



# INCUTECH INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 356)

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

### RESULTS

The Board of Directors of Incutech Investments Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2006 with comparative figures for the corresponding period in 2005 and selected explanatory notes as under. These results have been reviewed by the Audit Committee of the Company.

### 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	Note 3	<u>842,736</u>	<u>398,664</u>
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		(551,643)	(600,712)
Other operating expenses		<u>(371,302)</u>	<u>(223,969)</u>
Operating profit/(loss)		1,637,404	(8,274,391)
Finance costs		<u>(690,777)</u>	<u>(1,145,413)</u>
Profit/(loss) before taxation		946,627	(9,419,804)
Taxation	Note 4	–	–
Profit/(loss) attributable to shareholders		<u>946,627</u>	<u>(9,419,804)</u>
Basic profit/(loss) per share	Note 5	<u>1.31 cents</u>	<u>(13.08 cents)</u>
Interim dividend		<u>–</u>	<u>–</u>

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2006 and 31st December, 2005

	<i>Note</i>	<b>30th June, 2006 (Unaudited) HK\$</b>	31st December, 2005 (Audited) HK\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-Current assets</b>			
Fixed assets		4,572	6,701
Available-for-sales investments		37,882,002	14,562,002
<b>Currents assets</b>			
Available-for-sales investments		–	55,860,000
Investments held for trading		14,701,600	31,836,942
Accounts receivable		3,575	700,671
Prepayment and other receivables		102,410	55,009
Cash and cash equivalent		105,709,425	–
Bank balances		31,740	40,711
		<u>120,548,750</u>	<u>88,493,333</u>
<b>Current liabilities</b>			
Margin accounts payable		–	5,494,665
Short term loan		90,451,161	29,661,999
Creditors and accruals		743,009	1,610,845
		<u>91,194,170</u>	<u>36,767,509</u>
Net current assets		<u>29,354,580</u>	<u>51,725,824</u>
Total assets less current liabilities		<u>67,241,154</u>	<u>66,294,527</u>
Financed by:			
Share capital		720,000	720,000
Reserves	6	66,521,154	65,574,527
Shareholders' funds		<u>67,241,154</u>	<u>66,294,527</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 <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC)-INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-INT 9	Reassessment of embedded derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> 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	–
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. Reserves

	Share Premium HK\$	Retained Earnings HK\$	Total HK\$
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>64,521,154</u>

## **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.

## **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.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

All the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited website in due course.

By order of the Board  
**Wong Wing Hong, Benny**  
*Director*

Hong Kong, 14th September, 2006

*As at the date of this announcement, 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.*

Please also refer to the published version of this announcement in The Standard.