 30 June 2010 amounted to HK\$11,499,004 and HK\$11,499,001 respectively. The Directors have been taking steps to improve the liquidity of the Group. These steps include (i) extending the Group’s short term loans upon maturity; (ii) securing the financial support from the substantial shareholder; (iii) negotiating with the suppliers to reschedule the payments of the Group’s expenditures; and (iv) exploring the possibility to conduct fund raising activities. Provided that these measures are successful and can effectively improve the liquidity position of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2009. They have been prepared on the historical cost basis, except that available-for-sale investments and investments held for trading are stated at fair values.

The accounting policies and methods of computation applied in preparation of the interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31 December 2009. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA that are relevant to the Group and effective from the current period, did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group’s results of operations and financial position.

2. TURNOVER AND REVENUE

The principal activities of the Group are investments in securities listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and unlisted investments.

3. SEGMENT INFORMATION

The information reported to the chief operating decision maker of the Group is focused on the categories of the investments. The Group’s operating and reportable segments under HKFRS 8 are as follows:

Listed securities – Investments in securities listed on the Stock Exchange

Unlisted securities – Investments in unlisted securities

Segment revenues and results

The following is an analysis of the Group’s results by reportable segment:

Six months ended 30 June 2010 (Unaudited)

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
Segment results	<u>(712,368)</u>	<u>–</u>	(712,368)
Unallocated expenses			<u>(2,222,146)</u>
Loss for the period			<u>(2,934,514)</u>

Six months ended 30 June 2009 (Unaudited)

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
Segment results	<u>778,715</u>	<u>–</u>	778,715
Unallocated expenses			<u>(2,796,739)</u>
Loss for the period			<u>(2,018,024)</u>

Segment result of listed securities represents dividend income from listed securities, realised gain/loss on disposals of investments in listed securities and fair value gain/loss on investments in listed securities. Segment result of unlisted securities represents fair value gain/loss on investments in unlisted securities and gain/loss on disposals of investment in unlisted securities. With the nature of securities business, no segment revenue is presented.

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	30 June 2010 (Unaudited) HK\$	31 December 2009 (Audited) HK\$
Listed securities	6,921,480	7,633,848
Unlisted securities	2	2
	<hr/>	<hr/>
Total segment assets	6,921,482	7,633,850
Unallocated assets	266,546	184,787
	<hr/>	<hr/>
	<u>7,188,028</u>	<u>7,818,637</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than property, plant and equipment, loans receivable, prepayments, other receivables and bank balances.

Geographical information

No geographical information is presented as the Group operates in Hong Kong only.

4. FINANCE COSTS

	Six months ended 30 June 2010 (Unaudited) HK\$	Six months ended 30 June 2009 (Unaudited) HK\$
Interest on unsecured short term loans	<u>263,203</u>	<u>234,974</u>

5. LOSS BEFORE TAXATION

	Six months ended 30 June 2010 (Unaudited) HK\$	Six months ended 30 June 2009 (Unaudited) HK\$
Depreciation	3,989	57,116
Listing fees	72,500	72,500
Rental charges under operating leases in respect of rented premises	276,471	293,584
Staff costs, including directors' emoluments	1,039,200	1,039,200
	<u>1,392,160</u>	<u>1,462,400</u>

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profits for the six months ended 30 June 2010 and 2009.

7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2010 is based on the Group's loss attributable to the equity holders of HK\$2,934,514 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 30 June 2009 is based on the Group's loss attributable to equity holders of HK\$2,018,024 and the weighted average number of 72,000,000 ordinary shares in issue during the prior period.

No diluted loss per share is presented since the Group did not issue any dilutive potential ordinary shares during both periods presented.

8. DIVIDEND

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

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2010 (Unaudited) HK\$	31 December 2009 (Audited) HK\$
Unlisted equity securities, at cost	45,882,000	45,882,000
<i>Less: Allowances for impairment losses</i>	(45,881,998)	(45,881,998)
	<u><u>2</u></u>	<u><u>2</u></u>
Carrying amount	<u><u>2</u></u>	<u><u>2</u></u>

10. INVESTMENTS HELD FOR TRADING

	30 June 2010 (Unaudited) HK\$	31 December 2009 (Audited) HK\$
Equity securities listed in Hong Kong, at fair values	6,921,480	7,633,848
	<u><u>6,921,480</u></u>	<u><u>7,633,848</u></u>

11. LOANS RECEIVABLE

	30 June 2010 (Unaudited) HK\$	31 December 2009 (Audited) HK\$
Loans receivable	2,863,000	2,863,000
Commercial paper	20,711,733	20,711,733
	<u>23,574,733</u>	<u>23,574,733</u>
Allowance for impairment	(23,574,731)	(23,574,731)
	<u><u>2</u></u>	<u><u>2</u></u>
Carrying amount	<u><u>2</u></u>	<u><u>2</u></u>

The loans receivable were all made to a company incorporated in the British Virgin Islands (“BVI”) of which is an independent third party to the Group. The loans were unsecured and were past due for repayment. The Group had taken legal action for the recovery of the loans and no response was received. In addition, based on the search at the registry of corporate affairs in the BVI, the company is not in good standing under the laws of BVI and has been struck off in 2009. Full impairment loss on loans receivable had been recognised in 2007.

12. SHORT TERM LOANS

	30 June 2010 (Unaudited) HK\$	31 December 2009 (Audited) HK\$
Short term loans	<u>7,154,266</u>	<u>6,891,063</u>

Short term loans were borrowed from an independent third party and Upbest Finance Company Limited (“UFC”), which is a fellow subsidiary of Upbest Asset Management Limited (“UAM”), the Group’s former investment manager.

The loan from the independent third party is unsecured, and repayable on demand. Interest is charged at the fixed rate at 2% per annum.

The loan from UFC is unsecured, and repayable on demand. Interest is charged at the variable rate at the Hong Kong prime rate plus 4% per annum.

13. OTHER PAYABLE AND ACCRUALS

Included in the other payables and accruals are the amount due to Directors arising from unsettled directors’ fees amounting to HK\$3,313,575 (as at 31 December 2009: HK\$2,638,575), and the amount due to investment manager for unsettled investment management fee amounting to HK\$800,000 (as at 31 December 2009: HK\$500,000).

14. DUE TO A DIRECTOR

The amount due to director is unsecured, interest free and has no fixed term of repayment.

15. SHARE CAPITAL

	30 June 2010 (Unaudited) HK\$	31 December 2009 (Audited) HK\$
<i>Authorised:</i>		
500,000,000 ordinary shares of HK\$0.01 each	<u>5,000,000</u>	<u>5,000,000</u>
<i>Issued and fully paid:</i>		
72,000,000 ordinary shares of HK\$0.01 each	<u>720,000</u>	<u>720,000</u>

16. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	30 June 2010 (Unaudited) HK\$	31 December 2009 (Audited) HK\$
Not later than one year	453,888	453,888
Over one year and not later than five years	<u>214,336</u>	<u>441,280</u>
	<u>668,224</u>	<u>895,168</u>

The above lease agreement was made between the Group and the landlord for a term of two years and rentals are fixed for two years. The lease payments were guaranteed by the Company.

17. RELATED PARTY TRANSACTIONS

The Group undertook the following transactions with a related party in the normal course of its business:

	Six months ended 30 June 2010 (Unaudited) HK\$	Six months ended 30 June 2009 (Unaudited) HK\$
Interest expenses on the short term loans (<i>Note a</i>)	<u><u>–</u></u>	<u><u>226,467</u></u>

Notes:

- a. Interest expenses on the short term loans, charged at the variable rate at the Hong Kong prime rate plus 4% per annum, were paid to UFC, which is a fellow subsidiary of the Group's former investment manager, UAM.
- b. The Group also has investments held for trading in Upbest Group Limited of HK\$5,945,400 as at 30 June 2010 (as at 31 December 2009: HK\$6,804,180). Upbest Group Limited is the holding company the Group's former investment manager, UAM.

Compensation of key management personnel of the Group

	Six months ended 30 June 2010 (Unaudited) HK\$	Six months ended 30 June 2009 (Unaudited) HK\$
Short term benefits	600,000	600,000
Post employment benefits	<u>–</u>	<u>–</u>
	<u>600,000</u>	<u>600,000</u>