

The logo for INCUTECH, featuring the word "INCUTECH" in white, uppercase, sans-serif font inside a solid orange oval.

INCUTECH

INCUTECH INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 356



2011

Interim Report

interim report

INTERIM REPORT AND CONDENSED ACCOUNTS

The Board of Directors (the “Board”) of Incutech Investments Limited (the “Company”) hereby presents the interim report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011. The interim report had been reviewed by the audit committee of the Company and approved by the Board.

INTERIM DIVIDEND

The Board of Directors has resolved not to pay any interim dividend for the period ended 30 June 2011 (2010: Nil).

REVIEW OF REPORT

For the six months ended 30 June 2011, the Group recorded a net loss attributable to shareholders of approximately HK\$2,878,318 (2010: HK\$2,934,514) and loss per share of HK4 cents (2010: HK4.08 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

The global economy development faced an uncertain environment in the first half of 2011. The recovery of United States economy was slow, while in China, Brazil and other emerging markets were forging ahead in a relatively more rapid pace. According to China’s National Bureau of Statistics, China’s GDP reached RMB20.4 trillion in the first half of 2011, representing a year-on-year growth of 9.6%. Total retail sales of consumer goods increased by 16.8% year-on-year to approximately RMB8.6 trillion in the first half of the 2011. This increase is attributable to the continuous economic growth and increased income per capita, which has improved the citizen’s purchasing power and propelled development of the retail industry. Economic growth and urbanization fueled by consumption demand, and drove forth China’s consumer market.

BUSINESS REVIEW AND PROSPECTS

The Group reported a net loss from operation of HK\$2,878,318 as at 30 June 2011 as compared with a loss from operation of HK\$2,934,514 in 2010. During the period under review, the Company had not made any new investment. The Group's portfolio of investment comprises mainly securities listed in Hong Kong. As at 30 June 2011, the Group held listed securities investments at market value of approximately HK\$7,129,596. (2010: HK\$6,921,480).

Looking into the second half of 2011, we believe that global uncertainties will remain as it will take time and efforts for the United States and certain European countries to deleverage their respective economies and the China central banks will continue to control prices using monetary measures. We are positive on the Hong Kong market in the second half of 2011 because of the falling of unemployment rates and strong retail sales.

In such a volatile environment, the investment policies and investment portfolio of the Company in Hong Kong will continue to be managed in a conservative and prudent attitude, with a special emphasis on risk management. The Group will also actively explore the suitable secured investment opportunities with reasonable return in order to maximize the shareholders' value.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2011, the Group's current ratio was 0.32, based on the current assets of HK\$7,352,954 and current liabilities of HK\$23,119,569. The Group's gearing ratio was not applicable.

As at 30 June 2011, the Group had cash and cash equivalents of HK\$58,926 and net financial asset investments of approximately HK\$7,129,596.

Capital Structure

There has been no change to the capital structure of the Company since 1 January 2011.

Material Acquisitions and Disposals of Subsidiaries

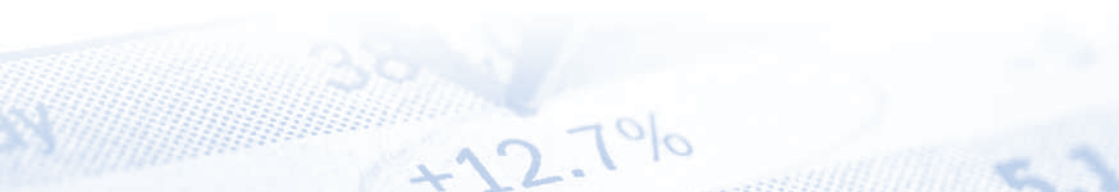
The Group has not made any material acquisition or disposal of subsidiaries during the period ended 30 June 2011.

Capital commitment and contingent liabilities

As at 30 June 2011, no material capital commitment and contingent liabilities were noted by the directors of the Company.

Share Options

The Company does not have a share option scheme.



EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed a total of 4 employees (2010: 4) including the executive directors of the Company. The remuneration packages consist of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors.

STAFF COST

The Group's total staff costs for the period under review amounted to HK\$1,039,200 (2010: HK\$1,039,200).

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Long position in shares of the Company

Name of Director	Type of interests	Interest in Shares	Approximate percentage of total issued ordinary shares	Interest in underlying shares/ debentures	Approximate percentage of total issued ordinary shares
Tung Tat Wah (Note)	Corporate	15,000,000 (Note)	20.83%	15,000,000 (Note)	20.83%
Michael Wu Chun Wah (Note)	Corporate	15,000,000 (Note)	20.83%	15,000,000 (Note)	20.83%

Notes:

As at 30 June 2011, Mr. Michael Wu Chun Wah, through his 40% equity interest in Biggish Management Limited, held 15,000,000 shares of the Company, representing approximately 20.83% of the entire issued share capital of the Company. The remaining 60% equity interest in Biggish Management Limited, the substantial shareholder of the Company, is held by Mr. Tung Tat Wah.

Save as disclosed above, none of the Directors, chief executives of their associates had any interests and short positions in any shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2011, so far as is known to the Directors, the following persons (other than the Directors and Chief Executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the required to be kept under section 336 of the SFO.

Long positions in Shares

Name of shareholder	Type of interests	Interest in Shares	Approximate percentage of total issued ordinary shares	Interest in underlying shares	Approximate percentage of total issued ordinary shares
Biggish Management Limited (Note)	Beneficial Owner	15,000,000	20.83%	15,000,000	20.83%

Note: These interests has been disclosed in the above section headed "Directors' Interests in Securities".

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the period end or at any time during the period.

INVESTMENT MANAGEMENT AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS

The Company's investment portfolio is managed by Hua Yu Investments Management Limited (the "Investment Manager"), in accordance with the terms and conditions of an investment management agreement (the "Investment Management Agreement") entered into between the Company and the Investment Manager dated 23 February 2009. On 1 March 2011, the Company and the Investment Manager has entered into a new investment management agreement with the same terms and conditions as the Investment Management Agreement.

The Investment Manager is regarded as a connected person of the Company under Rule 21.13 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rule"). Accordingly, the Investment Management Agreement constitutes a continuing connected transaction of the Company.

The Investment Manager is appointed for a term of two years commencing from 1 March 2011. During the six months period ended 30 June 2011, investment management fees of HK\$300,000 were charged by the Investment Manager (2010: HK\$300,000).

The transaction was entered into by the Company in the ordinary and usual course of business in accordance with the terms of the Investment Management Agreement, conducted on normal commercial terms and is subject to reporting and announcement requirements under Charter 14A of the Listing Rules. The transaction had been reviewed by the independent non-executive Directors and obtained approval from the Board.

AUDIT COMMITTEE

The Company established an audit committee in accordance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee of the Company has reviewed the interim report for the period ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2011, except the following deviation:

The Code provision A4.1 provides that non-executive directors should be appointed for specific terms, subject to re-election. The Company has deviated from the provision in that all Independent Non-executive Directors are not appointed for specific terms. They are, however, subject to retirement and re-election every three years.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on HKExnews at www.hkexnews.hk and on the website of the Company at www.hklistedco.com/356.asp. The 2011 interim report of the Company will be despatched to the shareholders of the Company and will be available on both websites in due course.

By order of the Board

Tung Tat Wah

Chairman

Hong Kong, 25 August 2011

As at the date of this report, the Board is comprised of Mr. Tung Tat Wah and Mr. Michael Wu Chun Wah as executive Directors; Mr. Allan Kwok Ming Fai, Mr. Robert Siu Siu Ling, and Mr. Stephen Lee Ming Ching, as independent non-executive Directors.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June 2011 (Unaudited) HK\$	Six months ended 30 June 2010 (Unaudited) HK\$
	<i>Note</i>		
Turnover	2	—	—
Unrealised loss on listed securities		(470,088)	(712,368)
Investment management fee		(300,000)	(300,000)
Operating expenses		(1,821,058)	(1,658,943)
Finance costs	4	(287,172)	(263,203)
Loss before taxation	5	(2,878,318)	(2,934,514)
Taxation	6	—	—
Loss for the period attributable to equity holder of the Company		(2,878,318)	(2,934,514)
Other comprehensive income for the period		—	—
Total comprehensive loss for the period attributable to equity holders of the Company		(2,878,318)	(2,934,514)
Loss per share	7	(4.00 cents)	(4.08 cents)
Interim dividend	8	Nil	Nil

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		1	1
CURRENT ASSETS			
Investments held for trading	9	7,129,596	7,599,684
Prepayments and other receivables		164,432	149,578
Bank balances and cash		58,926	199,970
		7,352,954	7,949,232
CURRENT LIABILITIES			
Short term loans	10	7,720,892	7,433,719
Other payables and accruals	11	8,278,128	7,245,261
Due to a director	12	6,115,467	5,153,467
Tax payable		1,005,082	1,005,082
		23,119,569	20,837,529
NET CURRENT LIABILITIES		(15,766,615)	(12,888,297)
NET LIABILITIES		(15,766,614)	(12,888,296)
CAPITAL AND RESERVES			
Share capital	13	720,000	720,000
Reserves		(16,486,614)	(13,608,296)
SHAREHOLDERS' FUNDS		(15,766,614)	(12,888,296)

The condensed consolidated financial statements on pages 9 to 18 were approved by the Board of Directors on 25 August 2011.

Tung Tat Wah
Director

Michael Wu Chun Wah
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	For the six months ended 30 June 2010 (Unaudited)			
	Share capital	Share premium	Accumulated Losses	Total
	HK\$	HK\$	HK\$	HK\$
Balance at 1 January 2010	720,000	67,320,071	(76,604,558)	(8,564,487)
Total comprehensive loss attributable to equity holders of the Company	—	—	(2,934,514)	(2,934,514)
At 30 June 2010	720,000	67,320,071	(79,539,072)	(11,499,001)

	For the six months ended 30 June 2011 (Unaudited)			
	Share capital	Share premium	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$
Balance at 1 January 2011	720,000	67,320,071	(80,928,367)	(12,888,296)
Total comprehensive loss attributable to equity holders of the Company	—	—	(2,878,318)	(2,878,318)
At 30 June 2011	720,000	67,320,071	(83,806,685)	(15,766,614)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June 2011 (Unaudited) HK\$	Six months ended 30 June 2010 (Unaudited) HK\$
Net cash (used in)/generated from operating activities	(141,044)	81,299
Net (decrease)/increase in cash and cash equivalents	(141,044)	81,299
Cash and cash equivalents at the beginning of the period	199,970	21,217
Cash and cash equivalents at the end of the period	58,926	102,516
Analysis of cash and cash equivalents		
Bank balances and cash	58,926	102,516

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The unaudited interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In preparing the interim financial statements, the directors of the Company (“Directors”) have given careful consideration to the future liquidity of the Group in light of a loss of HK\$2,878,318 for the six months ended 30 June 2011 and the Group’s net current liabilities and net liabilities as at 30 June 2011 amounted to HK\$15,766,615 and HK\$15,766,614 respectively. The Directors have been taking steps to improve the liquidity of the Group. These steps include (i) extending the Group’s short term loans upon maturity; (ii) securing the financial support from the substantial shareholder; (iii) negotiating with the suppliers to reschedule the payments of the Group’s expenditures; and (iv) exploring the possibility to conduct fund raising activities. Provided that these measures are successful and can effectively improve the liquidity position of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2010. They have been prepared on the historical cost basis, except that available-for-sale investments and investments held for trading are stated at fair values.

The accounting policies and methods of computation applied in preparation of the interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31 December 2010. The adoption of the new/ revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA that are relevant to the Group and effective from the current period, did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group’s report of operations and financial position.

2. TURNOVER AND REVENUE

The principal activities of the Group are investments in securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and unlisted investments.

3. SEGMENT INFORMATION

The Group determines its operation segments based on the internal reports about components of the Group that are regularly reviewed by the executive Directors for the purpose of allocating resources to segments and assessing their performance. The Group's operating and reportable segments are as follows:

Listed securities	—	Investments in securities listed on the Stock Exchange
Unlisted securities	—	Investments in unlisted securities

Segment revenues and report

The following is an analysis of the Group's report by reportable segment:

Six months ended 30 June 2011 (Unaudited)

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
Segment report	(470,088)	—	(470,088)
Unallocated expenses			(2,408,230)
Loss for the period			(2,878,318)

Six months ended 30 June 2010 (Unaudited)

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
Segment report	(712,368)	—	(712,368)
Unallocated expenses			(2,222,146)
Loss for the period			(2,934,514)

Segment result of listed securities represents dividend income from listed securities, realised gain on disposals of listed securities and unrealized surplus/(loss) on listed securities. With the nature of securities business, no segment revenue is presented.

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
Listed securities	7,129,596	7,599,684
Unlisted securities	—	—
Total segment assets	7,129,596	7,599,684
Unallocated assets	223,359	349,549
	7,352,955	7,949,233

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than loans receivable, prepayments, other receivables and bank balances.

Geographical information

No geographical information is presented as the Group operates in Hong Kong only.

4. FINANCE COSTS

	Six months ended 30 June 2011 (Unaudited) HK\$	Six months ended 30 June 2010 (Unaudited) HK\$
Interest on unsecured short term loans	287,172	263,203

5. LOSS BEFORE TAXATION

	Six months ended 30 June 2011 (Unaudited) HK\$	Six months ended 30 June 2010 (Unaudited) HK\$
Depreciation	—	3,989
Listing fees	72,500	72,500
Rental charges under operating leases in respect of rented premises	276,246	276,471
Staff costs, including directors' emoluments	1,039,200	1,039,200

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profits for the six months ended 30 June 2011 and 2010.

7. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2011 is based on the Group's loss attributable to the equity holders of HK\$2,878,318 and the weighted average number of 72,000,000 ordinary shares in issue during the period. Basic loss per share for the six months ended 30 June 2010 is based on the Group's loss attributable to equity holders of HK\$2,934,514 and the weighted average number of 72,000,000 ordinary shares in issue during the prior period.

No diluted loss per share is presented since the Group did not issue any dilutive potential ordinary shares during both periods presented.

8. DIVIDEND

The Directors do not recommend the payment of any interim dividend for both periods.

9. INVESTMENTS HELD FOR TRADING

	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
Equity securities listed in Hong Kong, at fair values	7,129,596	7,599,684

10. SHORT TERM LOANS

	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
Short term loans	7,720,892	7,433,719

The short term loans are unsecured, and repayable on demand. Interest is charged at a range from 2% to 9.25% per annum.

11. OTHER PAYABLE AND ACCRUALS

Included in the other payables and accruals are the amount due to Directors arising from unsettled directors' fees amounting to HK\$4,663,575 (as at 31 December 2010: HK\$3,988,575), and the amount due to investment manager for unsettled investment management fee amounting to HK\$1,400,000 (as at 31 December 2010: HK\$1,100,000).

12. DUE TO A DIRECTOR

The amount due to director is unsecured, interest free and has no fixed term of repayment.

13. SHARE CAPITAL

	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
Authorised: 500,000,000 ordinary shares of HK\$0.01 each	5,000,000	5,000,000
Issued and fully paid: 72,000,000 ordinary shares of HK\$0.01 each	720,000	720,000

14. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
Within one year	214,336	441,280
In the second to fifth year inclusive	—	—
	214,336	441,280

The above lease agreement was made between the Group and the landlord for a term of two years and rentals are fixed for two years. The lease payments were guaranteed by the Company.

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June 2011	Six months ended 30 June 2010 (Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Short term benefits	600,000	600,000
Post employment benefits	—	—
	600,000	600,000