

Management Statement

The Board of Directors of Incutech Investments Limited (the “Company”) is pleased to present the audited consolidated result of the Company and its subsidiaries (the “Group”) for the period from 5th December, 2001 (date of incorporation) to 31st December, 2002.

REVIEW OF RESULTS

For the period ended 31st December, 2002, the Group recorded a profit of HK\$157,223 and earnings per share of HK0.28 cents for its seven months operation. This is a difficult period for all business in Hong Kong and the Board of Directors has resolved not to pay a final dividend and propose that cash is retained for future investment opportunities.

GROUP REORGANISATION

- (a) On 5th December, 2001, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability under the name of Incutech Investments Limited.
- (b) Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), on 6th May, 2002, the Company acquired the entire issued share capital of Good Connection Traders Limited from Typical Success Limited in consideration of HK\$7.80.
- (c) For the same reason as above, on 6th May, 2002, the Company acquired the entire issued share capital of Excel Win Development Corporation from Endless Wealth Limited in consideration of HK\$7.80.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period from 5th December, 2001 to 31st December, 2002, the Group recorded total revenue of HK\$1,851,455. Besides minor revenue of interest received from bank and gain on disposal of listed investments, the major source of income in the Group comprised HK\$1,468,235 of interest earning from short term finance activities. After taking into account the unrealised gain on listed investments of HK\$572,255 and deduction of operating expenses of HK\$2,266,487, profit attributable to shareholders for the period from 5th December, 2001 to 31st December, 2002 amounted to HK\$157,223. As at 31st December, 2002, the Group recorded shareholders’ funds of HK\$55,159,294. Total net asset value per share was HK\$0.92.

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FINANCIAL REVIEW

Liquidity and Financial resources

As at 31st December, 2002, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of HK\$16,987,509, which was mainly placed in a bank as time deposits.

Capital Structure

In June 2002, the Company raised net proceeds of approximately HK\$25 million by the issue of 30,000,000 new shares at the issue price of HK\$1.00 per share to the public for subscription.

SIGNIFICANT INVESTMENTS AND PERFORMANCE

During the period ended 31st December, 2002, the Group has made investment in listed shares of HK\$15.8 million which comprised 28% of the Group's total assets. Another investment of HK\$3.1 million, which comprised 5.5% of the Group's total assets, has been invested in a Chinese medicine health care centre in the People's Republic of China ("PRC") through a private company incorporated in Hong Kong. In order to maintain a stable income, the Group has subscribed for a short term convertible bond of HK\$10 million issued by a finance company in Hong Kong.

During the period ended 31st December, 2002, the Group has placed with a company a deposit of HK\$10 million for future investment purpose which is related to an investment project of telecom system business in Nanjing in the PRC.

The remaining funds obtained from the new issue of shares are now placed with a bank as short-term deposits which will be used for investments when the Group identifies promising investment opportunities in the future.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st December, 2002, the Group employed 2 full-time employees and the employees' remuneration package includes fixed salary, medical insurance and mandatory provident fund. The Group's directors are not entitled to this package. The Group does not adopt any share option scheme.

DETAILS OF CHARGES ON GROUP ASSETS

None of the Group's assets are pledged for credit facilities.

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MANAGEMENT REVIEW

For the period ended 31st December, 2002, Hong Kong had experienced a negative economic growth and asset deflation because of worldwide instabilities and deflation in global economies. In view of such economic conditions, the Group had adopted a prudent investment policy during the financial period. Besides the investments mentioned before, the cash balance of HK\$17 million was kept in the bank for interest earning and for future promising projects.

FUTURE PROSPECTS

The business environment in the future is expected to be more difficult. The Board will continue to scrutinize potential investment opportunities with diligence and caution.

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.