



First Quarterly Report
for the period from 1 April, 2001 to 30 June, 2001

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors (the “Directors”) of Soluteck Holdings Limited (the “Company”) collectively and individually accept full 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.

The board (the "Board") of directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months ended 30 June, 2001.

BUSINESS REVIEW

The three months ended 30 June, 2001 continued to be a profitable quarter for the Group, albeit that the turnover and the net profit of the Group recorded a decrease. The Group recorded a turnover of approximately HK\$42.1 million, representing a decrease of approximately 56 per cent. over the same period in last year. The net profit attributable to shareholders for the quarter decreased by approximately 90 per cent. to approximately HK\$1.5 million with earnings per share decreased from HK3.92 cents to HK0.33 cents. The decrease in net profit was principally attributable to the financial performance of the five wholly-owned subsidiaries of the Company in the PRC, which were actually operated towards the end of last year. These subsidiaries are in their early stage of development with high level of operating expenses as compared with their sales contributions to the Group. This is coupled with the unexpected slowdown in the demand for automatic teller machines in China during the three months ended 30 June, 2001. As such, the overall profitability of the Group for the three months ended 30 June, 2001 was lower as compared with the same quarter in last year when these subsidiaries had yet to be established.

Nevertheless, the Board is optimistic that all these subsidiaries, which are set up to deliver customised and localised services to customers, will prove to be worthwhile investments for the Group. All these subsidiaries have started to contribute positively to the performance of the Group and that the level of their operating expenses is under strict control. The Board expects that these will improve the overall profitability of the Group in the future. Indeed, the Board believes that it is necessary for the Group to continue to invest in the PRC market so as to expand its market share and consolidate its leading position in the increasing competitive industry.

The Group is a leading "Total Solutionist" in the provision of information technology solutions for the banking and postal industries in China with focus on implementation and upgrading of self-service automatic teller machines ("ATMs") and electronic postal automation systems and provision of system hardware and software technical support and consultancy services. The Group is also actively engaged in the development and implementation of e-banking application software.

For the three months ended 30 June, 2001, the business of implementing and upgrading self-service ATM systems remained the core business of the Group. Sales derived from this business accounted for approximately 82 per cent. of the Group's total turnover for the period. The gross profit margin ratio of this business increased from 17 per cent. to 22 per cent. as compared with the same period in last year.

Meanwhile, the implementation and upgrading of electronic postal automation systems accounted for approximately 3 per cent. of the Group's turnover for the quarter under review. The gross profit margin ratio increased from 22 per cent. to approximately 29 per cent. as compared with the same period in last year. The "Gold Card Project" is in smooth progress under the administration of the Chinese government. The Board believes that the Group is well prepared to grasp these tremendous business opportunities ahead as the commercial banks in China are upgrading their systems to effect real-time fund transfers and settlement of inter-bank transactions.

The Group maintained close working relations with its major suppliers, NCR (Hong Kong) Limited ("NCR") and Pitney Bowes Asian Operations ("Pitney Bowes"). With the support from these leading providers of self-service ATM systems and electronic postal automation systems, the Group is able to deliver to its customers the state-of-the-art technology solutions. Since 1996, the Group was granted "The Best ATM Reseller" award from NCR every year. Besides, it was also given the "Top Performance Award for Production Mail and Mailing Products" by Pitney Bowes in April 2000. The accreditation reflects the Group's success in implementing banking and postal information technology solutions in the PRC.

S O L U T E C K H O L D I N G S L I M I T E D

To further reinforce its competitive edge, the Group has also strengthened its efforts in the research and development of proprietary software applications that target at the specific needs and requirements of the individual customers. Bank24 was one of the software applications launched last year, and the Group will continue to develop additional modules for this product to further enhance its functionality.

PROSPECTS

Looking ahead, we believe that a bright future is ahead and particularly, on the horizon for the information technology solution providers in China. The banking and postal systems in China are still in the developing stage. Hence, the market has a strong demand for automation products. The Board also considers that, with the imminent accession by China to the World Trade Organisation, foreign banks and financial institutions are planning to enter the PRC market, the largest untapped market in the globe, by itself or by way of co-operation with domestic banks. Domestic banks and financial institutions are also preparing for these challenges and opportunities. The Board expects that all these will create additional business opportunities to the Group. The Board also considers that the China market presents a huge potential for business development to information technology solution providers. The Board believes that the Group is well positioned to capture the enormous opportunities, because of the Group's experience in the market and solid competitive edge in technology, service and support facility, and marketing network.

The Group will also focus on exploring the market opportunities for e-banking amongst banks and financial institutions in Hong Kong and, in particular, the provision of application hosting services and corporate e-banking application solutions to small- and medium-size banks and financial institutions in Hong Kong. To this end, we have decided to allocate additional resources in the field of software development. The Group will continue to modify its existing software (such as BANK 24) and develop new applications to better satisfy market demand.

To strive for the realisation of the above initiatives, the Group will increase the investment in enhancing its research and development capabilities. Currently the Group has a research and development centre each in Beijing and Hong Kong. An additional research and development centre was set up in Shenzhen in June 2001 to further strengthen the Group's research and development capability. We are also seeking opportunities to work with local universities and research institutions in China on technology research and development.

The Group also places strong emphasis on enhancing its marketing capability. The Group has a strong customer base, comprising various major commercial banks and postal bureaus in the PRC, as well as prominent banks and financial institutions in Hong Kong. Besides, the Group is also committed to providing high quality hardware and technology support and consultancy services. The wholly-owned subsidiaries of the Company in Beijing, Shanghai, Chengdu and Guangzhou serve to provide comprehensive banking and postal system integration, pre-sales and after-sales support, maintenance and enhancement services and technical support to local customers. In order to extend its market reach further, the Group will continue to expand its operation in Hong Kong, Macau and the PRC when the opportunities arise.

All in all, the Board is confident in the future prospects of China's information technology market in relation to the banking and postal industries. The Group will continue to pursue its growth strategies of enhancing its research and development efforts and expanding its market reach for its existing and emerging products and services. Besides, the Group will keep abreast with the latest developments of the industry in consolidating its existing businesses and diversifying into the new arenas for the ultimate objective of enhancing the shareholders' value.



LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. As at 30 June, 2001, the Group had cash and bank balances amounting to a total of HK\$26 million. There were no bank borrowings owed by the Group as at 30 June, 2001. With the above resources and the proceeds from the new issue of shares in January this year, the Board believes that the Group has adequate capital resources to finance its business objectives as stated in the prospectus.

RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June, 2001 (the "Period") together with comparative unaudited consolidated results of the Group for the corresponding period in 2000 as follows:

	Notes	From 1 April, 2001 to 30 June, 2001 HK\$	From 1 April, 2000 to 30 June, 2000 HK\$
Turnover	3	42,100,551	96,061,921
Cost of sales		(28,461,523)	(74,990,601)
Gross profit		13,639,028	21,071,320
Other income		312,849	1,058,174
Selling expenses		(3,353,742)	(1,075,396)
Administrative expenses		(8,309,349)	(3,368,162)
Profit from operations		2,288,786	17,685,936
Finance costs		-	-
Share of results of an Associated Company		(162,376)	-
Profit before taxation		2,126,410	17,685,936
Taxation	4	(630,000)	(2,405,433)
Profit attributable to shareholders		1,496,410	15,280,503
Earnings per share	5	0.33 cents	3.92 cents

Notes:

1. 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") to rationalize the Group's structure in preparation for a listing of the Company's shares on GEM, the Company became the holding company of the Group. The Company's shares were listed on GEM on 3 January, 2001.

Resulting from the Reorganisation, the Group becomes a continuing entity. Accordingly, the consolidated results of the Group for the period ended 30 June, 2001 and 2000 has been prepared on the basis of merger accounting, except for Task Consultants Limited which was acquired by the Group on 1 September, 2000, as if the Company has been the holding company of the Group throughout the accounting periods presented.

In the opinion of the Directors, the unaudited consolidated results prepared on the above basis give a more fair presentation of the Group's results as a whole.



2. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results conform with Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

3. Turnover and revenue

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

	From 1 April, 2001 to 30 June, 2001 HK\$	From 1 April, 2000 to 30 June, 2000 HK\$
Turnover		
Sale of goods	31,568,602	85,375,376
Rendering of services	10,531,949	10,686,545
	<u>42,100,551</u>	<u>96,061,921</u>
Other revenue		
Interest income	312,849	1,058,174
	<u>42,413,400</u>	<u>97,120,095</u>

4. Taxation

- (a) Hong Kong profits tax has been provided for at the rate of 16 per cent. on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the period.
- (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 period (2000: Nil).

5. Earnings per share

The calculation of the basic earnings per share for the three months ended 30 June, 2001 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$1,496,410 (2000: HK\$15,280,503) and the weighted averaged number of 450,000,000 (2000: 390,000,000) ordinary shares in issue throughout the relevant accounting periods respectively, after taking into consideration of the capitalisation issue in 2000 as described in details in the section headed "Statutory and General Information" in Appendix IV to the Company's prospectus dated 22 December, 2000.

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

MOVEMENT OF RESERVE

Apart from the exchange fluctuation reserve of approximately HK\$2,000, there is no other movement to and from reserve.

QUARTERLY DIVIDEND

The directors do not recommend the payment of quarterly dividend for the period from 1 April, 2001 to 30 June, 2001 (2000: Nil).

ADVANCEMENT TO AN ENTITY

The following disclosure on the Group's advancement to an entity is made in accordance with the requirements under Rules 17.15 and 17.22 of the GEM Listing Rules:

As at 30 June, 2001, an amount of approximately HK\$10.7 million was due from 上海申信進出口公司浦東公司 (Shanghai SITICO International Trading Co., Pudong Inc.*) ("Shanghai SITICO"), a customer of the Group and a third party independent of any of the Directors, the chief executive of the Company and its subsidiaries, the substantial shareholders (within the meaning of the GEM Listing Rules) of the Company and their respective associates (within the meaning of the GEM Listing Rules). Such amount represented the outstanding balance of certain sales transactions entered into by the Group since the end of year 2000 in its ordinary course of business and on normal commercial terms.

Following completion of installation and testing of all relevant equipment in late June 2001, the amount due was fully settled by Shanghai SITICO on 26 July, 2001 in accordance with the relevant terms of the sales transactions. As the sales transactions were conducted in the ordinary course of business of the Group, no interest was accrued on the amount due and Shanghai SITICO gave no collateral under the sales transactions.

The amount due from Shanghai SITICO is regarded as an advance by the Company to an entity under Rule 17.15 of the GEM Listing Rules. As at 30 June, 2001, the amount due from Shanghai SITICO of approximately HK\$10.7 million represented approximately 27.5 per cent. of the audited consolidated net tangible assets of the Group as at 31 March, 2001 (being the latest published audited consolidated net tangible assets of the Group) adjusted for the unaudited net profit for the three months ended 30 June, 2001. As at 31 March, 2001, the amount due from Shanghai SITICO of approximately HK\$10.7 million represented approximately 28.6 per cent. of the audited consolidated net tangible assets of the Group as at 31 March, 2001.

The Directors confirm that apart from the amount disclosed herein, the Group does not make any advancement to any entity that required to be disclosed under Rules 17.15 and 17.22 of the GEM Listing Rules.

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

(i) Shares

As at 30 June, 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	Personal interests	Family interests	Number of shares		Total 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:

1. These shares were held by Ms. Tsou Lo Nien, the spouse of Mr. Chung.
2. 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	<u>75.0</u>	<u>100.0</u>

- (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.

(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 30.6.2001	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 period.
- 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 period ended 30 June, 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 30 June, 2001.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June, 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.

6. 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 30 June, 2001.

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 30 June, 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

	Number of Options			As at 30 June, 2001	No. of new shares arising therefrom	
	As at 1 April, 2001	Movement during the period				
Pre-IPO Share Options		Granted	Exercised	Cancelled		
Exercise price: HK\$0.20						
- Director of a subsidiary:						
Mr. Lam Shut Chun	500,000	Nil	Nil	Nil	500,000	Nil
- Other employees	9,150,000	Nil	Nil	(200,000)	8,950,000	Nil
Exercise price: HK\$0.40						
- Executive Directors						
Mr. Chung	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Mr. Hou Hsiao Wen, Eddie	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Mr. Hou Hsiao Bing	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Ms. Chung Yuk Hung, Yvonne	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Mr. Chung Yuk Man, Kevin	2,000,000	Nil	Nil	Nil	2,000,000	Nil
- Other employees	700,000	Nil	Nil	Nil	700,000	Nil
	<u>20,350,000</u>	<u>Nil</u>	<u>Nil</u>	<u>(200,000)</u>	<u>20,150,000</u>	<u>Nil</u>

YEAR 2000 COMPLIANCE

In the Company's prospectus dated 22 December, 2000, the Directors reported that the computer hardware and software used by the Group are year 2000 compliant and therefore, the Year 2000 compliance issue had no material adverse impact on the business operations in all functional areas of the Group.

The Group has not experienced to date any significant adverse consequences in connection with the year 2000 issue. However, the Directors will continue their oversight of date change issues during the year 2002.

AUDIT COMMITTEE

The Company's audit committee was formed on 13 December, 2000 comprising the independent non-executive Directors, Ms. Lui Ming, Rosita and Mr. Ho Wai Wing, Raymond. The terms of reference of the audit committee have been established with regard to Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee has convened 3 meetings since its establishment.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the members of the Group purchased, sold or redeemed any of the Group's listed securities during the period from 1 April, 2001 to 30 June, 2001.

COMPETING INTERESTS

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

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

Hong Kong, 8 August, 2001

