



INCUTECH INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 356)

ANNOUNCEMENT OF 2006 FINAL RESULTS

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	<i>Note</i>	2006 HK\$	2005 HK\$
NON-CURRENT ASSETS			
Fixed assets		–	6,701
Available-for-sale investments		27,252,305	14,562,002
		27,252,305	14,568,703
CURRENT ASSETS			
Available-for-sale investments		–	55,860,000
Investments held for trading		28,052,013	31,836,942
Accounts receivable		17,006,987	700,671
Prepayments and other receivables		211,905	55,009
Cash and cash equivalents		28,173,124	40,711
		73,444,029	88,493,333
CURRENT LIABILITIES			
Margin accounts payable		440,388	5,494,665
Short term loans		24,718,080	29,661,999
Creditors and accruals		763,391	1,610,845
Taxation		1,005,082	–
		26,926,941	36,767,509
NET CURRENT ASSETS		46,517,088	51,725,824
TOTAL ASSETS LESS CURRENT LIABILITIES		73,769,393	66,294,527
FINANCED BY:			
Share capital		720,000	720,000
Reserves		73,049,393	65,574,527
SHAREHOLDERS' FUNDS		73,769,393	66,294,527
NET ASSET VALUE PER SHARE	9	HK\$1.02	HK\$0.92

NOTES TO THE ACCOUNTS

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”).

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

3. TURNOVER, REVENUES AND SEGMENT INFORMATION

Total revenues recognised during the year are as follows:

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Interest on commercial paper	2,035,730	199,619
Interest on short term margin loans	152,443	553,537
Interest on short term loans	1,030,759	1,495,020
	<u>3,218,932</u>	<u>2,248,176</u>

5. PROFIT/(LOSS) BEFORE INCOME TAX

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

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

6. INCOME TAX

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

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

	2006 HK\$	2005 HK\$
Hong Kong – Current year	<u>1,005,082</u>	<u>–</u>

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

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

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

7. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

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

8. EARNINGS/(LOSS) PER SHARE

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

As the Company has not issued any warrants and options during the year, the calculation of diluted earnings per share is the same as the basic earnings per share.

9. NET ASSET VALUE PER SHARE

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

DIVIDENDS

The Board has resolved not to pay a final dividend for the year ended 31 December 2006 (2005: HK\$Nil).

REVIEW OF RESULTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

The Group's investment portfolio was comprised of unlisted investment and listed securities investment. The Group held minority stakes of unlisted companies which are to have sound business fundamentals, growth potential and strong management for long-term strategic investment purpose to maintain good relationship with business counterparts and achieve recurring dividend income in future years. As at 31 December 2006, the Group's unlisted investments, valued at cost less impairment, totaling HK\$27,252,305 (2005: HK\$70,422,002).

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

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

Gearing Ratio

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

Capital Structure

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

Capital commitment and contingent liabilities

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

Share options

The Company does not have a share option scheme.

DETAILS OF CHARGES ON GROUP ASSETS

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

Pledge of Assets

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

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

By order of the Board
Choi Wai Yin
Executive Director

Hong Kong, 18 April 2007.

As at the date of this announcement, the Board is comprised of Mr. Choi Wai Yin, Mr. Wong Wai Kwong, David and Mr. Wong Wing Hong, Benny as executive directors; 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.