

**BOARD OF DIRECTORS****Executive Directors**

Mr. Choi Wai Yin  
Mr. Wong Wai Kwong, David  
Mr. Wong Wing Hong, Benny

**Independent Non-executive Directors**

Mr. Kong Tze Wing  
Mr. Siu Siu Ling, Robert  
Mr. Ng Yick Man, Andy

**REMUNERATION COMMITTEE**

Mr. Kong Tze Wing  
Mr. Siu Siu Ling, Robert  
Mr. Ng Yick Man, Andy  
Mr. Wong Wai Kwong, David

**AUDIT COMMITTEE**

Mr. Kong Tze Wing  
Mr. Siu Siu Ling, Robert  
Mr. Ng Yick Man, Andy

**BANKERS**

Wing Hang Bank, Limited  
161 Queen's Road Central  
Hong Kong

**AUDITORS**

Baker Tilly Hong Kong Limited

**COMPANY SECRETARY**

Mr. Wong Wai Kwong, David, FCCA, CPA

**REGISTERED OFFICE**

Century Yard, Cricket Square  
Hutchins Drive, P.O. Box 2681GT  
George Town, Grand Cayman  
British West Indies

**PRINCIPAL PLACE OF BUSINESS****IN HONG KONG**

Unit 405, 4th Floor  
Unicorn Trade Centre  
127-131 Des Voeux Road Central  
Hong Kong

**PRINCIPAL REGISTRARS**

Bank of Butterfield International  
(Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 705  
George Town, Grand Cayman  
Cayman Islands

**HONG KONG REGISTRARS**

Secretaries Limited  
26th Floor  
28 Queen's Road East  
Wanchai  
Hong Kong

**STOCK CODE**

The Stock Exchange of Hong Kong Limited:  
356

**QUALIFIED ACCOUNTANT**

Mr. Wong Wai Kwong, David, FCCA, CPA

The Board of Directors (the “Board”) of Incutech Investments Limited (the “Company”) is pleased to present the audited consolidated result of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2005.

## REVIEW OF RESULTS

For the year ended 31 December 2005, the Group recorded a loss of HK\$18,973,893 and loss per share of 26.35 cents. The Board has resolved not to pay a final dividend.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Hong Kong’s economic continued to grow in 2005. The recent strong performances of the local stock market and overseas equity markets have reflected overall improved market conditions globally and domestically.

The Group reported a loss from operation of HKD16,725,717 on turnover of HKD975,761 in 2005 as compared with a profit from operation of HKD12,283,081 on turnover of HKD2,040,506 in 2004. The losses occurred during the year under review were mainly as a result of unrealized loss on investments held for trading. With the recent improved performances of the local stock market, the Group’s listed securities investment is anticipated to contribute useful profit to the Group.

The Group’s investment portfolio comprised of unlisted investment and listed securities investment. The Group held minority stakes of unlisted companies which are believed to be 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 Dec 2005, the Group’s unlisted investments, valued at cost less impairment, totalling HKD70,422,002 (2004: HKD59,401,002).

As at 31 Dec 2005, the group held listed securities investments, at market value, of approximately HKD31.8 million (2004: approximately HKD59.4 million).

Whilst we have returned to a relatively high interest rate environment, 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 2005, the Group had no bank overdraft (2004: HK\$23,591).

As at 31 December 2005, part of listed equity securities of the Group had been pledged to secure margin facilities.

**Gearing Ratio**

As at 31 December 2005, the amount of borrowings was approximately HK\$35 million (2004: HK\$31 million), being equal to approximately 53% (2004: 37%) of the net asset of approximately HK\$66 million (2004: HK\$85 million).

**Capital Structure**

There has been no change to the capital structure of the Company since 1 January 2005.

**Capital commitment and contingent liabilities**

As at 31 December 2005, the Group had no material capital commitment and contingent liabilities.

**Share options**

The Company does not have a share option scheme.

**EMPLOYMENT AND REMUNERATION POLICIES**

During the year ended 31 December 2005, the Group had no full-time employee.

**STAFF COST**

The Group's total staff costs for the year under review amounted to HK\$300,000 (2004: HK\$308,333).

**DETAILS OF CHARGES ON GROUP ASSETS**

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

**PLEDGE OF ASSETS**

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

**EXPOSURES 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.

**APPRECIATION**

The Directors would like to take this opportunity to extend our sincere thanks and express appreciation to those who have supported us during the year.

**Choi Wai Yin**

*Executive Director*

Hong Kong, 18 April 2006

The directors submit their report together with the audited accounts for the year ended 31 December 2005.

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Company and its subsidiaries during the year are investment in securities listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and unlisted investments with a potential for earnings growth and capital appreciation. The activities of the principal subsidiaries are set out in Note 12 to the accounts.

The Group’s turnover for the year comprised dividends from investments.

#### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The directors do not recommend payment of a dividend.

#### **RESERVES**

Movements in the reserves of the Group and of the Company during the year are set out in Note 18 to the accounts.

#### **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in Note 11 to the accounts.

#### **SHARE CAPITAL**

Details of the movements in share capital of the Company are set out in Note 17 to the accounts.

#### **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31 December 2005 are set out in Note 18 to the accounts.

#### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company’s Memorandum and Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

#### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 44.

**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.

**DIRECTORS**

The directors during the year and up to the date of this report were:

**Executive Directors**

Mr. Choi Wai Yin

Mr. Chan Nap Kee, Joseph (Resigned on 24 June 2005)

Mr. Wong Wai Kwong, David

Mr. Wong Wing Hong, Benny

**Independent Non-executive Directors**

Mr. Kong Tze Wing

Mr. Siu Siu Ling, Robert

Mr. Ng Yick Man, Andy

In accordance with Article 88 of the Company's Articles of Association, Mr. Choi Wai Yin and Mr. Siu Siu Ling, Robert shall retire by rotation from office and all of them being eligible, offer themselves for re-election of the AGM. All other directors continue in office.

Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy are independent non-executive directors.

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

**DIRECTORS' SERVICE CONTRACTS**

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

**DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**BIOGRAPHICAL DETAILS OF DIRECTORS**

Brief biographical details of directors are set out below:

**Executive Directors:**

**Mr. Choi Wai Yin**, aged 47, is an executive director. Mr. Choi holds a bachelor degree in Business Administration from the Chinese University of Hong Kong and a master degree of Science in Finance from the City University of Hong Kong. He has over 18 years of experience in finance and fund management. From 1992 to 1994, he was a manager of the assessing department of BOCI Direct Investment Management Limited managing direct investment funds of approximately US\$120 million. From 1994 to 1998, he was an executive director of CEF New Asia Partners Limited managing two direct investment funds, namely CEF New Asia Company Limited and CEFNA Greater China Investments Company Limited, of approximately US\$180 million on behalf of independent third parties. Mr. Choi is currently an investment adviser registered under the Securities and Futures Ordinance. He is an executive director of Success Talent Investments Limited which is the investment manager of a listed investment company on the Stock Exchange, Earnest Investment Holdings Limited and an independent non-executive director of Fushan Holdings Limited. Mr. Choi will contribute to formulate the business direction of the Company, structure investment deals and monitor the performance of individual projects.

**Mr. Wong Wai Kwong, David**, age 48, is a company secretary and an executive director of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, and a Certified Public Accountant. He has over 25 years of experience in finance, accounting, corporate and taxation affairs. Mr. Wong is an independent non-executive director of Yugang International Limited, Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, Upbest Group Limited, UBA Investments Limited, Qualipak International Holdings Limited and Cardlink Technology Group Limited, a non-executive director of Tonic Industries Holdings Limited, and a director of EganaGoldpfeil (Holdings) Limited and Egana Jewellery & Pearls Limited. All of the above companies are listed in Hong Kong. Mr. Wong ceased to be a non-executive director of Dickson Group Holdings Limited in May 2003. Save as disclosed above, Mr. Wong has not held any directorship in any other listed public company in the last three years.

**Mr. Wong Wing Hong, Benny**, aged 46, is an executive director of the Company and is involved in formulating the business direction of the Company's structured investment deals and monitor the performances of individual projects. He is responsible for formulating investment strategies and structuring investment prospects. Mr. Wong has over 20 years' experience in commercial banking. He had been the senior manager and member of the Credit Committee of Ansbacher Hong Kong Limited, member of Henry Ansbacher Group of United Kingdom ("UK") for 13 years and had served in a UK-based international bank for 6 years. His duties included credit review of corporate clients including Hong Kong listed and unlisted companies involved in the manufacturing, trading and investment industries. Mr. Wong completed a study in corporate financial management given by the Graduate School of Business, Stanford University.

**Independent Non-executive Directors:**

**Mr. Kong Tze Wing**, aged 54, is an independent non-executive director. Mr. Kong has been a fellow member of the Association of Chartered Certified Accountants since 1985 and became a fellow member of the Hong Kong Institute of Certified Public Accountants in 1995. He is also a Vice President and Chairman of the China Liaison Committee of the Hong Kong Institute of Accredited Accounting Technician as well as the Hon. President of the Institute of Financial Accountants in Hong Kong. Mr. Kong has been a Certified Public Accountant since 1981. Mr. Kong holds a bachelor degree in Accounting and a bachelor degree in Business Administration. He is a sole practitioner of the firm Messrs. James T. W. Kong & Co., Certified Public Accountants. Mr. Kong was an elected District Board member in 1991 and is currently an elected District Council member. He is actively participating in community services and has been appointed by the Hong Kong SAR government to sit on various committees in Hong Kong. Mr. Kong is also an independent non-executive director of Ultra Group Holdings Limited.

**Mr. Siu Siu Ling, Robert**, aged 53, is an independent non-executive director. Mr. Siu has been a solicitor since 1992 and has been admitted as a solicitor in England and Wales since 1993. Mr. Siu holds a bachelor degree in law and a postgraduate certificate in law. Mr. Siu was a partner of the former firm Messrs. Joseph Chu, C.P. Cheung & Co. from 1997 to 1998 and partner of the firm Messrs. C.P. Cheung & Co. from 1997 to 2000. He is now a sole practitioner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu's practice is mainly in the field of commercial and corporate finance. Mr. Siu is also an independent non-executive director of Ultra Group Holdings Limited, and an executive director of MAXX Bioscience Holdings Ltd.



**Mr. Ng Yick Man, Andy**, age 48, is an independent non-executive director. Mr. Ng has over 23 years' experience in the fields of finance, accounting, taxation and corporate governance. He is currently a Teaching Fellow of the Faculty of Business Administration of The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and CPA Australia. Mr. Ng is an independent non-executive director of EganaGoldpfeil (Holdings) Limited and Egana Jewellery & Pearls Limited.

#### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 31 December 2005, none of the directors or chief executive (including their spouses and children under 18 years of age) of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange.

At no time during the year, have the directors and chief executive (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors or chief executives (including their spouses and children under 18 years of age) of the Company to hold any interests or short positions in the shares, underlying shares in or debentures of, the Company or its associated corporations.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 December 2005, the following persons or corporations, interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

Name of shareholder	Number of ordinary shares	% of total issued shares
Endless Wealth Limited <sup>#</sup>	15,000,000	20.83%

<sup>#</sup> Principally engaged in investment holding business, and wholly owned by and controlled by Mr. Chin Melvyn Michael.

Save as disclosed above, as at 31 December 2005, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to Part XV 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.

### MANAGEMENT CONTRACTS

Details of the significant management contracts in relation to the Group's business are set out in Note 22 to the accounts.

Save as disclosed in Note 22 to the accounts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered by the Group during the year ended 31 December 2005, which do not constitute connected transactions under the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”), are disclosed in Note 23 to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in Note 22 to the accounts.

The investment manager of the Company is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the investment management agreement constitutes a connected transaction of the Company.

The management fee paid during the year amounted to HK\$1,155,692 (2004: HK\$1,051,370). The transaction was entered into by the Company in the ordinary and usual course of business in accordance with the terms of the agreement, conducted on normal commercial terms and did not exceed the cap amount as prescribed in the waiver granted by the Stock Exchange. The transaction had been reviewed by the independent non-executive directors and received approval from the Company’s board of directors.

### AUDIT COMMITTEE

The Company has established an audit committee in accordance with rule 3.21 of the Listing Rules.

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 2005.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The audit committee has discussed the internal control system effectiveness review report with the management, and is satisfied with the conclusion reached by the management that “the management is satisfied that prevailing internal control system is adequately in place, and has been implemented by the company properly. In addition, there revealed no significant areas of improvement which are required to be brought to the attention of the Board.”

The Company has complied with the Code throughout the financial year ended 31 December 2005, with deviations from code provisions 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 derivation 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.

#### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:

Mr. Choi Wai Yin is an executive director of Success Talent Investments Limited, which is the investment manager of a listed company on the Stock Exchange, Earnest Investment Holdings Limited. In view of the differences in the investment objectives, it is believed that his roles in this company would not result in any conflicts of interest with the Company. Mr. Choi will abstain from voting on transactions where conflicts of interest arise between the Company and Earnest Investment Holdings Limited.

#### **AUDITORS**

The accounts have been audited by Baker Tilly Hong Kong Limited.

By order of the Board

**Choi Wai Yin**

*Executive Director*

Hong Kong, 18 April 2006.

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders. The Stock Exchange introduced the Code on Corporate Governance Practices (“the Code”) in November 2004, for replacement and enhancement of the Code of Best Practice in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Code has become effective from 1 January 2005 and the Group has complied with code provisions as set out in the Code with the exception of code provision A.4.1 of the Code in respect of the service term. 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.

## **THE BOARD**

### **Composition**

The Board consists of three executive directors and three independent non-executive directors (“INED(s)”). Mr. Wong Wai Kwong, David, executive director, and Mr. Kong Tze Wing, independent non-executive director and Chairman of audit committee have the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on pages 8 to 10 of this Annual Report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. Each INED is subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association of the Company. There is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board.

### **Function**

The Board is responsible for managing and direction setting of the Company. For any major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters, Board approval is required.

The executive directors are responsible for day-to-day management of the Company’s operations. These executive directors conduct regular meetings, at which operational issues and financial performance of the Company and its subsidiaries are evaluated.

The Company views well-developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

The Board held four regular Board meetings at approximately quarterly interval during year 2005 and additional board meetings were held when necessary. An agenda and accompanying board papers are sent in full to all directors in a timely manner and at least three days before the intended date of a board or board committee meeting. Adequate information related to the issues are also supplied for the board and its committee to make decisions which is for the best interests of the Group. Notice of at least fourteen days are given to give all directors an opportunity to attend. The directors who cannot attend in person might through other electronic means of communications to participate. Details of individual attendance of directors are set out in the table below:–

#### **Attendance of individual directors at Board meeting in 2005**

<b>Number of meetings</b>	4
<b>Executive Director</b>	
Mr. Choi Wai Yin	3/4
Mr. Wong Wai Kwong, David	3/4
Mr. Wong Wing Hong, Benny	4/4
<b>INEDs</b>	
Mr. Kong Tze Wing	4/4
Mr. Siu Siu Ling, Robert	3/4
Mr. Ng Yick Man, Andy	3/4

The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

#### **Board Committees**

In order to strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

**Remuneration Committee**

The Board has established a Remuneration Committee comprising one executive director, Mr. Wong Wai Kwong, David and three independent Non-Executive Directors, Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy. It is chaired by Mr. Kong Tze Wing.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Corporate Governance Code.

The Remuneration Committee's responsibilities are to review and consider Company's policy for remuneration of directors and senior management, to determine remuneration packages of executive directors including benefits in kind, pension rights and compensation payments, and to recommend to the Board remuneration of non-executive directors.

Set out below is the summary of work of the Remuneration Committee done in 2005:–

- to review the remuneration policy for 2005/2006;
- to review the remuneration of the executive directors and the INEDs; and
- to review the annual share option policy.

The Remuneration Committee held one meeting for the financial year ended 31 December 2005. Details of individual attendance of its members are set out in the table below:–

<b>Number of meetings</b>	1
<b>Executive Director</b>	
Mr. Wong Wai Kwong, David	1/1
<b>INEDs</b>	
Mr. Kong Tze Wing	1/1
Mr. Siu Siu Ling, Robert	1/1
Mr. Ng Yick Man, Andy	1/1

### Audit Committee

The Company's Audit Committee is composed of three independent non-executive directors, namely Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy. It is chaired by Mr. Kong Tze Wing. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders.

Set out below is the summary of work done in 2005:–

- to review the financial statements for the year ended 31 December, 2004 and for the six months ended 30 June, 2005;
- to review effectiveness of the internal control system;
- to review auditors' statutory audit plan and letters of representation; and
- to consider and approve 2005 audit fees and audit work.

The Audit Committee held 2 meetings for the financial year ended 31 December 2005. Details of individual attendance of its members are set out in the table below:–

<b>Number of meetings</b>	2
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### INEDs

Mr. Kong Tze Wing	2/2
Mr. Siu Siu Ling, Robert	2/2
Mr. Ng Yick Man, Andy	2/2

### Other Information

The Board has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.



**Model code for securities transactions by directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2005.

**Auditors’ Remuneration**

The Audit Committee reviews each year with the external auditors of the Company as regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them.

During the year, the fees paid to the Company’s auditor in respect of audit services amounted to HK\$182,300. No non-audit services were provided by the Company’s auditors for the financial year ended 31 December 2005.

**Internal Control**

The Company places great importance on internal control and risk management.

The Company encourages a risk aware and control conscious environment throughout the Company. The Board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks facing the Company. These include strategic planning, political and regulatory, acquisitions, investments, expenditure control, treasury and environment.

Pursuant to the code provision C.2.1, the Board should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in the corporate governance report. Under the transitional arrangement, the said code provision C.2.1 will be implemented for accounting periods commencing on or after 1 July 2005. The Company will conduct a review of its internal control system pursuant to the code provision C.2.1 in year 2006.

In relation to the financial year ended 31 December 2005, the audit committee has discussed and reviewed the annual internal control systems review report prepared by the Company, with the management. The audit committee concurred with the management’s conclusion that “the prevailing internal control systems have been adequately in place and properly implemented. There exists no significant area of improvement that needs to be brought to the attention of the shareholders”.

**Shareholder communication**

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in all circulars accompanying notice convening general meeting and has been read out by the chairman at general meeting.

**Directors' responsibility in preparing the financial statements**

The Directors acknowledge that it is their responsibilities in preparing the Financial Statements. The Statement of the Auditors about their reporting responsibilities on the Financial Statements is set out in the Auditors' Report on page 20.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
INCUTECH INVESTMENTS LIMITED**

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

We have audited the accounts on pages 21 to 44 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of the accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

**Chan Cheuk Chi**

Practising Certificate Number P01137

Hong Kong, 18 April 2006

Consolidated Profit and Loss Account <sup>21</sup>

For the year ended 31 December 2005

	Note	2005 HK\$	2004 HK\$
<b>Turnover</b>	4	975,761	2,040,506
Other revenues	4	–	2,000
		975,761	2,042,506
Fair value (loss)/gain on investments held for trading	14	(8,207,188)	22,296,444
Loss on disposals of investments held for trading		(3,605,865)	(7,348,148)
Provision for investment losses	13	(3,659,000)	(2,639,000)
Investment management fees	22	(1,155,692)	(1,051,370)
Other operating expenses		(1,073,733)	(1,017,351)
Operating (loss)/profit		(16,725,717)	12,283,081
Finance costs	5	(2,248,176)	(2,328,963)
<b>(Loss)/profit before income tax</b>	6	(18,973,893)	9,954,118
Income tax	7	–	636,284
<b>(Loss)/profit attributable to shareholders</b>	8	(18,973,893)	10,590,402
<b>(Loss)/earnings per share</b>	9	(26.35 cents)	14.71 cents

The notes on pages 26 to 44 form an integral part of these accounts.

## Consolidated Balance Sheet

As at 31 December 2005

	Note	2005 HK\$	2004 HK\$
<b>NON-CURRENT ASSETS</b>			
Fixed assets	11	6,701	10,955
Available-for-sale investments	13	14,562,002	59,401,002
		14,568,703	59,411,957
<b>CURRENT ASSETS</b>			
Available-for-sale investments	13	55,860,000	–
Investments held for trading	14	31,836,942	59,370,462
Accounts receivable		700,671	–
Prepayments and other receivables		55,009	23,988
Bank balances and cash		40,711	3,677
		88,493,333	59,398,127
<b>CURRENT LIABILITIES</b>			
Bank overdraft		–	23,591
Margin accounts payable	15	5,494,665	8,890,094
Short term loans	16	29,661,999	3,354,789
Commercial paper		–	19,000,000
Creditors and accruals		1,610,845	2,273,190
		36,767,509	33,541,664
<b>NET CURRENT ASSETS</b>		51,725,824	25,856,463
<b>TOTAL ASSET LESS CURRENT LIABILITIES</b>		66,294,527	85,268,420
<b>FINANCED BY:</b>			
Share capital	17	720,000	720,000
Reserves	18	65,574,527	84,548,420
<b>SHAREHOLDERS' FUNDS</b>		66,294,527	85,268,420
<b>NET ASSET VALUE PER SHARE</b>		92 cents	HK\$1.18

Choi Wai Yin  
Director

Wong Wai Kwong, David  
Director

The notes on pages 26 to 44 form an integral part of these accounts.

As at 31 December 2005

	Note	2005 HK\$	2004 HK\$
<b>NON-CURRENT ASSETS</b>			
Fixed assets	11	6,701	10,955
Investments in subsidiaries	12	62,723,996	64,964,296
		62,730,697	64,975,251
<b>CURRENT ASSETS</b>			
Prepayments and other receivables		55,009	23,988
Bank balances and cash		37,957	377
		92,966	24,365
<b>CURRENT LIABILITIES</b>			
Bank overdraft		–	23,591
Creditors and accruals		1,610,835	1,539,510
		1,610,835	1,563,101
<b>NET CURRENT LIABILITIES</b>		(1,517,869)	(1,538,736)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		61,212,828	63,436,515
<b>FINANCED BY:</b>			
Share capital	17	720,000	720,000
Reserves	18	60,492,828	62,716,515
<b>SHAREHOLDERS' FUNDS</b>		61,212,828	63,436,515

Choi Wai Yin

Director

Wong Wai Kwong, David

Director

The notes on pages 26 to 44 form an integral part of these accounts.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Share capital HK\$	Share premium HK\$	Retained earnings HK\$	Total HK\$
At 1 January 2004	720,000	67,320,071	6,637,947	74,678,018
Profit for the year	–	–	10,590,402	10,590,402
At 31 December 2004 and 1 January 2005	720,000	67,320,071	17,228,349	85,268,420
Loss for the year	–	–	(18,973,893)	(18,973,893)
At 31 December 2005	720,000	67,320,071	(1,745,544)	66,294,527

The notes on pages 26 to 44 form an integral part of these accounts.

## Consolidated Cash Flow Statement 25

For the year ended 31 December 2005

	2005 HK\$	2004 HK\$
<b>Cash flows from operating activities</b>		
Profit from ordinary activities before taxation	(18,973,893)	9,954,118
Interest expenses	2,248,176	2,328,963
Depreciation of owned fixed assets	4,254	4,256
Fair value (loss)/gain on investments held for trading	8,207,188	(22,296,444)
Loss on disposal of investments held for trading	3,605,865	7,348,148
Provision for impairment losses	3,659,000	2,639,000
<b>Operating loss before changes in working capital</b>	(1,249,410)	(21,959)
Increase in accounts receivable	(700,671)	–
(Increase)/decrease in prepayments and other receivables	(31,021)	177,003
Decrease/(increase) in investments held for trading	15,720,467	(3,105,469)
(Decrease)/increase in margin accounts payable	(3,395,429)	2,125,707
Increase/(decrease) in short term loans	26,307,210	(4,571,450)
(Decrease)/increase in commercial paper	(19,000,000)	19,000,000
(Decrease)/increase in creditors and accruals	(662,345)	552,306
<b>Net cash inflow generated from operations</b>	16,988,801	14,156,138
Interest paid	(2,248,176)	(2,200,637)
<b>Net cash inflow from operating activities</b>	14,740,625	11,955,501
<b>Investing activities</b>		
Purchases of available-for-sale investments	(14,680,000)	(21,530,002)
Disposals of available-for-sale investments	–	11,000,000
<b>Net cash outflow from investing activities</b>	(14,680,000)	(10,530,002)
<b>Net increase in cash and cash equivalents</b>	60,625	1,425,499
<b>Cash and cash equivalents at beginning of year</b>	(19,914)	(1,445,413)
<b>Cash and cash equivalents at end of year</b>	40,711	(19,914)
<b>Analysis of balance of cash and cash equivalents</b>		
Bank balances and cash	40,711	3,677
Bank overdrafts	–	(23,591)
	40,711	(19,914)

The notes on pages 26 to 44 form an integral part of these 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”) 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
<b>Total revenues</b>	<b>975,761</b>	<b>2,042,506</b>

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
	<b>2,248,176</b>	<b>2,328,963</b>

**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

31 December 2005

**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).



31 December 2005

## 11. FIXED ASSETS

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

## 12. INVESTMENT IN SUBSIDIARIES

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

**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)
<b>Total</b>	<b>70,422,002</b>	<b>59,401,002</b>
	Group	
	2005 HK\$	2004 HK\$
Non-current assets	14,562,002	59,401,002
Current assets	55,860,000	–
	<b>70,422,002</b>	<b>59,401,002</b>

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.

31 December 2005

**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
<b>NON-CURRENT ASSETS</b>					
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)
<b>CURRENT ASSETS</b>					
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%)

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**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

31 December 2005

**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		2004		% of total assets of the Group	Net assets attributable to the Group	Note
		Fair value HK\$'000	Fair value (loss)/gain HK\$'000	Fair value HK\$'000	Fair value (loss)/gain HK\$'000			
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).

31 December 2005

**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**

	Share premium HK\$	Group 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

	Share premium HK\$	Company 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 HK\$	2004 HK\$	2005 HK\$	2004 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 HK\$	2004 HK\$
Not later than one year	68,400	46,512

**22. CONNECTED TRANSACTIONS**

	Group and Company	
	2005 HK\$	2004 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.

**RESULTS**

	2005 HK\$	2004 HK\$	2003 HK\$
(Loss)/Profit attributable to shareholders	(18,973,893)	10,590,402	6,574,817

**ASSETS AND LIABILITIES**

Total assets	103,062,036	118,810,084	93,073,106
Total liabilities	36,767,509	33,541,664	18,395,088
Shareholders' funds	66,294,527	85,268,420	74,678,018