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## **INCUTECH INVESTMENTS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 356)**

### **ANNOUNCEMENT OF 2011 FINAL RESULTS**

The board of directors (the “Board”) of Incutech Investments Limited (the “Company”) hereby presents the consolidated results of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2011.

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2011*

	<i>Note</i>	<b>2011</b> <b>HK\$</b>	2010 <b>HK\$</b>
<b>Turnover</b>	4	<b>132,120</b>	132,120
Gain on disposal of a subsidiary		<b>1,017,152</b>	–
Interest income from bank deposits		–	1
Unrealised loss on listed securities		<b>(1,492,884)</b>	(34,164)
Investment management fee		<b>(600,000)</b>	(600,000)
Other operating expenses		<b>(3,433,522)</b>	(3,279,110)
<b>Operating loss</b>		<b>(4,377,134)</b>	(3,781,153)
Finance costs	6	<b>(594,030)</b>	(542,656)
<b>Loss before taxation</b>	7	<b>(4,971,164)</b>	(4,323,809)
Taxation	8	–	–
<b>Loss for the year attributable to equity holders of the Company</b>		<b>(4,971,164)</b>	(4,323,809)
Other comprehensive income		–	–
<b>Total comprehensive loss for the year attributable to equity holders of the Company</b>		<b>(4,971,164)</b>	(4,323,809)
<b>Loss per share</b>	10	<b>(HK\$0.07)</b>	(HK\$0.06)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	2011 HK\$	2010 HK\$
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<u>145,170</u>	<u>1</u>
<b>CURRENT ASSETS</b>		
Investments held for trading	6,106,800	7,599,684
Prepayments and other receivables	254,155	149,578
Bank balances and cash	<u>24,276</u>	<u>199,970</u>
	<u>6,385,231</u>	<u>7,949,232</u>
<b>CURRENT LIABILITIES</b>		
Short term loans	8,025,871	7,433,719
Other payables and accruals	9,416,631	7,245,261
Due to a director	6,947,359	5,153,467
Tax payable	<u>–</u>	<u>1,005,082</u>
	<u>24,389,861</u>	<u>20,837,529</u>
<b>NET CURRENT LIABILITIES</b>	<u>(18,004,630)</u>	<u>(12,888,297)</u>
<b>NET LIABILITIES</b>	<u>(17,859,460)</u>	<u>(12,888,296)</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	720,000	720,000
Reserves	<u>(18,579,460)</u>	<u>(13,608,296)</u>
<b>SHAREHOLDERS' FUNDS</b>	<u>(17,859,460)</u>	<u>(12,888,296)</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Incutech Investments Limited (the “Company”) was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and have been suspended for trading since 13 June 2008.

The principal activities of the Company and its subsidiaries during the year are investments in securities listed in the Stock Exchange and unlisted securities with a potential for earning growth and capital appreciation.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“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 consolidated financial statements 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 consolidated 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.

In preparing the consolidated 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\$4,971,164 for the year ended 31 December 2011 and the Group’s net current liabilities and net liabilities as at 31 December 2011 amounted to HK\$18,004,630 and HK\$17,859,460 respectively. A resumption proposal was approved by the Board of Directors on 21 March 2011 to improve the financial position of the Group but such proposal has yet to be implemented. The Directors have been taking measures to improve the liquidity of the Group. These measures include (i) extending the Group’s short term loans upon maturity; (ii) implementing cost controls over operating expenses; (iii) negotiating with the suppliers to reschedule the payments of the Group’s expenditures; and (iv) exploring options to conduct fund raising activities. In addition, Biggish Management Limited, the substantial shareholder of the Company, and Mr. Tung Tat Wah, the chairman and executive director of the Company, have agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern and to meet its obligation for at least twelve months from the date of the consolidated financial statements.

Provided that the aforesaid measures are successful and the continuing financial support is given by the substantial shareholder and one of the directors of the Company that 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 consolidated financial statements have been prepared on a going concern basis.

### 3. APPLICATION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations of HKASs, HKFRSs issued by the HKICPA that are first effective for the current accounting period of the Group and are relevant to the Group's financial statements:

HKAS 24 (revised 2009)	Related party disclosures
Annual Improvements Project	Third annual improvements project (2010) published in May 2010

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities which does not have any material impact on the Group's related party disclosures.

Third annual improvements project (2010) comprise a number of amendments to HKFRSs, primarily with a view to remove inconsistencies and clarifying wordings. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The Group has not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>5</sup>
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets <sup>4</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>6</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2014

The Directors are currently assessing the financial impact of these revisions to the Group's financial position and performance.

#### 4. TURNOVER AND REVENUES

Total revenues recognised during the year are as follows:

	<b>2011</b> <i>HK\$</i>	2010 <i>HK\$</i>
<b>Turnover:</b>		
Dividend income from listed securities	<u>132,120</u>	<u>132,120</u>
<b>Other revenues:</b>		
Gain on disposal of a subsidiary	1,017,152	–
Interest income from bank deposits	<u>–</u>	<u>1</u>
<b>Total revenues</b>	<u><u>1,149,272</u></u>	<u><u>132,121</u></u>

#### 5. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports about components of the Group that are regularly reviewed by the executive Directors for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments are as follows:

Listed securities	– Investments in securities listed on the Stock Exchange
Unlisted securities	– Investments in unlisted securities

Information regarding the above segments is reported below.

##### Segment revenues and results

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

*Year ended 31 December 2011*

	<b>Listed securities</b> <i>HK\$</i>	<b>Unlisted securities</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Segment result	<u>(1,360,764)</u>	<u>–</u>	(1,360,764)
Unallocated expenses			<u>(3,610,400)</u>
Loss for the year			<u><u>(4,971,164)</u></u>

*Year ended 31 December 2010*

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
Segment result	97,957	–	97,957
Unallocated expenses			(4,421,766)
Loss for the year			(4,323,809)

Segment result of listed securities represents dividend income from listed securities and unrealised loss on listed securities. With the nature of investments business, no segment revenue is presented.

**Segment assets**

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

	2011 HK\$	2010 HK\$
Listed securities	6,106,800	7,599,684
Unlisted securities	–	–
Total segment assets	6,106,800	7,599,684
Unallocated assets	281,431	349,549
	<b>6,388,231</b>	<b>7,949,233</b>

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

**Geographical information**

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

**6. FINANCE COSTS**

	2011 HK\$	2010 HK\$
Interest on unsecured short term loans	594,030	542,656

## 7. LOSS BEFORE TAXATION

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

	<b>2011</b>	2010
	<i>HK\$</i>	<i>HK\$</i>
Auditor's remuneration	<b>156,600</b>	146,000
Depreciation	–	3,989
Loss on derecognition of available-for-sale investments	–	2
Loss on derecognition of loans receivable	–	2
Rental charges under operating leases in respect of rented premises	<b>542,230</b>	552,717
Staff costs including directors' emoluments:		
Salaries and other benefits	<b>2,058,000</b>	2,058,000
Contributions to retirement benefits scheme	<b>20,400</b>	20,400
Gain on disposal of a subsidiary	<b>(1,017,152)</b>	–

## 8. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profits for both years.

Taxation for the year can be reconciled to the loss before taxation as follows:

	<b>2011</b>	2010
	<i>HK\$</i>	<i>HK\$</i>
Loss before taxation	<b>(4,971,164)</b>	(4,323,809)
Taxation at Hong Kong Profits Tax rate of 16.5%	<b>(820,242)</b>	(713,428)
Tax effect of income not subject to taxation	<b>(189,630)</b>	(21,800)
Tax effect on non-deductible expenses	<b>443,187</b>	195,115
Tax effect of tax losses not recognised	<b>593,599</b>	540,945
Others	<b>(26,914)</b>	(832)
Taxation for the year	<b>–</b>	–

At 31 December 2011, the Group has estimated unused tax losses of approximately HK\$15,074,708 (2010: HK\$11,477,137) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of taxable income in future. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

## 9. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK\$11,184,961 (2010: HK\$3,175,457) which has been dealt with in the financial statements of the Company.

## 10. LOSS PER SHARE

The calculation of the loss per share is based on the Group's loss attributable to equity holders of HK\$4,971,164 (2010: HK\$4,323,809) and the weighted average number of 72,000,000 (2010: 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.

## **EXTRACT OF THE DRAFT INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the draft independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2011.

### **OPINION**

"In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Emphasis of matters**

We draw attention to note 1(b) to the consolidated financial statements. The Group incurred a loss of HK\$4,971,164 for the year ended 31 December 2011 and the Group's net current liabilities and net liabilities as at 31 December 2011 amounted to HK\$18,004,630 and HK\$17,859,460 respectively. This condition indicates the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 1(b) to the consolidated financial statements, the directors of the Company have taken measures to improve the liquidity of the Group, which include extending short term loans upon maturity, implementing cost controls over operating expenses, negotiating with the suppliers to reschedule the payments and exploring options for fund raising. In addition, a substantial shareholder and a director of the Company have agreed to provide continuing financial support to the Group so as to enable the Group to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the aforesaid measures are successful and the continuing financial support are given by the substantial shareholder and the director of the Company. Our opinion is not qualified in this matter."

### **DIVIDENDS**

The Board has resolved not to pay a final dividend for the year ended 31 December 2011 (2010: HK\$Nil).

### **REVIEW OF RESULTS**

For the year ended 31 December 2011, the Group recorded a net loss of HK\$4,971,164 and loss per share of HK7 cents. During the year, the Group received HK\$132,120 in dividend income (2010: HK\$132,120) from listed securities held for trading.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

The global economic situation remains complex and inconstant. During 2011, the European sovereign debt crisis, the downgrading of the United States' long-term sovereign credit rating and a tightening of monetary policy in the PRC all caused uncertainties. In order to against the gloomy growth of the global economy, the major developed economies adopted or maintained loose monetary policies. According to the report of International Monetary Fund, the global economy grew at 3.8% in 2011, a drop of 1.2% year-on-year.

According to the National Bureau of Statistics of China, China's GDP amounted to RMB47,156.4 billion in 2011, representing a 9.2% growth calculated at comparable prices. Although the PRC economy maintained a growth rate of 9.2% in 2011, inflation and credit tightening policy together with decreasing export figures all led to concern about the possible hard landing of the PRC economy.

As Hong Kong market is highly sensitive to the global market, the local stock market has been greatly impacted by the United States, European and PRC markets and performed poorer than the major developed nations' indices. Due to the downturn of investor sentiment and adjustment in stock prices, total market capitalization of 1,496 companies listed on the Stock Exchange dropped by 17 percent to HK\$17.5 trillion at the end of year. Also the fund raising activities reduced significantly from HK\$445 billion in 2010 to HK\$258.9 billion in the year under review. The Hang Seng Index closed at 31 December 2011 with a fell by 19.97%.

## **BUSINESS REVIEW AND PROSPECTS**

The Group is principally engaged in the investments in the listed securities for the short term and in the unlisted equities with a potential for earnings growth and capital appreciation. As at 31 December 2011, the Group has approximately HK\$6.1 million in listed securities held for trading.

The Group reported a net loss from operation of HK\$4,971,164 on turnover of HK\$132,120 in 2011 as compared with a loss from operation of HK\$4,323,809 on turnover of HK\$132,120 in 2010. Due to unstable global financial markets, the Company recorded unrealised losses on listed securities of HK\$1,492,884 (2010: HK\$34,164) and received cash dividend income of HK\$132,120 (2010: HK\$132,120).

In the years ahead, the global economic environment has been challenging due to the Euro zone sovereign debt crises and concern over the slowdown of economy in the United States and Europe. It is expected that European debt issues will continue to be the most important unstable factor to impact the global investment market. We anticipate that the government of Mainland China will continue adopt active fiscal policy to stimulate investment by the expansion of public construction, such as investment in railway infrastructures and construction of affordable housing. Also it will continue to expand domestic demand and stimulate household consumption in order to sustain growth in 2012. Hong Kong is expected to continue to benefit from the economic development of China.

Apart from trading securities, the management will also continue look for attractive investment opportunities with potential of asset appreciation as well as with sustainable income stream across various sectors to improve returns to the Group and shareholders within the acceptable risk profile.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

As at 31 December 2011, the Group's current ratio was 0.26, based on the current assets of HK\$6,385,231 and current liabilities of HK\$24,389,861. No gearing ratio was available as the Group was in a negative equity position.

### **Capital structure**

There has been no change to the capital structure of the Company during the year ended 31 December 2011.

### **Disposal of a subsidiary**

On 31 December 2011, the Company completed to dispose of its entire interest in Jointline Investment Limited for a consideration of HK\$1. The principal assets of Jointline Investment Limited were the holding of available-for-sale investments and loans receivable which were fully impaired in 2007.

### **Capital commitment and contingent liabilities**

As at 31 December 2011, 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 31 December 2011, the Group employed a total of 4 employees (2010: 4) including the executive Directors. 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 year under review amounted to HK\$2,078,400 (2010: HK\$2,078,400).

## **CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES**

As at 31 December 2011, there were no charges on the Group's assets and the Group did not have any significant contingent liabilities.

## **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.

## **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 final results for the year ended 31 December 2011.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Listing Rules throughout the year under review, except that the independent non-executive Directors are not appointed for a specific term as required by Provision A.4.1 of the Code, but are subject to retirement by rotation in accordance with the Articles of Association of the Company.

## **SCOPE OF WORK OF AUDITOR ON PRELIMINARY RESULTS ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2011 as set out in the preliminary announcement have been agreed by the Group's auditor, W. H. Tang & Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by W. H. Tang & Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by W. H. Tang & Partners CPA Limited on the preliminary announcement.

## **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 for Securities Transactions by Directors of Listed Issuers (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.

## **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.

## **PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE**

The 2011 annual report of the Company containing all the information required by the Listing Rules will be published on the websites of the Company (<http://www.hklistedco.com/hklco.asp?PD=Home&SC=0356&L=E>) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

By Order of the Board  
**Incutech Investments Limited**  
**Tung Tat Wah**  
*Executive Director*

Hong Kong, 30 March 2012

*As at the date of this announcement, the Board comprises 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.*