

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