

INTERIM REPORT 2007

INCUTECH



INCUTECH INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 356

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Wai Yin

Mr. Lee Kar Wai

Mr. Wong Wing Hong, Benny

Independent Non-Executive Directors

Mr. Kong Tze Wing

Mr. Siu Siu Ling, Robert

Mr. Kwok Ming Fai

AUDIT COMMITTEE

Mr. Kong Tze Wing

Mr. Siu Siu Ling, Robert

Mr. Kwok Ming Fai

REMUNERATION COMMITTEE

Mr. Kong Tze Wing

Mr. Siu Siu Ling, Robert

Mr. Kwok Ming Fai

Mr. Lee Kar Wai

BANKERS

Wing Hang Bank, Limited

161 Queen's Road Central

Hong Kong

AUDITORS

Baker Tilly Hong Kong Limited

INVESTMENT MANAGER

Upbest Assets Management Limited

2nd Floor, Wah Kit Commercial Centre

302 Des Voeux Road Central

Hong Kong

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

2/F, Haking (Tung Shing)

Industrial Building

34 Lee Chung Street

Chai Wan

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

Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong

Limited: 356

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Lee Kar Wai

INTERIM RESULTS AND CONDENSED ACCOUNTS

The Board of Directors (the "Board") of Incutech Investments Limited (the "Company") is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2007. The consolidated results, consolidated cash flow statement, and consolidated statement of changes in equity for the period ended 30th June, 2007 and the consolidated balance sheet as at 30th June, 2007 of the Group, all of which are unaudited and condensed, are set out on pages 7 to 16 of the interim report, along with selected explanatory notes.

INTERIM DIVIDEND

The Board of Directors has resolved not to pay any interim dividend for the period ended 30th June, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group reported a net profit of HK\$10,973,874 (2006: HK\$946,627) on turnover of HK\$989,425 (2006: HK\$842,736) during the 6-month period under review. This represented 1,059% and 17.4% increases in profit and turnover as compared to the corresponding period in 2006. The favourable results were mainly attributable to an unrealized profit on investments held for trading for which the value for these investments were marked to the market.

The Group's investment portfolio is comprised of listed securities and private equity investments which provide the Group with certain recurrent dividend and medium to long-term capital appreciation. The results achieved were mainly as a result of an improved investment environment in Hong Kong since the beginning of the year when the stock market has shown a strong upward trend, as reflected in the increase of The Hang Seng Index which recently reached the historical high of over 25,000 points. In addition, Hong Kong has maintained a healthy domestic spending and economic environment for growth.

As at 30th June, 2007, the Group recorded net assets of HK\$84,743,267 (as at 31st December, 2006: HK\$73,769,393). Total net asset per share was HK\$1.17 (as at 31st December, 2006: HK\$1.02).

FINANCIAL REVIEW

Liquidity and Financial resources

As at 30th June, 2007, the Group had no bank overdraft outstanding (2006: NIL).

Capital structure

There has been no change in the Group's capital structure since 31st December, 2006.

Capital commitment and contingent liabilities

As at 30th June, 2007, the Group had no material capital commitment and 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.

SIGNIFICANT INVESTMENTS HELD

As at 30th June, 2007, the Group held investment in listed securities and unlisted equity of approximately HK\$26.8 million and HK\$42.3 million respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2007, the Group had 3 employees, including the executive directors of the company.

SHARE OPTIONS

The Group does not adopt any share option scheme.

PROSPECTS

The Group will continue to identify potential investment opportunity and to manage the existing investment portfolio cautiously so as to maintain good capital appreciation and growth in profit for the Group.

With the booming in the economy of the greater China region in the first half of 2007, the management is optimistic that the economic prospect of Hong Kong and China will remain positive in the near future. The recent announcement of the QDII will further enhance the capital market in Hong Kong as more direct investments are expected to come from China to Hong Kong. Furthermore, Hong Kong capital market has become a platform for China enterprises to raise capital. This role is expected to continue in the foreseeable future. However, the impacts on the global economy, as caused by the subprime mortgage issue in the US are still uncertain. Management will closely monitor its investment portfolio to ensure that the risk is under manageable level and at the same time to maximize the Group's returns.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

As at 30th June, 2007, 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 of Hong Kong Limited.

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 30th June, 2007, 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 [#]	15,000,000	20.83%

[#] Principally engaged in investment holding business, and wholly owned by and controlled by Mr. Chin Melvyn Michael.

Save as disclosed above, as at 30th June, 2007, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a good corporate governance. During the period under review, it has taken appropriate steps to ensure compliance with the code provisions of the Code on Corporate Governance Practice (Code) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Company has complied with the Code throughout the six months ended 30th June, 2007, with deviation from code provision A.4.1 of the Code only in respect of the service term and rotation of directors.

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.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has discussed and reviewed the Company's corporate governance practices with the management and is satisfied with the Company's internal controls and financial reporting matters, which have been implemented properly. In addition, there revealed no significant areas of improvement which are required to be brought to the attention of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30th June, 2007 before recommending them to the Board for approval.

The Committee comprises three independent non-executive directors, namely Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Kwok Ming Fai.

By order of the Board

Choi Wai Yin

Executive Director

Hong Kong, 20th September, 2007

As at the date of this report, the Board consists of Mr. Choi Wai Yin, Mr. Lee Kar Wai and Mr. Wong Wing Hong Benny as executive directors, and Mr. Kong Tze Wing, Mr. Siu Siu Ling Robert and Mr. Kwok Ming Fai as independent non-executive directors.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

		Six months ended 30th June, 2007 (Unaudited) HK\$	Six months ended 30th June, 2006 (Unaudited) HK\$
	Note		
Turnover	3	989,425	842,736
Unrealized profit on financial assets at fair value through profit or loss		11,779,319	11,373,310
Provision for impairment losses		-	(8,390,002)
Profit/(Loss) on disposal of investments held for trading		1,317,790	(1,265,695)
Investment management fee	13(a)	(579,856)	(551,643)
Other operating expenses		(357,800)	(371,302)
Operating profit		13,148,878	1,637,404
Finance costs		(1,033,357)	(690,777)
Profit before taxation		12,115,521	946,627
Taxation	4	(1,141,647)	-
Profit attributable to shareholders		10,973,874	946,627
Basic profit per share	5	15.24 cents	1.31 cents
Interim dividend		-	-

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2007 AND 31ST DECEMBER, 2006

		30th June, 2007 (Unaudited) HK\$	31st December, 2006 (Audited) HK\$
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-Current assets			
Available-for-sales investments	6	42,252,305	27,252,305
Currents assets			
Investments held for trading	6	26,829,630	28,052,013
Accounts receivable		22,831,633	17,006,987
Prepayment and other receivables	7	104,871	211,905
Cash and cash equivalent		41,080	28,173,124
		49,807,214	73,444,029
Current liabilities			
Margin accounts payable	8	–	440,388
Short term loan	9	4,330,406	24,718,080
Creditors and accruals		839,117	763,391
Taxation		2,146,729	1,005,082
		7,316,252	26,926,941
Net current assets		42,490,962	46,517,088
Total assets less current liabilities		84,743,267	73,769,393
Financed by:			
Share capital	10	720,000	720,000
Reserves	11	84,023,267	73,049,393
Shareholders' funds		84,743,267	73,769,393

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Six months ended 30th June, 2007 (Unaudited) HK\$	Six months ended 30th June, 2006 (Unaudited) HK\$
Net cash (outflow)/inflow in operating activities	(14,121,469)	80,952,629
Cash (outflow)/inflow from investing activities	(14,010,575)	24,747,825
Net increase/(decrease) in cash and cash equivalents	(28,132,044)	105,700,454
Cash and cash equivalents at beginning of period	28,173,124	40,711
Cash and cash equivalents at end of period	41,080	105,741,165
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	-	105,709,425
Bank balances	41,080	31,740
	41,080	105,741,165

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007 AND 30TH JUNE, 2006

	Six months ended 30th June, 2007 (Unaudited) HK\$	Six months ended 30th June, 2006 (Unaudited) HK\$
Total equity as at 1st January	73,049,393	65,574,527
Profit for the period	10,973,874	946,627
Total equity as at 30th June	<u>84,023,267</u>	<u>66,521,154</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover, revenue and segment information

The Group is principally engaged in investments in listed and unlisted securities issued by companies having operations and activities in Hong Kong. Total revenues recognized during the six months ended 30th June, 2007 are as follows:

	Six months ended 30th June, 2007 (Unaudited) HK\$	Six months ended 30th June, 2006 (Unaudited) HK\$
Turnover		
Dividend Income	–	244,909
Interest Income	989,425	597,827
Total	989,425	842,736

Since the principal activity of the Group is investing in Hong Kong securities with over 90% of its turnover and contribution to results derived from such activity in Hong Kong, no separate disclosure of geographical nor business segment information is presented.

4. Taxation

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period.

	Six months ended 30th June, 2007 (Unaudited) HK\$	Six months ended 30th June, 2006 (Unaudited) HK\$
Hong Kong profits tax	1,141,647	–

5. Earnings per share

The calculation of the basic earnings per share for the six months ended 30th June, 2007 is based on the Group's profit attributable to the shareholders of HK\$10,973,874 and the weighted average number of 72,000,000 ordinary shares in issue during the period. Basic profit per share for the six months ended 30th June, 2006 is based on the Group's profit attributable to shareholders of HK\$946,627 and the weighted average number of 72,000,000 shares in issue during the prior period.

No diluted earnings per share are presented since the Company did not issue any dilutive potential ordinary shares during both periods presented.

6. Investments

	30th June, 2007 (Unaudited) HK\$	31st December, 2006 (Audited) HK\$
Available-for-sale investments		
Equity securities:		
Unlisted, at cost	45,882,000	30,882,000
Less: Provision for impairment losses	(3,629,695)	(3,629,655)
	<u>42,252,305</u>	<u>27,252,305</u>
Investment held for trading		
Equity securities:		
Listed in Hong Kong, at fair value	26,829,630	28,052,013
	<u>26,829,630</u>	<u>28,052,013</u>

7. Prepayments and other receivables

	30th June, 2007 (Unaudited) HK\$	31st December, 2006 (Audited) HK\$
Utilities deposits	22,808	22,808
Prepayments	72,500	179,737
Other receivables	9,563	9,360
	<u>104,871</u>	<u>211,905</u>

8. Margin Accounts Payable

The margin accounts payable as at 30th June, 2007 were secured by the Group's investments held for trading of HK\$26,829,630 (2006: HK\$28,052,013).

9. Short Term Loan

	30th June, 2007 (Unaudited) HK\$	31st December, 2006 (Audited) HK\$
Short term loan (Note a)	4,330,406	24,718,080
	<u>4,330,406</u>	<u>24,718,080</u>

Notes:

- (a) Short term loan were extended by Upbest Finance Company Limited ("UFC"), which is a fellow subsidiary of Upbest Assets Management Limited, 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 (2006: Hong Kong prime rate plus 4% per annum).

10. Share capital

	Authorised Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 1st January, 2007 and 30th June, 2007	500,000,000	5,000,000

	Issued and fully paid Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 1st January, 2007 and 30th June, 2007	72,000,000	720,000

11. Reserves

	Share Premium HK\$	Retained Earnings HK\$	Total HK\$
At 1st January, 2007	67,320,071	5,729,322	73,049,393
Profit for the period	-	10,973,874	10,973,874
At 30th June, 2007	<u>67,320,071</u>	<u>16,703,196</u>	<u>84,023,267</u>

12. Commitments under operating leases

At 30th June, 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30th June, 2007 Unaudited HK\$	31st December, 2006 Audited HK\$
Not later than one year	24,975	68,850
	<u>24,975</u>	<u>68,850</u>

13. Connected transactions

	Group and Company	
	Six months ended 30th June, 2007 (Unaudited) HK\$	Six months ended 30th June, 2006 (Unaudited) HK\$
Investment management fees (<i>Note a</i>)	579,856	551,643
Custodian fees paid to Wing Hang Bank, Limited (<i>Note b</i>)	30,000	30,000

Notes:

- (a) The Company signed an investment management agreement with Upbest Assets Management Limited ("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.

13. Connected transactions (continued)

Notes: (continued)

- (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 of Hong Kong Limited 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.

14. Related party transactions

In addition to note 13, the Group undertook the following transactions with related parties in the normal course of its business:

	Six months ended 30th June, 2007 (Unaudited) HK\$	Six months ended 30th June, 2006 (Unaudited) HK\$
Interest expenses on the extended short term loans (Note a)	888,327	570,841

Notes:

- a. Interest expenses on the extended short term loans, charged at the rate at the Hong Kong prime rate plus 4% per annum (2006: 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\$15,391,980 (2006: HK\$10,234,400) at the balance sheet date. Upbest is the ultimate holding company of the Group's investment manager, UAM.