

Management Statement

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 2004.

REVIEW OF RESULTS

For the year ended 31 December 2004, the Group recorded a profit of HK\$10,590,402 and earnings per share of 14.71 cents. The Board has resolved not to pay a final dividend and propose that earnings be retained for future investment opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hong Kong’s economic recovery continued in 2004. The Hang Seng Index closed at above 14,200 points at the end of 2004 reflecting an overall upsurge trend in the Hong Kong economy and business environment. Share price performance of selected companies, particularly those having plans and investment in Macau Special Administration Region, were strong in the fourth quarter of 2004.

The Global and Hong Kong economy seem to be growing steadily in 2004. The GDP increase of 7.1% and the improvement in unemployment rate which fell to 6.2% by the end of the year represented a favorable market condition for investors.

It is encouraging to note that the Group recorded an operating profit of over HK\$12 million, representing an increase of approximately 37.62% as compared with last year’s. The major source of increase was contributed by the appreciation of listed securities investment.

During the year, the Group continued to focus on listed securities investment and had benefited in terms of saving in operating costs as evidenced by the fact that, the Group’s operating expenses had decreased for approximately 24% when compared with that of last year.

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 have sound business fundamentals, growth potential and strong management for long-term strategic investment purpose to maintain good relationship with business counter-parts and achieve recurring dividend income in future years. As at 31 December 2004, the Group’s long-term unlisted investments, valued at cost less impairment, totalled HK\$59,401,002 (2003: HK\$51,510,000).

As at 31 December 2004, the Group held listed securities investments, at market value, of approximately HK\$59,370,000 (2003: approximately HK\$41,300,000). The Group will closely monitor the trend of the securities market and reshuffle the portfolio according to market condition.

The Group will continue to rationalize its investment portfolio so as to enhance the shareholder value.

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FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2004, the Group had bank overdraft of HK\$23,591 (2003: HK\$1,475,620).

As at 31 December 2004, part of listed equity securities of the Group had been pledged to secure margin facilities.

Gearing Ratio

As at 31 December 2004, the amount of borrowings was approximately HK\$31 million (2003: HK\$16 million), being equal to approximately 37% (2003: 22%) of the net asset of approximately HK\$85 million (2003: HK\$75 million).

A commercial paper of HK\$19 million was issued on 27 November 2004. The commercial paper is repayable and has been repaid on 25 February 2005 and carries a fixed interest rate at 7% per annum.

Capital Structure

There has been no change to the capital structure of the Company since 1 January 2004.

Capital commitment and contingent liabilities

As at 31 December 2004, 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 2004, the Group had no full-time employee.

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.

FUTURE PROSPECTS

With Hong Kong Special Administration Region Government forecasts for GDP increase by 4.5% to 5.5% for 2005, Hong Kong's economic conditions for 2005 are forecasted to be positive. Among others, the continuous increase of visits of Mainland Individual Travellers and the anticipated opening of Disneyland, it is expected that the economy of Hong Kong will be blooming steadily in 2005. The Group is positive on its business opportunities for the coming year, and will continue to closely monitor its existing investments and concentrate on making strategic investments to expand our business with diligence and prudence for the benefit of our stakeholders.

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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, 25 April 2005