

INTERIM RESULTS AND CONDENSED ACCOUNTS

The Board of Directors 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, 2004. The consolidated results, consolidated cash flow statement, and consolidated statement of changes in equity for the period ended 30th June, 2004 and the consolidated balance sheet as at 30th June, 2004 of the Group, all of which are unaudited and condensed, are set out on pages 6 to 14 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, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2004 saw a continuous recovery of the whole market environment following a rebound of the economy during the second half of 2003. The securities market remained relatively stable since end of 2003, which was mainly due to growing global economy and robust economic development in the Mainland China. The Gross National Product of China of last year grew at a dramatic rate of 9.1%, which benefited the re-export of Hong Kong.

Following the implementation of Individual Visit Scheme and Closer Economic Partnership Arrangement, the travel and retail sectors boomed and the employed population reached the historical peak of nearly 3.3 million. The Gross Domestic Product of Hong Kong in the first half increased by 9.5% in real terms over a year earlier, illustrating a solid and broadbased upturn of the economy.

With this positive business and investment atmosphere, the Group's investment in the private sectors managed to sustain their respective values with upsurge potential. There has been certain provision for diminution in value in its listed investment portfolio in the first half of 2004. However, it is anticipated that the listed companies would be delivering encouraging financial results taking into account the improved global economy, and thus there should be a gradual pick up of the value of our listed investment portfolio. With respect to unlisted investments, the Group managed to earn certain recurrent dividend income during the period and will continue to structure a portfolio that will benefit from medium to long-term capital appreciation.

Turnover for the six months ended 30th June, 2004 was HK\$1,506,957 as compared to HK\$1,024,259 for the six months ended 30th June, 2003. Due to an unrealized loss on listed investment, loss attributable to shareholders for the six months ended 30th June, 2004 was HK\$7,634,916. Profit attributable to shareholders for the period ended 30th June, 2003 was HK\$1,354,841.

As at 30th June, 2004, the Group recorded shareholders' funds of HK\$67,043,102 (as at 31st December, 2003: HK\$74,678,018). Total net asset value per share was HK\$0.93 (as at 31st December, 2003: HK\$1.04).

FINANCIAL REVIEW

Liquidity and Financial resources

During the first half year, the Group increased long-term investments by HK\$10,530,000 as compared to that as at 31st December, 2003. These investments were leveraged against an increase of credit facilities provided by financial institutions. As at 30th June, 2004, the Group's gearing ratio (measured as total interest bearing debt to shareholders' funds) is 49.33% (2003: Nil). The Group did not have any significant capital commitment as at 30th June, 2004. With cash and current assets of approximately HK\$38,600,000 as at 30th June, 2004 (2003: approximately HK\$41,500,000), the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Capital Structure

There has been no change in the Group's capital structure since 31st December, 2003.

SIGNIFICANT INVESTMENTS HELD

During the period ended 30th June, 2004, the Group held investment in listed shares of HK\$38.5 million and unlisted securities of HK\$62 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2004, the Group had 7 employees, including the executive directors of the company.

SHARE OPTIONS

The Group does not adopt any share option scheme.

PROSPECTS

The weakening of the US dollars continuously benefits the export and re-export of Hong Kong and further lowers the operating costs of doing business in Hong Kong. The number of visitors will continuously grow and so be the economy and the employed population. The government has recently revised its official forecast of the GDP of Hong Kong from 6% to 7.5% for this year.

Furthermore, Hong Kong has been one of the major fund raising platforms for PRC enterprises looking for foreign investment. In the near future, more PRC enterprises will be listed in Hong Kong.

In addition, the Pan-Pearl River Delta Agreement which is expected in due course to create an economic super-region covering nine southwestern provinces of China and the two SARs of Hong Kong and Macau, will further increase investment opportunities. The region will continue to be one of the world's most important manufacturing and logistics hubs with Hong Kong as an international banking and financial center.

All these factors are favorable to the investment market in the region. Further, the recent State stabilization measures to moderate investment growth seemingly has helped cool down the economy. At the national level, inflation is relatively moderate and there is room for China to tighten before running into a subsequent boom-bust scenario. Prospects for a stable development of the Chinese economy is generally optimistic.

The Group will continue to invest in the securities of companies having activities in Asia, with good appreciation potential in order to maximize the reward to our shareholders.

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.

CONTINGENT LIABILITIES

As at 30th June, 2004, the Group had no significant contingent liabilities.