



SOLUTECK Holdings Limited

一創科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2001

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Soluteck Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



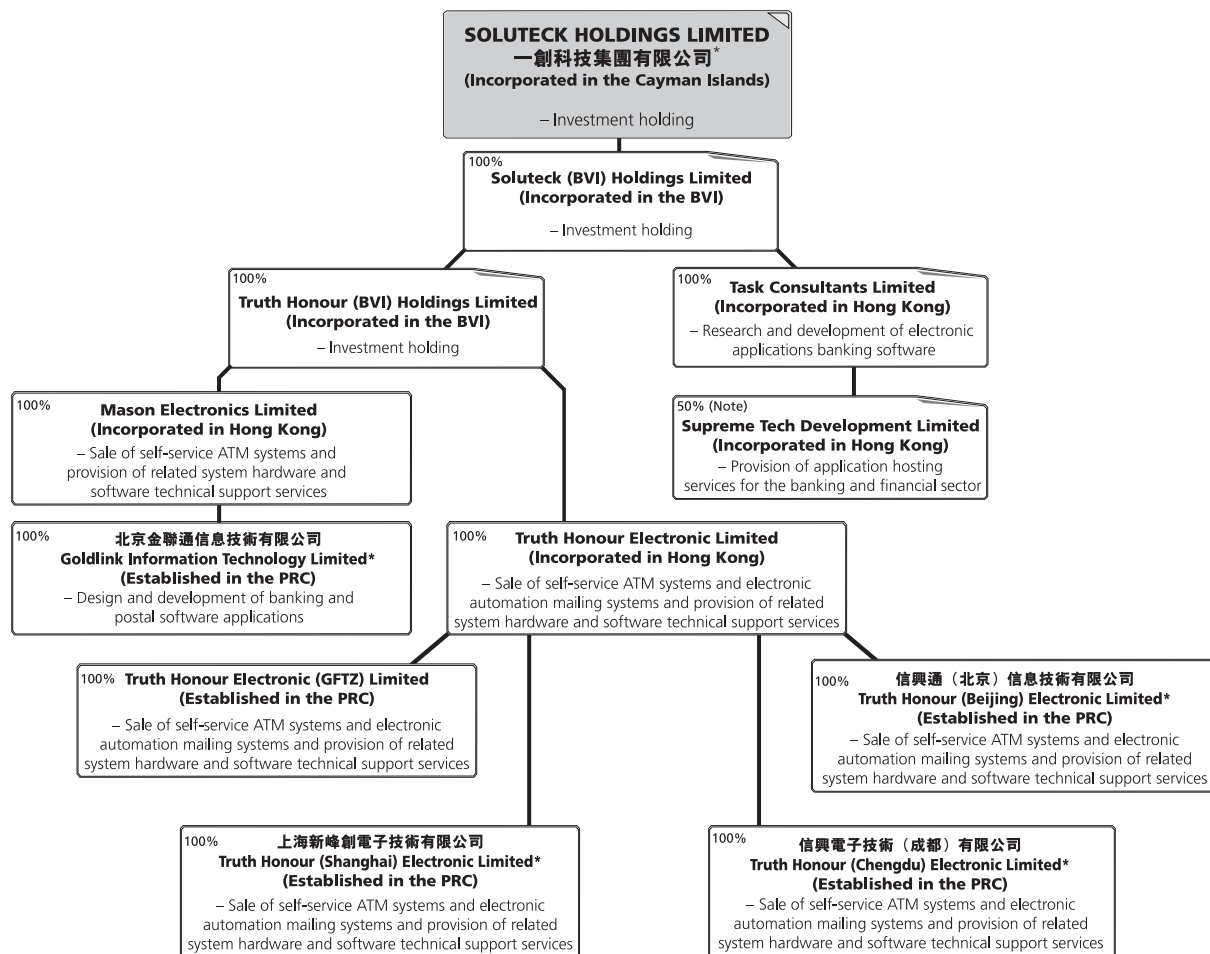
CONTENTS

	<i>Pages</i>
Corporate Structure	2
Letter from the Chairman	3
Comparison of the Business Objectives with the Actual Business Progress	6
Management's Discussion and Analysis of the Results of Operations	9
Corporate Information	14
Report of the Directors	17
Auditors' Report	31
Consolidated Profit and Loss Account	32
Consolidated Balance Sheet	33
Balance Sheet	34
Consolidated Cash Flow Statement	35
Consolidated Statement of Recognised Gains and Losses	36
Notes to the Accounts	37
Five Year Financial Summary	58
Notice of Annual General Meeting	59



CORPORATE STRUCTURE

The following chart illustrates the corporate structure of the subsidiaries and the associated company of the Company and their respective principal business activities:-



Note: The remaining 50 per cent. equity interest in Supreme Tech Development Limited is held by Goldfaith International Limited which is independent of and not connected with any of the Directors, the chief executives of the Company and its subsidiaries, the substantial shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates (as defined in the GEM Listing Rules).

* For identification purpose only



LETTER FROM THE CHAIRMAN

INTRODUCTION

On behalf of the board of directors (the “Board”) of Soluteck Holdings Limited (the “Company” and together with its subsidiaries, the “Group”), I am pleased to announce the results of the Company for the year ended 31 March, 2001. During this first year of listing of the shares (the “Shares”) of the Company on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited, the Group recorded a substantial increase in its turnover to approximately HK\$303 million, representing a substantial increase of approximately 43 per cent., as compared with the turnover for the year ended 31 March, 2000 of approximately HK\$213 million. The net profit attributable to shareholders for the year amounted to approximately HK\$24 million with an earnings per share of approximately HK5.94 cents.

REVIEW OF BUSINESS OPERATIONS AND PROSPECTS

General

The listing of the Shares on GEM represented a milestone in the development of the Group since its establishment in 1993. During the year ended 31 March, 2001, the Group recorded a turnover of approximately HK\$303 million, representing a substantial increase of approximately 43 per cent. over the turnover in the year ended 31 March, 2000. This substantial growth in the business of the Group was principally attributable to the growth in the business of the Group in the PRC as a result of successful marketing strategies.

During the year ended 31 March, 2001, the Group established its position as a “Total Solutionist” in the information technology market in the banking and postal industry in the PRC. Leveraging its extensive experience in the applications of information technology in both the banking and postal sectors in the PRC and the long-term business relationships with reputable commercial banks and postal bureaus in the PRC, the Group expanded its business in the PRC at a very rapid pace. I anticipate that this development will continue and will facilitate the Group’s plans to increase its market share in Hong Kong and Macau.

Banking sector

Since the establishment of its business in 1993, the Group has established a solid customer base which includes the headquarters and certain principal branches of various commercial banks in the PRC, such as The Bank of China, Bank of Communications, The Industrial and Commercial Bank of China, China Construction Bank, Shanghai Pudong Development Bank and Minsheng Bank Limited, and the postal savings bureaus of the State Postal Bureaus in the PRC. With such a reputable customer base, our strategy is to provide our customers with the latest technology solutions to satisfy their needs. This has been, and will continue to be, one of the competitive advantages of the Group in the PRC market.

In addition, the Group has established strong business relationships with NCR (Hong Kong) Limited and Pitney Bowes Asian Operations. They are pioneers in the self-service automatic teller machine (“ATM”) systems and postal automatic solutions industries, respectively, providing the Group with access to the latest technology so that the Group can provide reliable technology solutions to its customers.



LETTER FROM THE CHAIRMAN

Notwithstanding the fact that the PRC economy experienced rapid development in the previous decade, my view is that information technology applications in the banking and postal sectors are still not sufficient to cope with the increasing demand to support nation-wide comprehensive payment and fund transfer systems with ATM systems and point-of-sale networks and terminals. The unsophisticated branch networks of the PRC banks together with the lack of widely used inter-bank card products and banking service systems have prompted the PRC government to take the initiative to improve the banking system in the PRC. This initiative resulted in the “Gold Card Project”, which aims to establish inter-bank electronic payment systems and general banking and credit card systems across the country.

I believe that the “Golden Card Project” creates ample business opportunities for the Group as commercial banks in the PRC require advanced technology and the supporting ATM infrastructure to facilitate real-time fund transfers and settlement of inter-bank transactions.

Postal sector

Apart from the increasing demand for information technology in the banking sector in the PRC, the State Post Bureau of the PRC also implemented an ATM system under the “Green Card Project” to establish a network between its branches and sub-branches to provide saving and deposit-taking services.

In addition, I consider that electronic postal automation systems are not widely used in the PRC. I expect that with the continuous economic developments in the PRC, there will be increasing demand for electronic postal automation systems, such as mailing finishing systems, volume mailing handling systems and franking machines, to satisfy the growing mailing requirements in the country.

Looking forward: Business opportunities with the accession of the PRC to the World Trade Organisation (“WTO”)

In anticipation of the PRC's accession into WTO, domestic commercial banks and postal savings bureaus in the PRC will have to offer additional services, upgrade their computer systems and expand their branch networks in order to compete with foreign banks and financial institutions. This is expected to stimulate the demand for ATM systems and related hardware and software. Looking forward, this will be a principal driving factor for the future business development of the Group.

Building on the Group's experience and hardware and software design and installation capacity, I genuinely believe that the Group is ideally positioned in this growing market. Following completion of the acquisition of Task Consultants Limited in September 2000, the Group's capability in localising and customizing of software applications and the development of e-banking application solutions has been further strengthened. This will allow the Group to capture additional market opportunities and accelerate its business growth.

DIVIDEND

In order to reserve additional financial resources for future developments of the Group, the Board has resolved not to recommend the payment of final dividend for the year ended 31 March, 2001.



LETTER FROM THE CHAIRMAN

APPRECIATION

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As at 31 March, 2001, the Group employed 121 and 51 staff in the PRC and Hong Kong, respectively. We have not encountered any difficulties in recruiting and retaining experienced personnel. We treasure the harmonious relationships with our staff and would like to take this opportunity to express our gratitude to the management and the staff of the Group for their dedicated performance which is instrumental to the future development of the Group. We would also like to take this opportunity to thank our shareholders, business associates and customers for their continuous support.

Chung Lok Fai
Chairman

Hong Kong, 18 June, 2001



COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

Set forth below is a progress report of the business objectives as set out in the prospectus of the Company dated 22 December, 2000:—

Business objectives as stated in the prospectus	Actual business progress in respect of the period from the latest practicable date to 31 March, 2001
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Sales and Revenue

- | | |
|---|---|
| 1. Conduct aggressive marketing programs to expand the revenue source of the Group | The sales of the Group for the year ended 31 March, 2001 was approximately HK\$303 million, representing a substantial increase of approximately 43 per cent. as compared with the previous year |
| 2. Increase sales of self-service ATM systems and electronic postal automation systems through the PRC subsidiaries | The sales of the Group in the PRC during the year ended 31 March, 2001 was approximately HK\$296 million of which approximately 85 per cent. and approximately 2 per cent., were derived from sales of self-service ATM systems and electronic postal automation systems respectively |
| 3. Promote BANK24 aggressively and other system components to medium-sized banks and financial institutions in HK | Collaborated with strategic partners to promote BANK24 and a few contracts are under negotiation |

Research and Development

- | | |
|--|--|
| 1. Continue the enhancement of existing system software for operation and management of ATM network | Successfully developed an ATM Smart Card Software System for the postal bureau in Shanghai |
| 2. Continue the development of electronic banking software to facilitate e-banking transactions between banks and financial institutions | BANK24 provides a modular open system platform supporting various modes of communications and is currently used by a number of commercial banks in the PRC and Hong Kong |
| 3. Undergo final development stage of e-Cash management system to support accounts and cash transaction management | Final development stage of e-Cash management system was completed and the Group actively promotes the e-Cash management system to its customers |
| 4. Jointly develop application software for the electronic postal automation systems with Pitney Bowes | Plan to cooperate with postal bureau to develop the application software for the electronic postal system |



COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

5.	Develop a browser based version on existing e-Retail banking system	The browser based version of the e-Retail banking system was launched in May 2001
6.	Develop a web-enabled application on existing e-Loan management system	The system is still under development and is expected to launch in June 2002
7.	Further develop a e-Trade finance system	The e-Trade finance system was successfully launched in February 2001
8.	Collaborate with ACW to develop a Chinese version of the Datawarehouse and Business Intelligence System	Collaborate with ACW to promote Datawarehouse and Business Intelligence System and Customer Relationship Management System in Hong Kong and the PRC. The Group is currently undergoing a further study of the market potential of these systems
9.	Develop software applications to facilitate application hosting services	The Group currently provides application hosting technology services to its customers
10.	Develop with a software developer to enhance further development on an Internet banking software	The relevant Internet banking software was launched in late December 2000
11.	Develop mobile banking solution	The Group successfully launched its Mobile Banking Solution in March 2001 with business and transaction components

Marketing

1.	Promote the Group's products and services through a series of marketing and promotion programs	The Group held a series of conferences in the PRC in March 2001 for the major customers of the Group
2.	Promote the Group's corporate image through advertising on professional journals	The Group advertised on "Financial Computer of China" magazine on a regular basis

Resources Employment

1.	Set up two customer service centers in the PRC	The Group established two customer service centers in Zhengzhou and Shenyang in the PRC in January 2001 and March 2001 respectively
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COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

- | | |
|--|---|
| 2. Recruit additional qualified staff to strengthen the Group's capability in sales and marketing, research and development, business development and general administration | The Group recruited 30 additional staff during the year ended 31 March, 2001. A total of 172 professional staff are devoted to improve the services provided by the Group |
| 3. Continue implementation of training seminars for existing and new staff on software development and industry updates | Training seminar was held in March 2001 in Kunming, Yunnan Province, the PRC |



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

INTRODUCTION

The Group provides implementation and upgrading of self-service ATM systems and electronic postal automation systems. This includes the provision of hardware and software technical support and consultancy services in respect of self-service ATM systems and electronic postal automation systems, as well as the development and implementation of e-banking applications software for commercial banks and financial institutions in Hong Kong, Macau and the PRC.

Implementation of self-service ATM systems

During the year ended 31 March, 2001, the implementation of self-service ATM systems remained the core business of the Group and accounted for approximately 85 per cent. of the total turnover of the Group which also included the turnover of the provision of technical consultancy and support services. Being a banking solutions technology provider, the Group also distributed and installed cash management systems, the turnover of which accounted for approximately 9 per cent. of the total turnover of the Group during the year ended 31 March, 2001.

The Group has been appointed as an authorised value-added reseller of NCR self-service ATM systems and related applications hardware and software for commercial banks and postal savings bureaus in the PRC since 1993. Acting as a value-added reseller of NCR self-service ATM systems, the Group is responsible for the design, installation and provision of maintenance services for self-service ATM systems using different communications protocols. Between 1996 and 2000, the Group received "The Best ATM Reseller" award from NCR every year. The accreditation demonstrates the Group's success in implementing banking information technology solutions in the PRC.

With extensive experience in the industry, the Group has established a reputable customer base including principal commercial banks and the States Post Bureau in the PRC as well as various prominent banks in Hong Kong and Macau. With the development of the branch network of these banks in the PRC, the Group anticipates that the demand for self-service ATM systems will increase substantially.

With its in-house research and development capability, the Group also develops application software to facilitate the operations of self-service ATM systems in addition to its core business. During the year ended 31 March, 2001, the Group successfully developed an ATM Smart Card Software System for the postal bureau in Shanghai. Since 1996, the Group has developed different proprietary software, such as its ATM Networking Software System, ATM Networking Monitoring Software System and ATM Goldcard Software Module, which are compatible with self-service ATM systems sourced from NCR.

Implementation of electronic postal automation systems

The implementation of electronic postal automation systems accounted for approximately 2 per cent. of the total turnover of the Group during the year under review.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

In view of the low utilisation rate of electronic postal automation systems, including mailing finishing systems, volume mailing handling systems and franking machines, in the PRC as compared with Hong Kong, Malaysia and other Asian countries, the Group will continue to explore the PRC market and to devote additional marketing efforts in promoting electronic postal automation systems in postal bureaus as well as commercial organisations in the PRC.

During the year ended 31 March, 2001, the Group sourced inserter machines, postal meter/franking machines, address printers and cutters from Pitney Bowes. In April 2000, the Group received "The Top Performance Award for Production Mail and Mailing Products" accreditation from Pitney Bowes. The award affirms the Group's successes in this sector, and consolidates its position in distributing and implementing electronic postal automation systems in the PRC.

Provision of technical consultancy and support services

The provision of technical consultancy and support services contributed to provide a stable income source to the Group and accounted for approximately 13 per cent. of the total turnover of the Group for the year ended 31 March, 2001. The Group strengthened its research and development capabilities in applications software with the formation of Goldlink Information Technology Ltd. in the PRC in August 2000. The Group also set up three subsidiaries in Chengdu, Shanghai and Guangzhou and two in Beijing, to cater for banking and postal systems integration and support services to customers in the PRC.

The Group collaborates with ACW Consulting Pty Ltd. to promote Datawarehouse and Business Intelligence System and Customer Relationship Management System in Hong Kong and the PRC. The Group is currently studying the possibilities and the market potential of these services.

Development of e-banking software

The Group has strengthened its research and development team following completion of its acquisition of Task Consultants Limited in September 2000. Currently, the Group's in-house research and development team consists of 32 experienced engineers based in Beijing, Shanghai and Hong Kong to provide localisation and customisation services for its ATM related supporting software as well as the development of the Group's proprietary software.

Leveraging advanced on-line technologies and anticipating the growing trend towards e-banking and e-commerce, the Group has developed a series of e-banking software systems, such as BANK24, e-Loan Management System, e-Trade Finance System, e-Cash Management System, e-Retail Banking System, Self-service Banking System, Point-of-sales Solution, Phone Banking System, Utility Payment Solution, Internet Banking System and Inter-bank Transactions Switching System.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

BANK24 is a revolutionary multi-channel e-banking solution which provides a modular open system platform supporting various modes of communications. It is currently being used by a number of commercial banks in Hong Kong and the PRC.

In view of the high penetration of mobile phones and the popularity of the internet, the Group successfully launched its Mobile Banking Solution in March 2001. The Mobile Banking Solution consists of a short message system gateway for mobile phone operators with business and transaction components.

Prospects

International Data Corporation expects system implementation to continue as the fastest growing segment in the information technology services market in the PRC from 1999 to 2004.

The Directors are very optimistic with regard to prospects for the implementation of self-service ATM systems in the PRC. In anticipation of the PRC's accession into the WTO, commercial banks and postal saving bureaus in the PRC are expected to continue with the expansion and upgrading of their existing services in order to compete with foreign banks. At the same time, foreign banks may need experienced local partners to provide comprehensive information technology solutions for them to serve the untapped PRC market. The Directors have confidence in the continuous business growth in its core business as well as the implementation of self-service ATM systems in the PRC.

In addition to the PRC market, the Group intends to provide other means of delivering its information technology solutions to banks and financial institutions in Hong Kong with the provision of applications hosting services using a corporate e-banking applications platform. It is expected that the provision of corporate e-banking applications solutions on a business-to-business platform over the internet will further strengthen the Group's relationship with the banking and financial sector and will create a stable income stream for the Group.

With innovative vision and extensive experience in providing banking and postal information technology solutions in the PRC, the Group has accumulated a reputable customer base. The Group plans to build on its existing customer base to enhance the development of its core business and the software development business. In addition, it will continue to upgrade and diversify its existing software, such as BANK24, and to focus on the development of various complementary application software that can provide a wide range of banking services via different communication channels.

Currently, the Group has five subsidiaries in the PRC providing comprehensive technical support and consultancy services to customers. The Group will establish an additional subsidiary in Fuxin to expand its distribution and services network and provide further customisation and localisation services in respect of related supporting software for self-service ATM systems to fulfil the rapidly growing demand for information technology solutions in the PRC.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

The Group is also committed to enhance its research and development capabilities. In addition to the existing two research and development centres located in Beijing and Hong Kong, the Group will set up a new research and development centre in Shenzhen and intends to work closely with local universities on the joint research and development of new technologies.

With these strategies in place, the Group is well-prepared for the opportunities ahead to become the ultimate information technology solutionist for the banking and postal industry.

Liquidity and financial resources

The Group raised net proceeds of approximately HK\$17.9 million from the placing of Shares and listing of the Shares on GEM on 3 January, 2001. A detailed analysis of the use of proceeds of approximately HK\$2.2 million by the Group as at 31 March, 2001 is as follows:-

	From 29 December, 2000 to 31 March, 2001 (HK\$ million)
For the research and development of proprietary software for e-banking business	1.0
For the expansion of distribution and service networks including the expansion of the existing PRC subsidiaries, recruitment of additional staff and purchase of additional office equipment	1.0
For establishing additional customer services centres in the PRC as well as recruitment of additional staff and purchase of additional office equipment	0.2
	<u>2.2</u>

The remaining net proceeds of HK\$15.7 million have been placed with licensed banks in Hong Kong for future use as identified by the Group's business plans as stated in the prospectus. The Directors do not envisage any circumstances which may lead to any material alternation as to the proposed use of the net proceeds.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

The Group generally finances its operations with internally generated cash flow. As at 31 March, 2001, the Group had cash and bank balances amounting to a total of approximately HK\$32 million. The Group had no bank borrowings as at 31 March, 2001. With the above resources and the proceeds from the placing of the Shares, the Directors consider that the Group has adequate capital resources to finance its business activities.

Purchase, sale or redemption of shares of the Company

The Company has not redeemed any of its Shares during the year ended 31 March, 2001. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the year ended 31 March, 2001.



CORPORATE INFORMATION

Executive Directors

Chung Lok Fai (*Chairman*)
 Hou Hsiao Wen, Eddie
 Hou Hsiao Bing
 Chung Yuk Hung, Yvonne
 Chung Yuk Man, Kevin
 Tam Wing Chit, Tom

Independent non-executive Directors

Ho Wai Wing, Raymond[#]
 Lui Ming, Rosita[#]

[#] *Members of audit committee of the Board*

Company secretary

Chan Mi Ling, Anita, FCCA, AHKSA

Members of audit committee

Ho Wai Wing, Raymond
 Lui Ming, Rosita (*Chairperson*)

Chairman of audit committee

Lui Ming, Rosita

Authorised representatives

Chan Mi Ling, Anita, FCCA, AHKSA
 Chung Yuk Hung, Yvonne

Compliance officer

Chung Yuk Hung, Yvonne

Qualified accountant

Chan Mi Ling, Anita, FCCA, AHKSA



CORPORATE INFORMATION

Registered office	Zephyr House Mary Street George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business in Hong Kong registered under Part XI of the Companies Ordinance	Room 1004, SUP Tower 75-83 King's Road North Point Hong Kong
Company homepage/website	www.soluteck.com www.truthhonour.com
Principal bankers	Bank of China 1 Garden Road Hong Kong Bank of Communications Ground Floor 67-71 King's Road Hong Kong DBS Kwong On Bank Limited 15/F, Man Yee Building 68 Des Voeux Road Central Central, Hong Kong
Principal share registrar and transfer office	Bank of Butterfield International (Cayman) Ltd. P.O. Box 705 Butterfield House Fort Street, George Town Grand Cayman Cayman Islands British West Indies
Hong Kong branch share registrar and transfer office	Central Registration Hong Kong Limited Room 1901-1905, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong



CORPORATE INFORMATION

Sponsor

DBS Asia Capital Limited
16th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Legal advisers to the Company

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central, Hong Kong

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong



REPORT OF THE DIRECTORS

The Directors of Soluteck Holdings Limited (the “Company”) submit their first annual report together with the audited accounts for the year ended 31 March, 2001.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 10 August, 2000 as an exempted Company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

On 13 December, 2000, pursuant to a Group reorganisation (the “Reorganisation”) in preparation for the listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued share capital of Soluteck (BVI) Holdings Limited through a share swap and became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 22 December, 2000. The Company’s shares were listed on the Stock Exchange on 3 January, 2001.

The Reorganisation has been reflected in the accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented, except for Task Consultants Limited which was acquired by the Group on 1 September, 2000. The basis of preparation for these accounts is set out in note 1 to the accounts.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 13 to the accounts.

An analysis of the Group’s turnover and contribution to profit from operation for the year by principal activities is as follows:–

	Turnover		Profit from operation	
	2001 HK\$’000	2000 HK\$’000	2001 HK\$’000	2000 HK\$’000
Principal activities:				
Sales of goods	263,697	180,755	12,901	23,311
Rendering of services	39,694	32,019	16,705	4,336
	303,391	212,774	29,606	27,647

No geographical analysis is provided as less than 10 per cent. of the consolidated turnover and less than 10 per cent. of the profit from operation of the Group are attributable to markets outside the People’s Republic of China (the “PRC”).



REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 32.

No dividend have been paid or declared by the Company since its date of incorporation. The Directors do not recommend the payment of a final dividend.

The details of dividends declared and paid prior to the Reorganisation are set out in note 8 to the accounts.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

DONATIONS

Charitable donation made by the Group during the year amounted to HK\$650,000.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

SHARE CAPITAL

Details of the movements in share capital are set out in note 19 to the accounts.

DISTRIBUTABLE RESERVES

At 31 March, 2001, the Company had no reserves available for distribution.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, which is presented by regarding the Company as having been the holding company of the Group from the earliest period presented, is set out on page 58.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March, 2001 are set out in note 13 to the accounts.



REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this report were:

Mr. Chung Lok Fai	(appointed on 10 August, 2000)
Ms. Chung Yuk Hung, Yvonne	(appointed on 10 August, 2000)
Mr. Chung Yuk Man, Kevin	(appointed on 10 August, 2000)
Mr. Hou Hsiao Bing	(appointed on 10 August, 2000)
Mr. Hou Hsiao Wen, Eddie	(appointed on 10 August, 2000)
Mr. Ho Wai Wing, Raymond*	(appointed on 10 August, 2000)
Ms. Lui Ming, Rosita*	(appointed on 10 August, 2000)
Mr. Tam Wing Chit, Tom	(appointed on 10 August, 2000)

* *Independent non-executive Directors*

In accordance with Article 108 of the Company's Articles of Association, Ms. Chung Yuk Hung, Yvonne and Mr. Hou Hsiao Bing retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Mr. Ho Wai Wing, Raymond and Ms. Lui Ming, Rosita are independent non-executive Directors and were appointed for a term of two years expiring on 30 November, 2002.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

DIRECTORS

Executive Directors

CHUNG Lok Fai, aged 67, has been the Chairman of the Group since its establishment in 1993. Mr. Chung is also the founder of the Group and is responsible for the overall strategic planning and business development of the Group. Mr. Chung has in depth knowledge and extensive experience in the banking and postal information technology industry in the PRC. Prior to establishing the Group, Mr. Chung had over 10 years' PRC experience in computer business. Mr. Chung holds a Bachelor degree in Civil Engineering from Dailian University of Technology, the PRC. Mr. Chung is currently a member of Chinese People's Political Consultative Conference of Liaoning province, the PRC. Mr. Chung is also the father of Chung Yuk Hung, Yvonne and Chung Yuk Man, Kevin.

HOU Hsiao Wen, Eddie, aged 41, is the Director of Sales and Marketing of the Group and is responsible for the overall sales and marketing of the Group. Mr. Hou has over 14 years' experience in the information technology industry in the PRC. Mr. Hou holds a Bachelor of Science degree in Information System from the Ohio State University in the U.S. Prior to joining the Group in January 2000, he was the Managing Director of a private company principally engaged in providing satellite TV network solutions in the PRC. Mr. Hou is the younger brother of Hou Hsiao Bing and is the nephew of Mr. Chung.



REPORT OF THE DIRECTORS

DIRECTORS (continued)

Executive Directors (continued)

HOU Hsiao Bing, aged 46, the elder brother of Hou Hsiao Wen, Eddie, is the Director of Business Development of the Group. Prior to joining the Group in April 2000, Mr. Hou was the Managing Director of a private company focusing on selling satellite TV products network in the PRC. He has more than 20 years' experience in China businesses. Mr. Hou graduated from The Hong Kong Polytechnic University with a Diploma in Marketing. Mr. Hou is the nephew of Mr. Chung.

CHUNG Yuk Hung, Yvonne, aged 40, is the Compliance Officer and the Director of Finance and Administration of the Group. Ms. Chung is responsible for the overall finance and administration and formulation and implementation of operation policies for the Group. Ms. Chung holds a Bachelor degree of Science in Computer Science and Mathematics from the University of Oregon in the U.S. Ms. Chung has over 10 years' PRC experience in information technology industry and six years' Hong Kong and PRC experience in finance and administration. Ms. Chung joined the Group in April 1994. Chung Yuk Hung, Yvonne is the daughter of Mr. Chung and the elder sister of Mr. Chung Yuk Man, Kevin.

CHUNG Yuk Man, Kevin, aged 31, is the Director of Information Technology of the Group overseeing the technological development of hardware and software. Mr. Chung Yuk Man, Kevin has broad experience in information technology and is specialised in software development. Mr. Chung holds a Bachelor degree in Electrical Engineering from the University of Ottawa in Canada. Prior to joining the Group in July 1995, Mr. Chung Yuk Man, Kevin worked in a leading software consulting firm in Canada for three years. Chung Yuk Man, Kevin is the son of Mr. Chung and is the younger brother of Ms. Chung Yuk Hung, Yvonne.

TAM Wing Chit, Tom, aged 32, is the Managing Director of Task Consultants Limited ("Task Consultants"), a subsidiary of the Company and also one of the three co-founders of Task Consultants. Mr. Tam is responsible for overseeing the development of banking application software business of the Group. Mr. Tam has over nine years' experience in the information technology industry specialising in development of banking application software for medium-sized banks in Hong Kong. Mr. Tam holds a Bachelor degree in Computer Engineering from the University of Hong Kong, a Bachelor degree in Economics from the University of London and a Postgraduate Certificate in Laws from the University of Hong Kong. Mr. Tam also passed the Common Profession Examination held in England and Wales. Prior to the establishment of Task Consultants in 1994, Mr. Tam worked in a leading banking equipment supplier for four years. Mr. Tam was a practising barrister in Hong Kong. Mr. Tam joined the Group following completion of the acquisition of Task Consultants in October 2000.

Independent Non-Executive Directors

HO Wai Wing, Raymond, aged 38, was appointed as an Independent Non-Executive Director in August 2000. Mr. Ho holds a Bachelor of Arts degree from the University of Hong Kong and a Master of Business Administration degree from University of East Asia in Macau. Mr. Ho is currently a Business Director of a multinational wine and spirits company in Hong Kong. Mr. Ho has 15 years' experience in sales and marketing in Hong Kong, Macau and the PRC.



REPORT OF THE DIRECTORS

DIRECTORS (continued)

Independent Non-Executive Directors (continued)

LUI Ming, Rosita, aged 37, was appointed as an Independent Non-Executive Director in August 2000. Ms. Lui earned her Bachelor degree in Economics and Finance from the University of Oregon in the U.S. and a Master of Business Administration degree from the University of Queensland in Australia. While living in Australia, Ms. Lui joined Andersen Consulting as a strategy consultant and worked primarily on business reengineering projects. She has been employed by a petroleum company for approximately eight years.

SENIOR MANAGEMENT OF THE GROUP

LAM Shut Chun, aged 54, is the General Manager of Sales of Truth Honour Electronic Limited ("Truth Honour"), a subsidiary of the Company. Mr. Lam joined the Group in March 1995. Mr. Lam graduated with a Bachelor degree in Mechanics from Shanghai Light Industry College in the PRC. Prior to joining the Group in March 1995, Mr. Lam held various senior management positions with PRC and Hong Kong enterprises. Mr. Lam has over 15 years' PRC experience in marketing and business administration.

YIM Yuk Lun, aged 38, is the General Manager of western China district and the Deputy General Manager of Sales of Truth Honour. Mr. Yim joined the Group in May 1994. Mr. Yim holds a Bachelor degree in Electronic Engineering and a Master degree in Computer Science and Technology, both from Northern Jiaotong University (Beijing) in the PRC. Mr. Yim has seven years' experience in software development and over seven years experience in sales and management in PRC.

CHAN Mi Ling, Anita, aged 34, is the Financial Controller and the qualified Accountant of the Group and the Company Secretary of the Company. Ms. Chan holds a Master degree in Business Administration from the University of Western Sydney in Australia. Ms. Chan is also a member of Hong Kong Society of Accountants and a fellow member of Chartered Association of Certified Accountants. Ms. Chan has over nine years' experience in accounting and finance field. Ms. Chan joined the Group in July 2000.

Senior technical personnel

HO Wing Yee, Connie, aged 33, is the Director of Business Solutions of the Group responsible for overseeing the formulation and implementation of business solutions in respect of strategic planning for Truth Honour. Ms. Ho graduated with a Honours Bachelor of Commerce degree in MIS and a Master of Business Administration from University of Ottawa in Canada. Ms. Ho has over nine years' overseas working experience in the information technology industry. Prior to joining the Group in February 2000, Ms. Ho was a senior consultant of an internationally renowned management consulting firm. She was principally engaged in enterprise resource planning system implementations for both private and public sectors in North America.

CHAN Shu Tak, Alex, aged 33, is a Director of Task Consultants. Mr. Chan is also the Chief Architect of Task Consultants responsible for designing and developing banking systems. Mr. Chan is one of the co-founders of Task Consultants. He holds a first honours Bachelor degree in Computer Engineering from the University of Hong Kong and a Master Degree in Computer Science (Distinction) from the City University of Hong Kong. Mr. Chan has ten years' experience in banking system development. Prior to the establishment of Task Consultants in 1994, Mr. Chan worked in a leading banking equipment supplier for three years. Mr. Chan joined the Group when Task Consultants became a member of the Group in October 2000.



REPORT OF THE DIRECTORS

SENIOR MANAGEMENT OF THE GROUP (continued)

Senior technical personnel (continued)

SHIU Chi Shing, Kelvin, aged 34, is a Director of Task Consultants. Mr. Shiu is also the Managing Consultant of Task Consultants responsible for system development project management. He holds a first honours Bachelor degree and a Master degree both in Computer Science from the University of Hong Kong. Mr. Shiu is one of the co-founders of Task Consultants. Mr. Shiu has 11 years' experience in banking system development. Prior to the establishment of Task Consultants in 1994, Mr. Shiu worked for a leading banking equipment supplier for five years. Mr. Shiu joined the Group when Task Consultants became a member of the Group in October 2000.

YU Chak Fai, Stanley, aged 33, is a Director of Task Consultants. Mr. Yu is also the Managing Consultant of Task Consultants responsible for project management and control. He holds a Bachelor degree in Industrial Engineering from the University of Hong Kong and a Master degree in Computer Science from the University of Science and Technology in Hong Kong. Mr. Yu has nine years' experience in banking system development. Prior to the establishment of Task Consultants in 1994, Mr. Yu worked for a leading banking equipment supplier and a computer company for several years. Mr. Yu joined the Group when Task Consultants became a member of the Group in October 2000.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Chung, Hou Hsiao Wen, Eddie, Chung Yuk Man, Kevin and Hou Hsiao Bing and Ms. Chung Yuk Hung, Yvonne, all being executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 1 December, 2000 with an aggregate basic annual salaries of HK\$5,900,000. The respective basic salary of these Executive Directors will be subject to an annual increment after 31 March, 2002 at the discretion of the Directors. In addition, the executive Directors are also entitled, on completion of every 12 months of service, to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 15 per cent. of the audited combined profits attributable to shareholders of the Company (after payment of such management bonuses) in respect of that financial year of the Company.

Tam Wing Chit, Tom ("Mr. Tam"), being an executive Director, has entered into a service contract with Task Consultants for an initial term of two years commencing from 1 October, 2000. Mr. Tam is entitled to an annual salary of HK\$1,000,000 and a management bonus of HK\$200,000 on completion of every 12 months of service. In addition, Mr. Tam is also entitled to a performance bonus calculated by reference to the net profits ("Net Profits") before taxation and minority interest and the payment of such performance bonus but excluding extraordinary and exceptional items of Task Consultants for every 12 month period ending on 30 September during the term. The aggregate performance bonuses to which Mr. Tam and other Directors of Task Consultants are entitled shall be 30 per cent. of the Net Profits or if the Net Profits shall fall below HK\$5,300,000, 10 per cent. of the Net Profits, provided that the amount of such performance bonuses shall not in any event exceed the amount of the net cash inflow from the operating activities of Task Consultants during the financial year. Both the management bonus and the performance bonuses shall be satisfied by the allotment and issue to Mr. Tam such number of shares (rounded down to the nearest whole number of shares) as shall equal to HK\$200,000 and the applicable amount of performance bonus, respectively, divided by the offer price for each share of HK\$0.4 as disclosed in the Prospectus, provided that the aggregate number of shares allotted and issued and falling to be allotted and issued to Mr. Tam in satisfaction of the performance bonus shall not exceed two per cent. of the then issued shares.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS (continued)

The independent non-executive Directors have been appointed for a term expiring on 30 November, 2002. Save for Directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed herein, there are no existing or proposed service contracts with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following connected transactions which are required to be disclosed pursuant to Chapter 20 of the Rules Governing The Listing of Securities on The GEM of the Stock Exchange (the "GEM Listing Rules"):-

	<i>Notes</i>	Year ended 31 March, 2001 HK\$'000	Year ended 31 March, 2000 HK\$'000
Rental paid to a Director	(1)	300	720
Consultancy fees paid to related companies	(2)	562	1,538
Receipt of consultancy income from a related company	(3)	126	Nil
Rental paid to the related companies	(4)	600	Nil

- (1) The Group leased two office premises from Mr. Hou Hsiao Bing, an executive Director of the Company, in Guangzhou and Chengdu of the PRC for the Group's use.
- (2) Pretty City Limited ("PCL"), Lucky Red Limited ("LRL") and Burple International Co. ("BIC") provided marketing consultancy services to the Group in respect of its operation in the PRC for monthly or yearly fixed fee in accordance with the terms of the underlying agreements. PCL is owned by Mr. Hou Chung, Ms. Chung Po Chu, Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, Eddie. LRL is owned by Ms. Chung Yuk Hung, Yvonne and her husband. BIC is wholly owned by Mr. Hou Hsiao Wen, Eddie. Mr. Hou Hsiao Bing, Mr. Hou Hsiao Wen, Eddie and Ms. Chung Yuk Hung, Yvonne are the Directors and shareholders of the Company. Mr. Hou Chung and Ms. Chung Po Chu are the shareholders of the Company.
- (3) The Group received consultancy income from Everscience Information System Co. Limited in which Mr. Tam Wing Chit, Tom is a Director and has equity interests.
- (4) The Group leased office premises from San Yee Investment Limited ("San Yee") and Dynatek Limited ("Dynatek") in Hong Kong for the Group's use. San Yee is owned by Mr. Chung and his wife, Ms. Tsou Lo Nien. Dynatek is owned by Mr. Hou Chung and Ms. Chung Po Chu. Mr. Chung is the Director and shareholder of the Company. Ms. Tsou Lo Nien is the shareholder of the Company.

In the opinion of the Directors, the above connected transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements. The Directors confirmed that transactions (1) to (3) above were discontinued after the listing of the Company's shares on the GEM of the Stock Exchange.

Save as disclosed in the section headed "Directors' service contracts" and the above, there is no other connected transactions.

The above transactions are also related party transactions as disclosed in the notes to the accounts.



REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in other sections of the Report of the Directors, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries, associated company or holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS

(i) Shares

As at 31 March, 2001, the interests of the Directors and the chief executive of the Company in the share capital of the Company pursuant to section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:-

Name of Director	Number of shares				Total interests
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Chung Lok Fai ("Mr. Chung")	-	19,500,000 (Note 1)	262,500,000 (Note 2)	-	282,000,000
Ms. Chung Yuk Hung, Yvonne	-	-	- (Note 2)	-	- (Note 2)
Mr. Chung Yuk Man, Kevin	-	-	- (Note 2)	-	- (Note 2)
Mr. Tam Wing Chit, Tom	11,115,000	-	-	-	11,115,000

Notes:

- These shares were held by Ms. Tsou Lo Nien, the spouse of Mr. Chung.
- These shares were registered in the name of Innovative Tech Worldwide Inc. ("ITW"), a company incorporated in the British Virgin Islands. The issued share capital of ITW is owned by the following persons:

Name of shareholders	Number of shares	Percentage of shareholding
Dynatek Limited ("Dynatek") (a)	25.5	34.0
Mr. Chung (b)	15.3	20.4
Ms. Tsou Lo Nien (b)	12.0	16.0
Mr. Hou Chung (c)	12.0	16.0
Ms. Chung Yuk Hung, Yvonne (d)	5.1	6.8
Mr. Chung Yuk Man, Kevin (e)	5.1	6.8
Total	75.0	100.0



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS (continued)

- (a) Dynatek is an investment holding company incorporated in Hong Kong with all of its shares held by Mr. Hou Chung and Ms. Chung Po Chu, his spouse, in equal shares. Dynatek Limited holds 25.5 shares issued by ITW, representing 34.0 per cent. of the issued share capital of ITW. Accordingly, Dynatek is deemed, by virtue of the SDI Ordinance, to be interested in the shares in which ITW is interested, amounting to 262,500,000 shares. Dynatek, Mr. Hou Chung and Ms. Chung Po Chu are deemed to be initial management shareholders (as defined under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules")). Ms. Chung Po Chu is the sister of Mr. Chung. Ms. Chung Po Chu and Mr. Hou Chung are parents of Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, Eddie, both of whom are executive Directors of the Company.
- (b) Mr. Chung and his spouse, Ms. Tsou Lo Nien, own, in aggregate, 36.4 per cent. of the issued share capital of ITW. Accordingly, each of Mr. Chung and Ms. Tsou Lo Nien is deemed, by virtue of the SDI Ordinance, to be interested in the shares in which ITW is interested, amounting to 262,500,000 shares. Mr. Chung is also deemed to be interested in the 19,500,000 shares registered in the name of Ms. Tsou Lo Nien. Mr. Chung is an executive Director and Ms. Tsou Lo Nien is a Director of Truth Honour, a subsidiary of the Company. As a result, each of Mr. Chung and Ms. Tsou Lo Nien is deemed, by virtue of the SDI Ordinance, to be interested in 282,000,000 shares in aggregate, representing approximately 62.67 per cent. of the shares in issue. Mr. Chung and Ms. Tsou Lo Nien are deemed to be initial management shareholders (as defined under the GEM Listing Rules) of the Company.
- (c) Mr. Hou Chung, together with Dynatek, a company beneficially owned by him and his spouse, Ms. Chung Po Chu is interested in 50.0 per cent. of the issued share capital of ITW. Accordingly, Mr. Hou Chung is deemed, by virtue of the SDI Ordinance, to be interested in all the shares in which ITW is interested, amounting to 262,500,000 shares. Together with the 19,500,000 shares registered in his own name, Mr. Hou Chung is deemed, by virtue of the SDI Ordinance, to be interested in 282,000,000 shares in aggregate, representing approximately 62.67 per cent. of the shares in issue. Mr. Hou Chung is deemed to be an initial management shareholder (as defined under the GEM Listing Rules) of the Company.
- (d) Ms. Chung Yuk Hung, Yvonne is an executive Director. Ms. Chung Yuk Hung, Yvonne holds 5.1 shares, representing 6.8 per cent. of the issued share capital of ITW. Accordingly, Ms. Chung Yuk Hung, Yvonne has an attributable interest in 6.8 per cent. of the shares in which ITW is interested, amounting to 17,850,000 shares. She is deemed to be an initial management shareholder (as defined under the GEM Listing Rules) of the Company.
- (e) Mr. Chung Yuk Man, Kevin is an executive Director. Mr. Chung Yuk Man, Kevin holds 5.1 shares, representing 6.8 per cent. of the issued share capital of ITW. Accordingly, Mr. Chung Yuk Man, Kevin has an attributable interest in 6.8 per cent. of the shares in which ITW is interested, amounting to 17,850,000 shares. He is deemed to be an initial management shareholder (as defined under the GEM Listing Rules) of the Company.



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS (continued)

(ii) Directors' rights to acquire shares

On 13 December, 2000, the shareholders of the Company approved and adopted a share option scheme (the "Share Option Scheme"). Under the Share Option Scheme, the Directors of the Company may, at their discretion, grant to any employees of the Group, including executive Directors of the Group, options to subscribe for the Company's shares. The subscription price for options granted under the Share Option Scheme after the listing of the Company's shares on the GEM is determined by the Directors and will not be less than the higher of the closing price of the Company's shares on GEM on the date of grant of the options or the average of the closing price of the Company's shares on GEM for the five trading days immediately preceding the date of grant of the options. As regards the options granted before the listing of the Company's shares on the GEM ("Pre-IPO Share Options"), the subscription price is to be determined by Directors and shall not be less than the nominal value of the Company's shares. The maximum number of shares in which options may be granted under the Share Option Scheme may not exceed 30 per cent. of the ordinary share capital in issue from time to time. The maximum option term is ten years from the respective grant dates. Options may be exercised at any time during a period, generally three years but not later than ten years, to be determined and notified to each grantee.

Pursuant to the Pre-IPO Share Options granted under the above Share Option Scheme, certain Directors have interests in options to subscribe for shares as set forth below. The options have a duration of 10 years from the date on which the offer of grant was made.

Name of Director	Date of grant	Exercise price HK\$	Number of share options outstanding as at 31.3.2001	Expiry date
Mr. Chung	18/12/2000	0.4	2,000,000	17/12/2010
Ms. Chung Yuk Hung, Yvonne	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Chung Yuk Man, Kevin	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Hou Hsiao Wen, Eddie	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Hou Hsiao Bing	18/12/2000	0.4	2,000,000	17/12/2010

Notes:

- None of the above outstanding options was exercised during the financial year.
- Pursuant to the offer letters in respect of the grant of the Pre-IPO Share Options, the grantees can only exercise the options to the extent of an aggregate total of 25 per cent., 50 per cent., 75 per cent. and 100 per cent. of the Pre-IPO Share Options in each of the first to fourth anniversaries of the commencement of the trading of the shares on GEM, respectively.

Save as disclosed above, at no time during the year ended 31 March, 2001, was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Save as disclosed above, neither the Directors nor the chief executive, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations (as defined by the SDI Ordinance) as at 31 March, 2001.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March, 2001, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses the following persons as having an interest of 10% or more of the issued shares:–

Name	Notes	Number of shares	Approximate percentage of issued shares
ITW	1	262,500,000	58.33%
Dynatek	2	262,500,000	58.33%
Mr. Hou Chung	3	282,000,000	62.67%
Ms. Chung Po Chu	4	282,000,000	62.67%
Ms. Tsou Lo Nien	5	282,000,000	62.67%
Mr. Chung	5	282,000,000	62.67%

Notes:

- These shares were registered in the name of ITW., a company incorporated in the British Virgin Islands. Please refer to note 2 to “Directors’ and Chief Executive’s Interests in shares and Options” for details of the shareholding of ITW.
- These shares are registered in name of ITW of which Dynatek Limited holds 25.5 shares, representing 34.0 per cent. of the issued share capital of ITW. Accordingly, Dynatek Limited is deemed, by virtue of the SDI Ordinance, to be interested in all the shares in which ITW is interested. On this basis, Dynatek Limited is a substantial shareholder.
- These shares comprise 262,500,000 shares registered in the name of ITW and 19,500,000 shares registered in his name. Hou Chung, together with Dynatek Limited, a company beneficially owned by him and his spouse, Chung Po Chu, is interested in 50.0 per cent. of the issued share capital of ITW. Accordingly, Hou Chung is deemed, by virtue of the SDI Ordinance, to be interested in all the shares in which ITW is interested. On this basis, Hou Chung is a substantial shareholder.
- These shares comprise 262,500,000 shares registered in the name of ITW and 19,500,000 shares registered in the name of Hou Chung. Chung Po Chu is the sister of Mr. Chung. Chung Po Chu and Hou Chung are the parents of Hou Hsiao Bing and Hou Hsiao Wen, Eddie, both of whom are executive Directors. Being the spouse of Hou Chung, Chung Po Chu is deemed, by virtue of the SDI Ordinance, to be interested in all the shares in which Hou Chung is interested. On this basis, Chung Po Chu is a substantial shareholder.
- These shares comprise 262,500,000 shares registered in the name of ITW and 19,500,000 shares registered in the name of Tsou Lo Nien. Mr. Chung and his spouse, Tsou Lo Nien, own, in aggregate, 36.4 per cent. of the issued share capital of ITW. Accordingly, each of Mr. Chung and Tsou Lo Nien is deemed, by virtue of the SDI Ordinance, to be interested in the shares in which ITW is interested. Mr. Chung is an executive Director and Tsou Lo Nien is a Director of Truth Honour. On this basis, each of Mr. Chung and Tsou Lo Nien is a substantial shareholder.
- Assuming the Pre-IPO Share Options are not exercised.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company’s issued share capital as at 31 March, 2001.



REPORT OF THE DIRECTORS

SPONSOR'S INTEREST

Pursuant to the agreement dated 21 December, 2000 entered into between the Company and DBS Asia Capital Limited ("DBS Asia"), DBS Asia is entitled to receive a fee in respect of the appointment by the Company as the sponsor of the Company as required under GEM Listing Rules for the period from 3 January, 2001 to 31 March, 2003.

At 31 March, 2001, neither DBS Asia, its directors, employees nor their associates, had any interest in any securities of the Company or any of its associated corporation.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

Save as the Pre-IPO Share Options granted under the Share Option Scheme, no other share options have been granted thereunder.

A summary of the principal terms of the Pre-IPO Share Options granted under the Share Option Scheme were disclosed in the Prospectus and the movements thereof are set out below:–

MOVEMENT OF SHARE OPTIONS

	As at 1 April, 2000 No. of Options	Granted	Exercised	Cancelled	As at 31 March, 2001 No. of Options	No. of new shares arising therefrom
Pre-IPO Share Options						
Exercise price: HK\$0.20						
– Director of a subsidiary:						
Mr. Lam Shut Chun	Nil	500,000	Nil	Nil	500,000	Nil
– Other employees	Nil	9,400,000	Nil	(250,000)	9,150,000	Nil
Exercise price: HK\$0.40						
– Executive Directors						
Mr. Chung	Nil	2,000,000	Nil	Nil	2,000,000	Nil
Mr. Hou Hsiao Wen, Eddie	Nil	2,000,000	Nil	Nil	2,000,000	Nil
Mr. Hou Hsiao Bing	Nil	2,000,000	Nil	Nil	2,000,000	Nil
Ms. Chung Yuk Hung, Yvonne	Nil	2,000,000	Nil	Nil	2,000,000	Nil
Mr. Chung Yuk Man, Kevin	Nil	2,000,000	Nil	Nil	2,000,000	Nil
– Other employees	Nil	700,000	Nil	Nil	700,000	Nil
	Nil	20,600,000	Nil	(250,000)	20,350,000	Nil



REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

RETIREMENT BENEFIT COSTS

Details of the retirement benefit costs are set out in note 11 to the account.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company issued the Prospectus dated 22 December, 2000 in connection with a placing of an aggregate of 60,000,000 shares (the "Placing"). The net proceeds from the Placing amounted to approximately HK\$17.9 million, of which the Directors have applied, as at 31 March, 2001, in the following manner:-

	From 29 December, 2000 to 31 March, 2001 (HK\$ million)
For the research and development of proprietary software for e-banking business	1.0
For the expansion of distribution and service networks including the expansion of the existing PRC subsidiaries, recruitment of additional staff and purchase of additional office equipment	1.0
For establishing additional customer services centres in the PRC as well as recruitment of additional staff and purchase of additional office equipment	0.2
	2.2

The remaining net proceeds of approximately HK\$15.7 million were placed on short term deposits with bank in Hong Kong for future use as identified by the Group's business plans.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:-

Purchases

- the largest supplier: Approximately 84 per cent.
- five largest suppliers combined: Approximately 92 per cent.



REPORT OF THE DIRECTORS

Sales

- the largest customer: Approximately 27 per cent.
- five largest customers combined: Approximately 74 per cent.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5 per cent. of the Company's share capital) had interest in the major suppliers or customers noted above.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company listed on the GEM of the Stock Exchange on 3 January, 2001.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands.

AUDIT COMMITTEE

The Company's audit committee was formed on 13 December, 2000. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with Reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risks evaluation. The Committee comprises two independent non-executive Directors, namely Ms. Lui Ming, Rosita and Mr. Ho Wai Wing, Raymond. Two Meetings were held during the current financial year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which compete or may compete with the business of the Group.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chung Lok Fai

Chairman

Hong Kong, 18 June, 2001



AUDITORS' REPORT



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF SOLUTECK HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 32 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 June, 2001



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March, 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
Turnover	3	303,391	212,774
Cost of sales		(238,407)	(170,543)
<hr/>			
Gross profit		64,984	42,231
Other revenue	3	2,699	3,859
Selling expenses		(9,275)	(5,217)
Administrative expenses		(28,802)	(13,226)
<hr/>			
Profit from operation	4	29,606	27,647
Finance costs	5	(94)	(122)
Share of results of an associated company	14	-	-
<hr/>			
Profit before taxation		29,512	27,525
Taxation	6	(5,419)	(4,534)
<hr/>			
Profit attributable to shareholders	7	24,093	22,991
<hr/>			
Dividends to the then shareholders	8	30,000	59,986
<hr/>			
Basic earnings per share	9	5.94 cents	5.90 cents
<hr/>			



CONSOLIDATED BALANCE SHEET

As at 31 March, 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
FIXED ASSETS	12	2,356	978
ASSOCIATED COMPANY	14	–	–
CURRENT ASSETS			
Inventories	15	2,150	357
Accounts receivable		48,774	37,655
Bills receivable		1,401	15,093
Other receivables, deposits and prepayments		4,641	1,706
Pledged bank deposit	22	9,000	–
Bank balances and cash	16	22,521	50,770
		88,487	105,581
CURRENT LIABILITIES			
Accounts payable		18,507	47,859
Other payables and accrued charges		7,112	2,802
Receipt in advance		26,632	30,738
Taxation	17	1,185	1,660
		53,436	83,059
NET CURRENT ASSETS		35,051	22,522
		37,407	23,500
Financed by:			
Share capital	19	45,000	200
Reserves	20(a)	(7,684)	23,209
Shareholders' funds		37,316	23,409
Deferred taxation	18	91	91
		37,407	23,500

On behalf of the Board

CHUNG LOK FAI
Director

CHUNG YUK HUNG, YVONNE
Director



BALANCE SHEET

As at 31 March, 2001

	<i>Notes</i>	2001 HK\$'000
INVESTMENTS IN SUBSIDIARIES	13	43,487
CURRENT ASSETS		
Other receivables, deposits and prepayments		600
Bank balances and cash		14
		614
CURRENT LIABILITIES		
Other payables and accrued charges		369
		245
NET CURRENT ASSETS		
		43,732
Financed by:		
Share capital	19	45,000
Reserves	20(b)	(1,268)
		43,732
Shareholders' funds		43,732

On behalf of the Board

CHUNG LOK FAI
Director

CHUNG YUK HUNG, YVONNE
Director



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March, 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
Net cash (outflow)/inflow from operating activities	<i>21(a)</i>	(1,995)	22,366
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,699	3,859
Interest paid		(94)	(122)
Dividends paid to the then shareholders		(30,000)	(34,500)
Net cash outflow from returns on investments and servicing of finance		(27,395)	(30,763)
TAXATION			
Hong Kong profits tax paid		(5,585)	(4,277)
Overseas taxation paid		(309)	(38)
Total taxation paid		(5,894)	(4,315)
INVESTING ACTIVITIES			
Purchase of fixed assets		(2,162)	(163)
Purchase of a subsidiary	<i>21(d) & (e)</i>	573	-
Sale of fixed assets		40	-
Increase in restricted cash deposits	<i>22</i>	(9,000)	-
Net cash outflow from investing activities		(10,549)	(163)
Net cash outflow before financing		(45,833)	(12,875)
FINANCING			
Proceeds from issue of shares		24,000	-
Placing and listing expenses		(6,416)	-
New bank loan raised		1,884	-
Repayment of amounts borrowed		(1,884)	(9,288)
Net cash inflow/(outflow) from financing	<i>21(b)</i>	17,584	(9,288)
Decrease in cash and cash equivalents		(28,249)	(22,163)
Cash and cash equivalents at the beginning of the year		50,770	72,933
Cash and cash equivalents at the end of the year		22,521	50,770
Analysis of balances of cash and cash equivalents			
Bank balances and cash	<i>16</i>	22,521	50,770



CONSOLIDATED STATEMENT OF RECOGNISED GAIN AND LOSSES

For the year ended 31 March, 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
Exchange differences arising on the translation of the accounts of the subsidiaries not recognised in the profit and loss account	20(a)	2	7
Profit for the year		24,093	22,991
Total recognised gains		24,095	22,998
Capital reserves arising from acquisition of a subsidiary	20(a)	2,228	–
		26,323	22,998



NOTES TO THE ACCOUNTS

1. GROUP REORGANISATION AND BASIS OF PREPARATION

- (a) The Company was incorporated in the Cayman Islands on 10 August, 2000 as an exempted Company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.
- (b) On 13 December, 2000, pursuant to a Group Reorganisation (“Reorganisation”) in preparation for the listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued share capital of Soluteck (BVI) Holdings Limited (“Soluteck (BVI)”) through a share swap and became the holding Company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 22 December, 2000.
- (c) The Company’s shares were listed on the Stock Exchange on 3 January, 2001.
- (d) The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.127 “Accounting for group reconstructions”, except for Task Consultants Limited (“Task Consultants”) which was acquired by the Group on 1 September, 2000 and was accounted for using acquisition accounting. The consolidated accounts of the Group for the year ended 31 March, 2001, including the comparative figures, are prepared as if the company had been the holding company of the Group from the beginning of the earliest period presented.

The accounts have been prepared under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

No balance sheet of the Company as at 31 March, 2000 is presented in the accounts as the Company was not yet incorporated on that date.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

- (i) The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. The Reorganisation referred to in note 1 above has been accounted for using merger accounting, except for Task Consultants which was acquired by the Group on 1 September, 2000 and was accounted for using acquisition accounting, by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.



NOTES TO THE ACCOUNTS

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (Continued)

(ii) Subsidiaries are companies in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

(iii) In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Capital reserve

Capital reserve represents the excess of fair values ascribed to the net assets of subsidiaries and associated company acquired over the purchase consideration, and is taken to reserve in the year of acquisition.

(c) Associated company

An associated company is a company, not being a subsidiary, in which an equity interest is held for long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(d) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from the provision of technical support services is recognised when the services are rendered. The unrealised portion is dealt with as receipt in advance when deposits and instalments are received.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.



NOTES TO THE ACCOUNTS

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciation over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises cost of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.



NOTES TO THE ACCOUNTS

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) **Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

(j) **Research and development costs**

Research and development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identifiable and market exists for the product such that it is probable that it will be profitable. During the year, all research and development costs are expensed in the profit and loss account.

(k) **Retirement benefit costs**

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(l) **Translation of foreign currencies**

Transactions in foreign currencies are translated at exchanged rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

3. REVENUE AND TURNOVER

The Group is principally engaged in the sale of electronic banking systems, other banking equipment and mailing systems, and the provision of hardware and software technical support services. Revenues recognised during the year are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Turnover		
Sales of goods	263,697	180,755
Rendering of services	39,694	32,019
	303,391	212,774
Other revenue		
Interest income	2,699	3,859
	306,090	216,633



NOTES TO THE ACCOUNTS

4. PROFIT FROM OPERATION

Profit from operation is stated after charging the following:

	Group	
	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	609	235
Bad debts written-off	–	7
Cost of inventories	213,222	145,056
Depreciation	920	1,022
Net exchange loss	41	91
Loss on disposal of fixed assets	34	–
Operating leases for land and building	1,641	786
Research and development costs	1,389	1,373
Retirement benefit costs (<i>note 11</i>)	264	22
Staff cost (including Directors emoluments)	24,103	7,725

5. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loan	94	–
Interest on other loan	–	122
	94	122

Other loan was advanced from an independent third party and was repaid in June 1999.



NOTES TO THE ACCOUNTS

6. TAXATION

	<i>Notes</i>	Group	
		2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax			
– current	(a)	5,419	4,554
– over provision in prior years		(319)	(33)
Overseas taxation	(b)	319	41
Deferred taxation	(c)	–	(28)
		5,419	4,534

Notes:

- (a) Hong Kong profits tax has been provided for at the rate of 16% on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the year.
- (b) Overseas taxation represented tax charge on the assessable profits of subsidiaries operating in the PRC calculated at the applicable rates.
- (c) There was no material unprovided deferred taxation assets/liabilities for the year (2000: Nil).

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$1,678,000.



NOTES TO THE ACCOUNTS

8. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Dividends were paid by the subsidiaries of the Group to their then shareholders prior to the Reorganisation as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Dividend paid		
– cash	30,000	34,500
– non-cash (<i>note</i>)	–	25,486
	30,000	59,986

Note:

During the year ended 31 March, 2000, the payment of dividends amounting to HK\$25,486,000 by the Company's subsidiaries was satisfied by the assignment of all the Group's properties, with net book value of HK\$25,486,000 at the time of declaration, to their then shareholders.

The dividend rates and the number of share ranking for the dividends are not presented as such information, for the purpose of this report, is not considered meaningful.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholder of HK\$24,093,000 (2000: HK\$22,991,000) and the weighted average of 405,287,671 shares in issue during the year (2000: 390,000,000 share deemed to be issued on 1st April 1999, after taking into consideration of the 2,000,000 shares issued arising from the Reorganisation and the capitalisation issue of 388,000,000 shares as referred to in notes 19(b) and 19(d) respectively are deemed to have been in issue throughout the accounting years presented).

Diluted earnings per share for the year is not presented as there is no material dilution effect arising from the outstanding options issued by the Company.



NOTES TO THE ACCOUNTS

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments of the Directors of the Company during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Independent non-executive Directors		
Fees	–	–
Basic salaries, allowances and benefits in kind	30	–
Executive directors		
Fees	–	–
Basic salaries, allowances and benefits in kind	4,917	2,632
Discretionary bonuses	1,630	400
Contributions to pensions schemes	18	–
	6,595	3,032
	6,595	3,032

The executive Directors received individual emoluments for the year ended 31 March, 2001 of approximately HK\$2,024,000 (2000: HK\$1,261,000), HK\$1,044,500 (2000: HK\$546,000), HK\$1,047,500 (2000: HK\$720,000), HK\$1,251,500 (2000: HK\$252,500), HK\$645,500 (2000: HK\$252,500) and HK\$552,000 (2000: HK\$Nil).

During the year 10,000,000 options were granted to the Directors under the Share Option Scheme of Pre-IPO Share Options adopted by a resolution in writing passed by all shareholders of the Company on 13 December, 2000. Each of the options entitles the holder to subscribe for one ordinary share of HK\$0.1 each in the Company at HK\$0.4 each, and are only exercisable by the grantees thereof to the extent of an aggregate total of 25 per cent., 50 per cent., 75 per cent. and 100 per cent. of the Pre-IPO Share Options in each of the first to fourth anniversaries of the commencement of the trading of the Shares on GEM respectively. The options have a duration of 10 years from the date on which the offer of grant was made.



NOTES TO THE ACCOUNTS

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2000: one) Directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining three (2000: four) individuals during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries, allowances and benefits in kind	3,146	3,135
Discretionary	690	670
	3,836	3,805

The emoluments fell with the following bands

Emolument bands	Number of individuals	
	2001	2000
HK\$Nil – HK\$1,000,000	–	3
HK\$1,000,001 – HK\$1,500,000	3	1
	3	4

During the year ended 31 March, 2001, no emoluments have been paid by the Group to the Directors and the five highest paid employees above as an inducement to join the Group or as compensation for loss of office.

11. RETIREMENT BENEFIT COSTS

The Group did not provide retirement benefits for its employees in Hong Kong before 1 December, 2000. With effect from 1 December, 2000, the Group has set up a defined contribution retirement scheme under the mandatory provident fund scheme (the "MPF Scheme") for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contribution upon their retirement at the age of 65 years old, death or total incapacity.



NOTES TO THE ACCOUNTS

11. RETIREMENT BENEFIT COSTS (continued)

The subsidiaries operating in the PRC are required to participate in defined contribution retirement schemes, organised by relevant local government authorities. The subsidiaries are required to make contributions to the retirement schemes, at a rate of 11 per cent. to 22.5 per cent. of the basic salary of their employees and there is no other further obligations to the Group.

12. FIXED ASSETS

	Group			
	Leasehold improvements HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 April, 2000	659	2,970	340	3,969
Additions	301	1,861	–	2,162
Acquisition of a subsidiary	17	328	185	530
Disposals	–	–	(185)	(185)
At 31 March, 2001	977	5,159	340	6,476
Accumulated depreciation				
At 1 April, 2000	431	2,356	204	2,991
Charge for the year	199	653	68	920
Acquisition of a subsidiary	10	199	111	320
Disposals	–	–	(111)	(111)
At 31 March, 2001	640	3,208	272	4,120
Net book value				
At 31 March, 2001	337	1,951	68	2,356
At 31 March, 2000	228	614	136	978



NOTES TO THE ACCOUNTS

13. INVESTMENT IN SUBSIDIARIES – COMPANY

	2001 HK\$'000
Unlisted investments, at cost	27,826
Amounts due from subsidiaries	15,661
	43,487

The amount due from subsidiaries are interest free and have no fixed terms of repayment.

The following is a list of the subsidiaries of the Company as at 31 March, 2001:

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued shares capital/registered capital	Attributable equity interest %
Subsidiary held directly:				
Soluteck (BVI) Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1,000 ordinary shares of US\$1 each	100
Subsidiaries held indirectly:				
Mason Electronics Limited	Hong Kong	Sale of banking equipment and provision of related hardware and software technical support services in Hong Kong	2 ordinary shares of HK\$1 each and 500,000 non-voting deferred shares of HK\$1 each	100
Task Consultants Limited	Hong Kong	Research and development of banking software in Hong Kong	5 ordinary shares of HK\$1 each	100



NOTES TO THE ACCOUNTS

13. INVESTMENT IN SUBSIDIARIES – COMPANY (continued)

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued shares capital/registered capital	Attributable equity interest %
Truth Honour Electronic Limited	Hong Kong	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in Hong Kong	2 ordinary shares of HK\$1 each and 3,000,000 non-voting deferred shares of HK\$1 each	100
Truth Honour Electronic (GFTZ) Limited * #	The People's Republic of China ("PRC")	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in PRC	Registered capital US\$200,000	100
Truth Honour (BVI) Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100
北京金聯通信息技術有限公司 * #	PRC	Design and development of banking and postal software applications in PRC	Registered capital US\$150,000	100
信興通(北京)信息技術有限公司 * #	PRC	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in PRC	Registered capital US\$150,000	100



NOTES TO THE ACCOUNTS

13. INVESTMENT IN SUBSIDIARIES – COMPANY (continued)

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued shares capital/registered capital	Attributable equity interest %
上海新峰創電子技術有限公司 * #	PRC	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in PRC	Registered capital US\$200,000	100
信興電子技術(成都)有限公司 * #	PRC	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in PRC	Registered capital US\$150,000	100

* Subsidiaries have financial accounting period of 31 December, which are not coterminous with the Group.

Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 7% of the Group's total assets.

14. INVESTMENT IN ASSOCIATED COMPANY

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	–	–
Unlisted shares, at cost	HK\$1	–



NOTES TO THE ACCOUNTS

14. INVESTMENT IN ASSOCIATED COMPANY (continued)

The following is the details of the associated company as at 31 March, 2001:

Company	Place of incorporation and business	Principal activities	Particulars of issued shares held	Attributable equity interest %
Supreme Tech Development Limited	Hong Kong	Provision of the application hosting services for the banking and financial sector in Hong Kong	2 ordinary shares of HK\$1 each	50%

15. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Merchandise	1,099	–
Spare parts	1,051	357
	2,150	357

16. BANK BALANCES AND CASH

Included in the balance is approximately HK\$8,208,000 (2000: HK\$1,877,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

17. TAXATION

Taxation represents liabilities of the companies comprising the Group in respect of Hong Kong and overseas taxation as at 31 March, 2001 and 31 March, 2000, less provisional tax paid.



NOTES TO THE ACCOUNTS

18. DEFERRED TAXATION

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of the year	91	119
Transfer to profit and loss account	-	(28)
At end of the year	91	91
Provided for in respect of:		
Accelerated depreciation allowances	91	91

19. SHARE CAPITAL – COMPANY

	2001 HK\$'000
Authorised	
1,000,000,000 ordinary shares of HK\$0.1 each	100,000
Issued and fully paid	
450,000,000 ordinary shares of HK\$0.1 each	45,000

- (a) The Company was incorporated in the Cayman Islands under the Companies Law (2000 Revision) of the Cayman Islands as an exempted Company on 10 August, 2000 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each, 1 and 999,999 of which were allotted and issued nil paid to the subscribers on 10 August, 2000 and 4 October, 2000 respectively.
- (b) In preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 13 December, 2000 pursuant to resolutions in writing passed by all the shareholders of the Company:
- (i) the authorised share capital of the Company was increased to HK\$100,000,000 by the creation of 998,000,000 shares of HK\$0.1 each;
 - (ii) in consideration for the acquisition by the Company of the entire issued capital of Soluteck (BVI), now an intermediate holding Company of the Group, an aggregate of 1,000,000 shares of the Company were issued, credited as fully paid to the then shareholders of Soluteck (BVI) and the existing 1,000,000 shares issued at nil paid as described in note (a) were credited as fully paid.



NOTES TO THE ACCOUNTS

19. SHARE CAPITAL – COMPANY (continued)

- (c) On 29 December, 2000, 60,000,000 shares of HK\$0.1 each were issued by way of placing at a price of HK\$0.4 per share (the “Placing”) for cash consideration of HK\$24,000,000. The excess over the par value of the shares issued was credited to the share premium account.
- (d) Also on 29 December, 2000, 388,000,000 shares of HK\$0.1 each were issued at par as fully paid to the shareholders whose names appeared on the register of members of the Company on 13 December, 2000. The amounts were paid up in full by applying an amount of HK\$38,800,000 standing to the credit of the share premium account of the Company.
- (e) The share capital presented in the consolidated balance sheet as at 31 March, 2000 represented the share capital of the Company, arising on incorporation and from the share swap transactions described in notes a and b(ii) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the basis of preparation as referred to in note 1(d). The related reserve arising from the Reorganisation and share premium are deemed to have been in issue throughout the accounting periods presented in accordance with the basis of presentation referred to in note 1(d).
- (f) Under a share option scheme approved and adopted by the shareholders on 13 December 2000 (the “Share Option Scheme”), the Directors of the Company may, at their discretion, invite full-time employees including executive directors to take up options to subscribe for shares in the Company representing up to a maximum of 30% of the shares in issue from time to time (excluding shares issued on exercise of options under the share option scheme).
- (g) On 13 December, 2000, pursuant to the Pre-IPO share options granted under the Share Option Scheme, share options to subscribe for 10,000,000 and 10,600,000 shares were granted to certain Directors of the Company and employees of the Group respectively. The exercise prices of the share options range from HK\$0.2 to HK\$0.4. All options are only exercisable to the extent of an aggregate total of 25 per cent., 50 per cent., 75 per cent. and 100 per cent. of the Pre-IPO Share Options in each of the first to fourth anniversaries of the commencement of the trading of the Shares on GEM respectively, and have a duration of 10 years from the date on which the offer of grant was made.
- (h) During the year, no options were exercised and 250,000 options were lapsed upon the termination of the relevant employee employment with the Group. As at 31 March, 2001, options to subscribe for 20,350,000 shares of the Company were outstanding.



NOTES TO THE ACCOUNTS

20. RESERVES

(a) Group

	Share premium HK\$'000	Capital reserve HK\$'000	Reserve arising from Reorganisation HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 1999 (Notes)	27,626	-	(24,317)	(11)	56,899	60,197
Exchange difference	-	-	-	7	-	7
Profit for the year	-	-	-	-	22,991	22,991
Dividend to the then shareholders	-	-	-	-	(59,986)	(59,986)
At 31 March, 2000	27,626	-	(24,317)	(4)	19,904	23,209
Company and subsidiaries At 31 March, 2000	27,626	-	(24,317)	(4)	19,904	23,209
At 1st April 2000	27,626	-	(24,317)	(4)	19,904	23,209
Placing of shares (note 19(c))	18,000	-	-	-	-	18,000
Placing and listing expenses	(6,416)	-	-	-	-	(6,416)
Capitalisation issue (note 19(d))	(38,800)	-	-	-	-	(38,800)
Acquisition of a subsidiary	-	2,228	-	-	-	2,228
Exchange difference	-	-	-	2	-	2
Profit for the year	-	-	-	-	24,093	24,093
Dividend to the then shareholders	-	-	-	-	(30,000)	(30,000)
At 31 March, 2001	410	2,228	(24,317)	(2)	13,997	(7,684)
Company and subsidiaries At 31 March, 2001	410	2,228	(24,317)	(2)	13,997	(7,684)

Notes:

- (i) The reserve arising from Reorganisation of HK\$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in subsidiaries by the Company in exchange thereof, and has been debited to the reserve arising from Reorganisation account of the Group.
- (ii) The share premium of HK\$27,626,000 represents the difference between the consolidated shareholders' fund of the subsidiaries and the nominal value of the Company's shares issued.
- (iii) The reserve arising from Reorganisation and share premium of the Group are deemed to have been in issue throughout the accounting periods presented in the consolidated balance sheet in accordance with the basis of presentation referred to in note 1(d).



NOTES TO THE ACCOUNTS

20. RESERVES (continued)

(b) Company

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 10 August, 2000 (date of incorporation)	–	–	–
Placing of shares (note 19(c))	18,000	–	18,000
Placing and listing expenses	(6,416)	–	(6,416)
Capitalisation issue (note 19(d))	(38,800)	–	(38,800)
Amount arising from Reorganisation (note)	27,626	–	27,626
Loss for the year	–	(1,678)	(1,678)
At 31 March, 2001	410	(1,678)	(1,268)

Note:

The amount arising from Reorganisation of HK\$27,626,000 of the Company represents the difference between the consolidated shareholders' fund of the subsidiaries and the nominal value of the Company's shares issued, pursuant to the Reorganisation completed on 13 December, 2000 and has been credited to the share premium account of the Company.

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operation to net cash (outflow)/inflow from operating activities

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit from operation	29,606	27,647
Depreciation of fixed assets	920	1,022
Loss on disposal of fixed assets	34	–
(Increase)/decrease in inventories	(1,793)	12,827
Decrease/(increase) in accounts and bills receivable	4,085	(39,519)
(Increase)/decrease in other receivables and prepayments	(2,812)	438
(Decrease)/increase in accounts and bills payables	(29,352)	22,808
Increase in other payables and accrued charges	4,381	2,701
Decrease in receipt in advance	(4,365)	(1,699)
Interest income	(2,699)	(3,859)
Net cash (outflow)/inflow from operating activities	(1,995)	22,366



NOTES TO THE ACCOUNTS

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Share capital including premium		Bank and other loans	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at the beginning of the year	27,826	27,826	-	9,288
New loan raised	-	-	1,884	-
Loan repaid	-	-	(1,884)	(9,288)
Net proceeds from issue of share	17,584	-	-	-
Balance at the end of the year	45,410	27,826	-	-

(c) Major non-cash transactions

The consideration for the purchase of a subsidiary during the year was satisfied by the issuance of 150 shares in Soluteck (BVI) of US\$1 each.

The payment of dividends amounting to HK\$25,486,000 by the Company's subsidiaries in last year was satisfied by the assignment of all their properties, with net book value of HK\$25,486,000 at the time of declaration, to their then shareholders.

(d) Purchase of a subsidiary

	2001 HK\$'000
Net assets acquired	
Fixed assets	210
Trade and other receivables	1,634
Bank balances and cash	573
Trade and other payables	(188)
	2,229
Capital reserve	(2,228)
	1
Satisfied by	
Allotment of shares	1

The subsidiary acquired during the year contributed HK\$1,262,000 to the Group's net operating cash flow, paid HK\$4,000 in respect of the net returns on investments and servicing of finance, paid HK\$11,000 in respect of taxation and utilised HK\$329,000 for investing activities.



NOTES TO THE ACCOUNTS

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

- (e) Analysis of the net inflow in respect of the purchase of a subsidiary:

	2001 HK\$'000
Cash consideration	–
Bank balance and cash acquired	573
Net cash inflow in respect of purchase of a subsidiary	573

22. BANKING FACILITIES

Banking facilities for trade finance to the extent of HK\$12,000,000 were granted by a bank to the Group. These banking facilities are secured by a cash deposit of HK\$9,000,000. At the balance sheet date, no such facilities were utilized by the Group.

23. COMMITMENTS

- (a) Capital commitments for office equipment, furniture and fixture

	Group	
	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for	367	–

- (b) Commitments under operating leases – land and building

At 31 March, 2001, the Group had future aggregate minimum lease payments under operating leases as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	696	–
In the second to fifth year inclusive	739	720
Total	1,435	720



NOTES TO THE ACCOUNTS

24. RELATED PARTY TRANSACTIONS

During the year, the Group undertook the following material transactions with its related companies in the normal course of business at terms of the underlying agreements:

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Rental paid to a Director	(a)	300	720
Consultancy fees paid to related companies	(b)	562	1,538
Receipt of consultancy income from a related company	(c)	126	–
Rental paid to the related companies	(d)	600	–

Notes:

- (a) The Group leased two office premises from Mr. Hou Hsiao Bing, an executive Director of the Company, in Guangzhou and Chengdu of the PRC for the Group's use.
- (b) Pretty City Limited ("PCL"), Lucky Red Limited ("LRL") and Burble International Co. ("BIC") provided marketing consultancy services to the Group in respect of its operations in the PRC for monthly or yearly fixed fee in accordance with the terms of the underlying agreements. PCL is owned by Mr. Hou Chung, Ms. Chung Po Chu, Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, Eddie. LRL is owned by Ms. Chung Yuk Hung, Yvonne and her husband. BIC is wholly owned by Mr. Hou Hsiao Wen, Eddie. Mr. Hou Hsiao Bing, Mr. Hou Hsiao Wen, Eddie and Ms. Chung Yuk Hung, Yvonne are the Directors and shareholders of the Company. Mr. Hou Chung and Ms. Chung Po Chu are the shareholders of the Company.
- (c) The Group received consultancy income from Everscience Information System Co. Limited in which Mr. Tam Wing Chit, Tom is a Director and has equity interests.
- (d) The Group leased office premises from San Yee Investment Limited ("San Yee") and Dynatek Limited ("Dynatek") in Hong Kong for the Group's use. San Yee is owned by Mr. Chung Lok Fai and his wife, Ms. Tsou Lo Nien. Dynatek is owned by Mr. Hou Chung and Ms. Chung Po Chu. Mr. Chung Lok Fai is the Director and shareholder of the Company. Ms. Tsou Lo Nien is the shareholder of the Company.

The Directors confirmed that transactions (a) to (c) above were discontinued after the listing of the Company on the GEM of the Stock Exchange.

25. ULTIMATE HOLDING COMPANY

The directors regard Innovative Tech Worldwide Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

26. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18 June, 2001.



FIVE YEAR FINANCIAL SUMMARY

	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Result					
Turnover	303,391	212,774	234,805	238,727	154,508
Profit attributable to shareholders	24,093	22,991	25,414	17,343	7,468
Assets and liabilities					
Total assets	90,843	106,559	128,805	110,295	80,849
Total liabilities	53,527	83,150	68,417	73,509	59,806
Net assets	37,316	23,409	60,388	36,786	21,043

The Reorganisation referred to in note 1 to the accounts has been reflected in the five year financial summary by regarding the Company as having been the holding company of the Group from the earliest period presented.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Soluteck Holdings Limited (the "Company") will be held at the Basement Function Room II, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 18 July, 2001 at 10:00 a.m. to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and reports of the directors and auditors for the year ended 31 March, 2001;
2. to re-elect directors and to fix their remuneration;
3. to re-appoint the Company's auditors and to authorize the directors to fix their remuneration;

and, as special business, to consider and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

4. THAT:

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any Pre-IPO share options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend

on shares in accordance with the Articles of Association of the Company in force from time to time shall not exceed the aggregate of:

- (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolutions and
- (ii) (if the Directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution), and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

- (d) for the purposes of this Resolution:

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution;

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their then holdings of shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard



NOTICE OF ANNUAL GENERAL MEETING

to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized body or any stock exchange outside Hong Kong).

5. THAT:

- (a) the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to purchase its shares on the Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange of Hong Kong Limited, the Company Law of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly;
- (c) for the purposes of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, the Company Law of the Cayman Islands or any other applicable law to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

6. THAT the Directors of the Company be and they are hereby authorized to exercise the authority referred to in paragraph (a) of Resolution no.4 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution.

By Order of the Board
Soluteck Holdings Limited
Chung Lok Fai
Chairman

Hong Kong, 22 June, 2001

Principal office in Hong Kong
 Room 1004,
 SUP Tower
 75-83 King's Road,
 North Point,
 Hong Kong.

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the principal office of the Company at Room 1004, SUP Tower, 75-83 King's Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. In relation to proposed Resolutions nos. 4 and 6 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The Directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the Pre-IPO Share Options granted under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
4. In relation to proposed Resolution no.5 above, the Directors wish to state they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited will be set out in a separate document to be dispatched to the shareholders with the annual report for the year ended 31 March, 2001.