



SOLUTECK Holdings Limited

一創科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2002

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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 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.



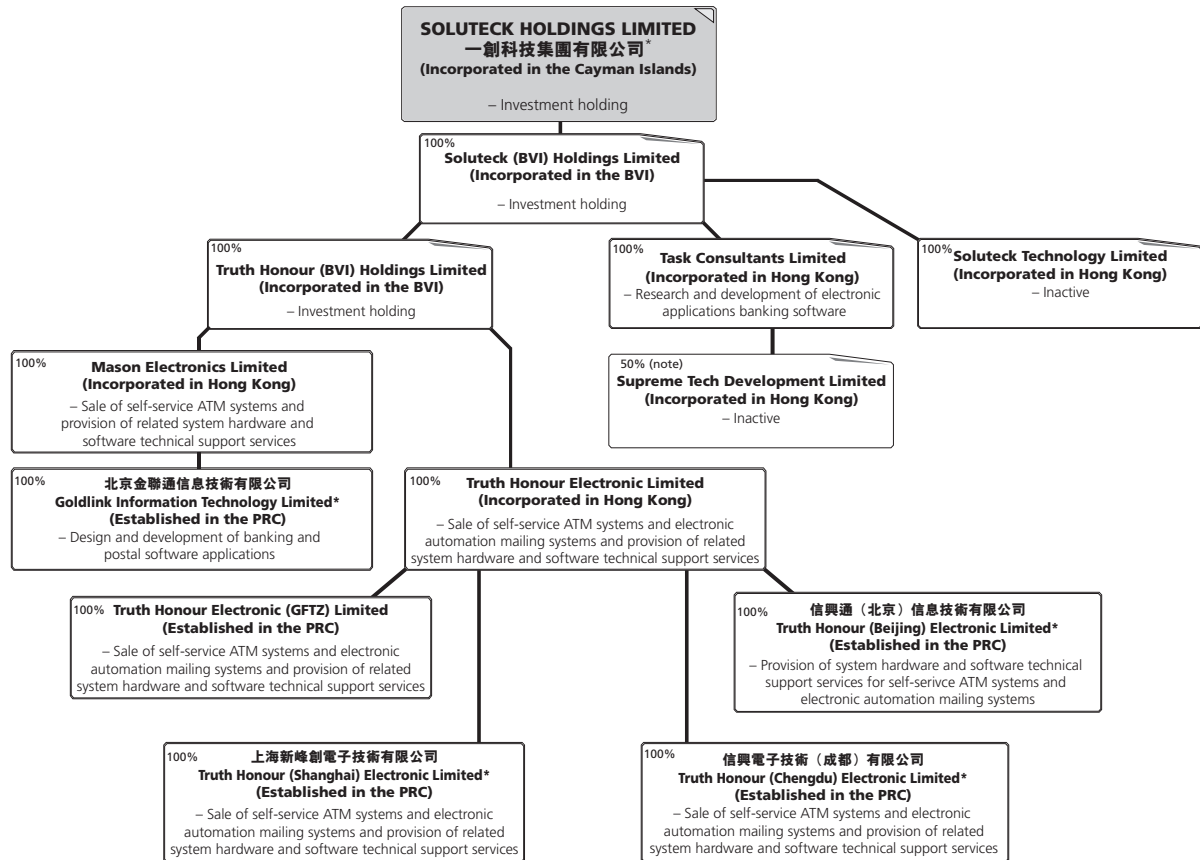
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CORPORATE STRUCTURE

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

ANNUAL RESULTS HIGHLIGHTS

The Group achieved a turnover of approximately HK\$208 million for the financial year ended 31 March, 2002 with profit attributable to Shareholders of approximately HK\$8 million, representing a decrease of approximately 31 per cent. and approximately 67 per cent., respectively, as compared to those in the financial year ended 31 March, 2001.

The Group managed to improve its gross profit margin from approximately 21 per cent. in the financial year ended 31 March, 2001 to approximately 25 per cent. in the financial year ended 31 March, 2002.

Earnings per Share for the financial year ended 31 March, 2002 was approximately 1.79 cents (earnings per Share for the financial year ended 31 March, 2001 was approximately 5.94 cents).

The Directors recommend a final dividend of HK\$0.005 per Share for the financial year ended 31 March, 2002 (Dividend per Share for the financial year ended 31 March, 2001 was nil).

REVIEW OF BUSINESS OPERATIONS AND PROSPECTS

General

During the financial year ended 31 March, 2002, the Company and its subsidiaries (together, the "Group") underwent strategic and operational changes in response to keen competition in the market of the People's Republic of China ("PRC" or "China"). The Group adjusted its strategy to focus on provision of technical services to pursue for a relatively stable source of income. The Group also emphasised on provision of value-added services and quality fulfillment. Despite the decline in the overall global economy, during the financial year ended 31 March, 2002, the Group still recorded a profit, albeit that the results were not as good as the expectation of the board (the "Board") of Directors.

During the financial year ended 31 March, 2002, the Group recorded a decrease in its turnover to approximately HK\$208 million, representing a decrease of approximately 31 per cent. as compared with the turnover for the financial year ended 31 March, 2001. The decrease in turnover was principally attributable to the decrease in the Group's business as a result of keen competition in the PRC market. However, the Group managed to improve its gross profit margin by promoting its technical services which contributed approximately 20 per cent. of its turnover in the financial year ended 31 March, 2002, as compared with approximately 13 per cent. of the Group's turnover for the financial year ended 31 March, 2001. Therefore, the gross profit margin of the Group increased to approximately 25 per cent. in the current financial year as compared with approximately 21 per cent. in financial year ended 31 March, 2001.

Weighing on its customer base and long-term business relationship with reputable commercial banks and postal bureaus in the PRC, the Group continued to develop and promote its core business. As an established "Total Solutionist" in the information technology market, the Group continued to expand and enhance its business by having established 15 service centers in Guangzhou, Shanghai, Beijing, Chengdu, Shenyang, Qingdao, Zhengzhou, Wuhan, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Haikou and Fuzhou. The Directors believe that the present trend of the banking and postal industries will give additional business opportunities for the new systems and the technical services provided by the Group, and this is expected to yield better growth and profitability in the future.



LETTER FROM THE CHAIRMAN

Banking and postal sectors

The Group continued to provide total information technology solutions for the banking and postal industries in the PRC with focus on implementation and upgrading automatic teller machine (“ATM”) systems and provision of system hardware and software technical support and consultancy services. With good progress made in promoting its services, the Group entered into increasing number of ATM maintenance contracts with its customers. The Group also started the provision of ATM maintenance services to Industrial and Commercial Bank of China, which is one of the financial institutions in the PRC operating sophisticated ATM network. Leveraging the strength in its good business relationship with large financial institutions and postal bureaus in the PRC, such as the Bank of Communications, Shanghai Pudong Development Bank, State Post Bureau of China and etc., the Group continued to provide customers with tailor-made technology solutions and provide inter-bank ATM card software to more than 20 bank branches. The Group also entered into contract with a prominent commercial bank in Hong Kong to provide banking software for its branches in Shanghai, the PRC.

Despite the fact that there was a decrease in demand for postal equipment such as Pitney Bowes products, the demand for software middleware, such as the Bank24 developed by the Group, designated to develop postal applications seemed to increase. As a result, the Group signed contracts to develop a Bank Securities Clearing System for securities institutions and a Postal Logistic System for postal bureaus in the PRC, both of which were launched in September 2001. Leveraging its strength and position in this business segment, the Group endeavored to expand its revenue source by expanding its sales and distribution network in the PRC and further venture to position itself as an “one-stop” information technology solution provider to banking and financial institutions in Hong Kong, Macau and the PRC.

The PRC information technology market remains a market with vast potential for growth. The banking and postal industries in the PRC have generated strong market demand for automation products. In view of continuous demand generated by commercial banks in the PRC endeavoring to upgrade their systems for real-time transfers and settlement of inter-bank transactions as part of the “Gold Card Project” and by the State Post Bureau of China attempting to create a saving and deposit-taking services network as part of the “Green Card Project,” the Group will continue to strengthen the research and development in proprietary software products and e-banking platform and the relevant components, with the objective of providing customers with inter-bank electronic payment systems and general banking and credit card systems.

Prospects upon China’s accession to the World Trade Organisation (“WTO”)

In view of the continuous development of the PRC’s domestic market, coupled with the accession of China to the WTO and opening up of China’s banking industry to foreign banks, additional business opportunities for information technology providers will remain abundant.

Building on its software development and hardware maintenance capacity, well-positioned to capture surging opportunities because of its market experience and technological competitive edge, the Group will continue to focus on promoting its technical maintenance services for ATM, including software provision, to assure a stable source of income. In addition to the Bank24 platform, the Group will also develop Bank Securities Clearing Software, Postal Logistic System, Utilities Payment Software and other postal applications software based on the Bank24 platform. Furthermore, the Group will expand its business through business partnership and continue to pursue the growth strategy of enhancing product research and development, expanding market reach for existing and emerging products and rendering more customised and localised services to its customers. In light of these plans, the Directors are confident in keeping abreast of the latest development so as to consolidate and enhance the Group’s existing business.



LETTER FROM THE CHAIRMAN

PROSPECTS

With the anticipated development of the domestic market in the PRC, the drive for modernisation and improvement in efficiency, together with the accession of the PRC to the WTO, the Directors believe that additional opportunities will emerge for information technology solution providers, particularly with the opening up of the PRC's banking and finance industries.

Commercial banks and postal saving bureaus in the PRC will continue to expand and upgrade existing services to prepare for imminent foreign competition. Since foreign banks will need to collaborate with experienced and well-equipped local partners to penetrate the PRC market, the Directors are confident in the continuous growth of the Group's core business and the implementation of self-service ATM systems in the PRC.

While continuing to focus on the promotion of ATM services, including maintenance and software provision, to assure a stable source of income, the Group will further expand its business through business partnership. In addition to the continuous promotion of the Bank24 platform, the Group will also promote Bank Securities Clearing Software, Postal Logistic System, Utilities Payment Software and other postal applications software based on the Bank24 platform. The Group will continue to explore market opportunities for e-banking and corporate e-banking application solutions to banks and financial institutions. With the launch of new products, such as the Browser Base eTeller System in May 2001, re-engineering of the Bank24 platform into an Enterprise Application Integration engine and Integrated Application Platform in the PRC, the provision of corporate e-banking application solution on a business-to-business platform has already strengthened the Groups' relationship with the banking and finance sector and will hence continue to create a stable source of income for the Group.

The Group will further pursue opportunities of collaborating with universities and research institutions in the PRC on technology research and development. The Group will continue to enhance its marketing capability and enlarge its customer base. Also for this reason, the Group endeavored to engage additional business partners in Taiwan, Bangkok, Thailand, Malaysia and Singapore to further extend its market reach. Committed to providing high quality hardware and technology support and consultancy services, the Group will continue to provide comprehensive systems integration, pre-sale and after-sale support, maintenance and enhancement services as well as technical support to its customers.

The Group is fully prepared for the additional business opportunities ahead. The continuous growth of the PRC economy is a positive development to the regional economy, albeit the global economic condition is not entirely favourable. While remaining optimistic on the continuous growth of the PRC market, the Directors are confident on a bright future for information technology solution providers, especially with regard to the PRC market which is expected to achieve significant economic growth in the near future.

Chung Lok Fai
Chairman

Hong Kong, 18 June, 2002



COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

Set forth below is a progress report of the business objectives as set forth in the Company's prospectus (the "Prospectus") dated 22 December, 2000:—

Business objectives as stated in the Prospectus	Actual business progress in respect of the period from 1 October, 2001 to 31 March, 2002 (Note)
<i>Sales and revenue</i>	
<p>1. Expand the revenue source of the Group by expanding its sales and distribution network in the PRC</p>	<p>The Group continued to promote the sale of the BANK24 platform and complimentary e-banking applications software to banks and financial institutions in the PRC.</p> <p>During the period under review, the Group established nine additional service centers separately in Qingdao, Wuhan, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Haikou and Fuzhou, which in aggregate resulted in a total of 15 service centers in the PRC.</p> <p>With good progress made in promoting its services, the Group made additional revenue from maintenance contracts due to the increasing number of ATMs in service.</p>
<p>2. Strengthen the revenue source of the Group in Hong Kong by positioning the Group as an "one-stop" information technology solution provider to banks and financial institutions in Hong Kong, Macau and the PRC</p>	<p>Leveraging the strength in its good business relationship with reputable financial institutions and postal bureaus in Hong Kong, Macau and the PRC, the Group continued to provide customers with tailor-made technology solutions to satisfy their increasing needs. Owing to an increase in demand for software middleware, such as the Bank24 developed by the Group, the Group entered into contracts to provide a Bank Securities Clearing System for securities institutions and a Postal Logistic System for postal bureaus in the PRC, both of which were launched in September 2001.</p>

Note:—

The actual business progress of the Group, as compared with its business objectives, during the period between 1 April, 2001 and 30 September, 2001 was set forth in the Company's interim report dated 12 November, 2001.



COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

Business objectives
as stated in the Prospectus

Actual business progress
in respect of the period from
1 October, 2001 to 31 March, 2002

Research and development

- | | |
|---|--|
| <p>1. Continue the enhancement of the Group's existing proprietary software products and further develop the e-banking platform and its components</p> | <p>The Group succeeded in launching the following new products: –</p> <ul style="list-style-type: none"> a. Browser Base eTeller System in May 2001, b. re-engineering Bank24 into an Enterprise Application Integration engine and Integrated Application Platform in the PRC, c. Liu Chong Hing eBanking Infra-structure, d. Standard Chartered Bank Cash Management System r13, e. China Post (Shanghai) Integrated Application Platform, f. Fortis Bank (Hong Kong) eBanking Platform, and g. Seng Heng Bank Master Maestro System. |
| <p>2. Develop e-commerce applications software for banks and financial institutions in Hong Kong, Macau, the PRC and other Chinese-speaking communities</p> | <p>The Group signed a contract with a prominent bank in Hong Kong to provide banking software for its branches in Shanghai, the PRC. The Group will continue to develop e-commerce application software for banks and financial institutions in Hong Kong, Macau and other Chinese-speaking communities.</p> |
| <p>3. Develop applications software for foreign exchange banking services</p> | <p>In light of the current market requirement, the Group will endeavor to develop utility payment software for banking services instead.</p> |
| <p>4. Develop Customer Relationship Management System jointly with ACW Consulting Pty Ltd. ("ACW")</p> | <p>As the current market condition is not favourable for the Group to continue the development of the Customers Relationship Management System and the Chinese version of Datawarehouse and Business Intelligent System with ACW, the Group has suspended the maneuver and will collaborate with other business partners to develop the Postal Logistic System for postal bureaus in the PRC.</p> |



COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

**Business objectives
as stated in the Prospectus**

**Actual business progress
in respect of the period from
1 October, 2001 to 31 March, 2002**

Marketing

- | | |
|---|--|
| <p>1. Continue the promotion and marketing of the products and services provided by the Group by holding seminars and participating in road shows and exhibitions in the PRC and other Asian regions</p> | <p>The Group held a series of conferences, seminars and exhibitions in the PRC during the period under review for its existing and prospective customers.</p> |
| <p>2. Strengthen the sales and marketing capability of the Group's local distributors in the PRC by implementing training programs</p> | <p>The Group had set up training sessions for its local partners and its sales marketing staff in Taiwan and the PRC to strengthen their sales and marketing capability.</p> |
| <p>3. Subject to satisfactory results from the feasibility studies on expansion of the Group's business to other Asian regions, appoint local distributors to promote the Group's products and services in Taiwan</p> | <p>Besides Taiwan, the PRC and Indonesia, the Group also recruited partners in Bangkok, Thailand, Malaysia and Singapore respectively with a view to expand its business in other South East Asia.</p> |

Resources employment

- | | |
|--|--|
| <p>1. Establish two customer service centers in the PRC to expand market coverage</p> | <p>During the period under review, the Group established nine more service centers separately in Qingdao, Wuhan, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Haikou and Fuzhou, and summed into a total of 15 service centers in the PRC.</p> |
| <p>2. Recruit additional business development and technical staff to cope with the anticipated growth in the Group's business in the PRC</p> | <p>In keeping with the Group's tight control on expenditure, the Group did not recruit additional staff during the period under review. Good progress was made in cost and expenses control as the salary structure was changed to decrease the fixed portion of salary with an increase of the payment that is consistent with performance. As a result, performance became the factor determining the amount of salary of an employee.</p> <p>Moreover, the Group focused on enhancing its in-house training, team-building and upgrading its existing staff. As such, the Group's team of dedicated professionals is committed to serving existing and prospective clients.</p> |



Use of Proceeds from the Placing of Shares

The Company issued the Prospectus 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, 2002, in the following manner:-

	From 29 December, 2000 to 31 March, 2001 <i>HK\$ million</i>	From 1 April, 2001 to 30 September, 2001 <i>HK\$ million</i>	From 1 October, 2001 to 31 March, 2002 <i>HK\$ million</i>
For the research and development of proprietary software for e-banking business	1.0	1.0	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	0.6	0.3
For establishing additional customer services centres in the PRC as well as recruitment of additional staff and purchase of additional office equipment	0.2	0.2	0.2
For establishing a research and development centre	-	0.8	0.2
For investing in application hosting service businesses through Supreme Tech Development Limited	-	0.3	-
	<u>2.2</u>	<u>2.9</u>	<u>1.7</u>

There was a shortfall of HK\$1.7 million in investing in application hosting service business (the “ASP business”) as compared with that stated in the Prospectus. The principal reason for such delay in investment was that the Directors believe that, giving the prevailing economic condition, it would not be in the interest of the Group to deploy its management resources to engage in the ASP business. The Company will continue to consider such investment opportunities in the future. The remaining net proceeds of approximately HK\$11.1 million (2001: HK\$15.7 million) were placed on short term deposits with banks in Hong Kong for future use as identified by the Group’s business plans.

DIVIDEND

In view of the Group’s sustainable development, the Board recommends the payment of a final dividend of HK\$0.005 per share (the “Share”) of the Company for the financial year ended 31 March, 2002.

APPRECIATION

As at 31 March, 2002, the Group employed 116 and 49 staff in the PRC and Hong Kong, respectively. We treasure the harmonious relationship with our staff and would like to take this opportunity to express our gratitude to the management and 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 (the “Shareholders”), suppliers and customers for their continuous support to the Group.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Review of operations

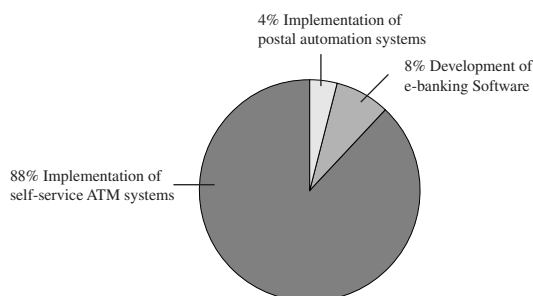
The Group recorded a turnover of approximately HK\$208 million, representing a decrease of approximately 31 per cent. as compared with the turnover for the financial year ended 31 March, 2001. The profit attributable to Shareholders decreased by approximately 67 per cent. to approximately HK\$8 million with earnings per Share decreased to approximately 1.79 cents. The decline in turnover and profit attributable to Shareholders was principally attributable to keen competition in the PRC market. Moreover, the Group adopted a conservative project selection policy to avoid reduction in profit margins that caused further decline in turnover. However, the Group made good progress in promoting its professional services and recorded an increase in the turnover deriving therefrom by approximately 6 per cent.

Revenue and turnover

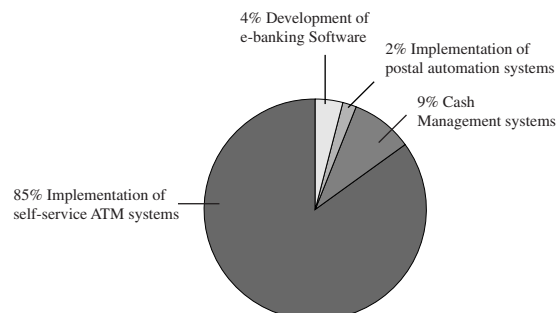
The Group is principally engaged in the sale of electronic banking systems, such as ATM systems, other banking equipment and mailing systems, and the provision of hardware and software technical support services. Revenues recognised during the financial year are as follows: –

	Financial year ended 31 March,	
	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales of goods	165,823	263,697
Rendering of services	42,178	39,694
	208,001	303,391
Other revenue		
Interest income	660	2,699
	208,661	306,090

Analysis of turnover for the financial
year ended 31 March, 2002



Analysis of turnover for the financial
year ended 31 March, 2001





MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Implementation of self-service ATM systems

During the financial year ended 31 March, 2002, the implementation of self-service ATM systems remained the Group's core business and accounted for approximately 88 per cent. (2001: 85 per cent.) of the Group's total turnover, including the income derived from the provision of technical consultancy and support services.

The turnover generated from the implementation of self-service ATM systems amounted to approximately HK\$182 million, representing a decrease of approximately 29 per cent., as compared to that in last financial year. Such decrease was due to keen competition in the PRC market .

As an authorised value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited ("NCR") and related applications software for commercial banks in the PRC, the Group was responsible for the design, installation and provision of maintenance services for self-service ATM systems. The NCR's award demonstrated the Group's success in implementing banking information technology solutions and the extensive customer base of the Group which included major commercial banks and the State Postal Bureau of the PRC as well as prominent banks in Hong Kong and Macau was a testimony to the Group's experience in the industry. With the development of branch networks by the said banks in the PRC, the Group expects that demand for self-service ATM systems will continue to increase.

Furthermore, with its in-house research and development capability, the Group also developed application software to facilitate the operation of self-service ATM systems. For the financial year ended 31 March, 2002, the Group successfully completed and launched the Browser Base eTeller System, the Bank Securities Clearing System and Postal Logistic System, the Utilities Payment Software and other postal applications software based on the Bank24 platform.

Implementation of electronic postal automation systems

The implementation of electronic postal automation systems accounted for approximately 4 per cent. (2001: 2 per cent.) of the total turnover of the Group for the financial year ended 31 March, 2002. The turnover generated from the implementation of electronic postal automation systems amounted to approximately HK\$8 million.

Despite a decrease in demand for the postal equipment, such as Pitney Bowes products, the demand for software middleware, such as Bank24 developed by the Group, designated to develop postal applications seemed to increase. As a result, the Group entered into contracts to develop a Bank Securities Clearing System for securities institutions and a Postal Logistic System for postal bureaus in the PRC. The products were launched in September 2001 and the investment expenditure for the development of this software was capitalised into intangible assets of the Group amounting to HK\$403,709.

In view of the unexpected slowdown in demand for electronic postal automation systems in the PRC, which included mailing finishing systems, volume mailing handling systems and franking machines, the Group will continue to explore the PRC market.

Provision of technical consultancy and support services

The provision of technical consultancy and support services contributed to a stable source of income for the Group and accounted for approximately 20 per cent. (2001: 13 per cent.) of the total turnover of the Group for the financial year ended 31 March, 2002. The Group's operational subsidiaries located in Beijing, Shanghai, Chengdu and Guangzhou served to provide comprehensive banking and postal system integration, pre-sales and after-sales support, maintenance and enhancement services and technical support to customers. As the Group continued to expand and enhance its business, 15 service centers have been established in major commercial cities in the PRC.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Development of e-banking software

For the financial year ended 31 March, 2002, the business of e-banking application software developed by the Group for commercial and financial institutions accounted for approximately 8 per cent. (2001: 4 per cent.) of the Group's total turnover. The Group's in-house research and development team of experienced engineers based in Beijing, Shanghai and Hong Kong are currently providing localisation and customisation services for ATM-related support softwares to customers and engaging in the development of the Group's proprietary softwares. For the financial year ended 31 March, 2002, the Group provided inter-bank ATM card software to more than 20 bank branches and signed a contract with a prominent bank in Hong Kong to provide banking software to its branches in Shanghai, the PRC.

Committed to continue the research and development of e-banking application software and further improve its e-banking facilities to existing and future customers, for the financial year ended 31 March, 2002, the Group developed a series of e-banking software systems including the Liu Chong Hing eBanking Infrastructure, Standard Chartered Bank Cash Management System r13, China Post (Shanghai) Integrated Application Platform, Fortis Bank (Hong Kong) eBanking Platform and Seng Heng Bank Master Maestro System which were used by a number of commercial banks in Hong Kong and the PRC.

Interest income

As a result of recent decreases in the interest rate, the interest income of the Group declined by approximately 76 per cent. during the financial year ended 31 March, 2002.

Gross profit

During the financial year ended 31 March, 2002, the Group managed to improve its gross profit margin by promoting its maintenance and technical support services. The gross profit margin increased to approximately 25 per cent. (2001: 21 per cent.), albeit that there was a decrease in the amount of gross profit, as compared to the same for the financial year ended 31 March, 2001.

Selling expenses

Selling expenses incurred by the Group for the financial year ended 31 March, 2002 amounted to approximately HK\$12 million (2001: HK\$9 million), representing an increase of approximately 33 per cent., which was mainly because four out of five of the Group's subsidiaries were operational towards the middle of 2001. These subsidiaries were in their early stage of development and had a high level of selling expenses as compared to their sales contributions to the Group.

Administrative expenses

Administrative expenses incurred by the Group for the financial year ended 31 March, 2002 amounted to approximately HK\$32 million (2001: HK\$29 million), representing an increase of approximately 10 per cent. and was due to the establishment of four subsidiaries in the PRC so as to expand the sales and distribution network.

Staff cost (including Directors emoluments) which was included in both selling expenses and administrative expenses increased by approximately 17 per cent. to approximately HK\$28 million (2001: 24 million) mainly due to commencement of operations of four subsidiaries in the PRC. In order to strengthen its cost control, the Group had changed the salary structure to reduce the fixed portion of salary with an increase of the portion that is based on performance. Moreover, several Directors had agreed to waive their discretionary management bonuses in view of the existing market condition.

For the financial year ended 31 March, 2002, the Group made a provision for bad and doubtful debt of approximately HK\$2 million (2001: nil) for the sake of prudence which lead to an increase in administrative expenses by approximately HK\$2 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Moreover, due to the Group's commitment to constantly research and develop new banking and postal software, research and development costs, which was included in the administrative expenses increased by approximately 34 per cent. during the financial year.

Depreciation expenses increased by approximately 24 per cent. as compared to that of last financial year mainly because of the addition of fixed assets to cope with the expansion of the Group's business into different regions of the PRC.

Finance costs

The finance costs of the Group for the financial year ended 31 March, 2002 increased slightly to HK\$116,000 (2001: HK\$94,000).

Taxation

The Group's taxation charge for the financial year ended 31 March, 2002 decreased by approximately 80 per cent. to HK\$1 million (2001: HK\$5 million) primarily due to the lower profit reported for the financial year.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow. As at 31 March, 2002, the Group had cash and bank balances amounting to a total of approximately HK\$40 million (2001: HK\$32 million) and had outstanding short-term bank loan of approximately HK\$5 million (2001: Nil) which represented the total borrowings of the Group as at that date. This short-term loan was repayable within 1 year and at interest rate of approximately 5 per cent. over the base rate announced by People's Bank of China.

With these resources and the proceeds from the new issue of shares in January 2001, the Board believes that the Group has adequate capital resources to finance its business objectives as stated in the Prospectus.

Gearing ratio

As at 31 March, 2002, the gearing ratio of the Group, based on total liabilities over total assets was approximately 54 per cent. (2001: approximately 59 per cent.)

Banking facilities

As at 31 March, 2002, the Group's banking facilities of approximately HK\$45 million (2001: HK\$12 million) are secured by the following: –

- (a) pledged deposits of HK\$7 million (2001: HK\$9 million);
- (b) corporate guarantees by the Company and its subsidiaries of approximately HK\$47 million (2001: HK\$12 million); and
- (c) personal guarantee by Mr. Tam Wing Chit, Tom, a Director, of HK\$400,000 (2001: Nil)

Treasury policies and capital structure

The Group's overall treasury and funding policies are prudent, with a focus on risk management, and those transactions which are directly related to the underlying business of the Group. Assets which are denominated in currencies other than Hong Kong and United States dollars, in particular, Renminbi assets, are hedged with the appropriate level of borrowings in Renminbi and bank deposits in Hong Kong and United States dollars. When necessary, forward exchange contracts will be used to hedge against foreign currency exposures. As at 31 March, 2002, the Group has no exposure under foreign exchange contracts.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Contingent liabilities

As at 31 March, 2002, the Group did not have any significant contingent liabilities.

Exposure to foreign exchange risk

In its ordinary course of business, the Group has no significant exposure to foreign exchange fluctuations, as most of its purchases from third party suppliers are settled in United States ("US") dollar which is pegged to the Hong Kong dollar exchange rate, and the Group's revenue from sales of goods and services rendered in Hong Kong, Macau and the PRC are collected primarily in US dollar.

Although the Group received renminbi income from sales in the PRC, the renminbi income was used to meet working capital commitments in the PRC.

Final dividend

On 18 June, 2002, the Directors recommend the payment of a final dividend of HK\$0.005 per Share for the financial year ended 31 March, 2002 (2001: Nil).

Subject to the approval of Shareholders at the forthcoming annual general meeting, the dividend will be paid to Shareholders whose names appeared on the register of members of the Company on 30 July, 2002 (Tuesday).

The register of members of the Company will be closed from 25 July, 2002 (Thursday) to 30 July, 2002 (Tuesday), both days inclusive during which period no transfer of shares will be effected. In order to qualify for the final dividend payable on 5 August, 2002 (Monday), all transfers accompanied by the relevant Share certificates must be lodged with the Company's share registrar, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 24 July, 2002 (Wednesday).

Employees

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

Share options may be granted to Directors and employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions of the Share Option Schemes approved by a resolution in writing passed by all shareholders of the Company on 13 December, 2000.

Significant investments held and material acquisitions and disposals of subsidiaries

In June 2001, the Group established a wholly-owned subsidiary in Shenzhen, namely, Soluteck Technology (Shenzhen) Co., Ltd. However, after detailed consideration of the operating results and for business interests, the Group sold 81 per cent. of its interest in the subsidiary in December 2001 to an independent third party.

Except for the remaining 19 per cent. investment holding in Soluteck Technology (Shenzhen) Co., Ltd., there was no other significant investments or disposals of subsidiaries during the year under review.

Purchase, sale or redemption of Shares

The Company has not redeemed any of its Shares during the financial year ended 31 March, 2002. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year ended 31 March, 2002.



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	Century Yard Cricket Square Hutchins Drive P.O. Box 2681GT George Town Grand Cayman 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	Standard Chartered Bank 10th Floor 4-4A Des Voeux Road Central Hong Kong Bank of China 1 Garden Road Hong Kong DBS Kwong On Bank Limited 15/F, Man Yee Building 68 Des Voeux Road Central Central, Hong Kong Bank of Communications Ground Floor 67-71 King's Road 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



CORPORATE INFORMATION

**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

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

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 GEM, 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.

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 and associated company are set out in notes 14 and 15 to the accounts.

An analysis of the Group's performance for the financial year by business and geographical segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year are set out in the consolidated profit and loss account on page 35.

No interim dividend have been paid or declared by the Company during the financial year. The Directors recommend the payment of a final dividend of HK\$0.005 per Share (2001: HK\$Nil).

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 financial year are set out in note 24 to the accounts.

DONATIONS

Charitable donation made by the Group during the financial year amounted to HK\$Nil (2001: HK\$650,000).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.



REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in share capital are set out in note 23 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March, 2002 amounted to HK\$3.7 million (2001: HK\$ Nil). Under Section 34 of the Companies Law (2000 Revision) of the Cayman Islands, the share premium is available for distribution to Shareholders subject to the provisions of the articles of association of the Company, and no distribution may be paid to Shareholders out of the share premium unless the Company shall be able to pay its debt as they fall due in the ordinary course of business.

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 67.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its Shares during the financial year. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March, 2002 are set out in note 14.

DIRECTORS

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

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

* *Independent non-executive Directors*

In accordance with Article 108 of the Company's Articles of Association, Mr. Chung Yuk Man, Kevin and Mr. Tam Wing Chit, Tom 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.



REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

DIRECTORS

Executive Directors

CHUNG Lok Fai, aged 68, 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 11 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 42, 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 15 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 United States ("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.

HOU Hsiao Bing, aged 47, 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 41, 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 seven 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 32, 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.



REPORT OF THE DIRECTORS

DIRECTORS (continued)

Executive Directors (continued)

TAM Wing Chit, Tom, aged 33, 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 ten 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 39, 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 16 years’ experience in sales and marketing in Hong Kong, Macau and the PRC.

LUI Ming, Rosita, aged 38, 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. She is working for a multinational petroleum company in Hong Kong for approximately nine years. Her expertise is in business development, sales and marketing.

SENIOR MANAGEMENT OF THE GROUP

LAM Shut Chun, aged 55, 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 16 years’ PRC experience in marketing and business administration.

YIM Yuk Lun, aged 39, 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 eight years’ experience in software development and over eight years experience in sales and management in PRC.



REPORT OF THE DIRECTORS

SENIOR MANAGEMENT OF THE GROUP (continued)

YU Pei Liang, aged 50, is the regional general manager of Truth Honour (Shanghai). Mr. Yu graduated with a Bachelor degree in Telecommunications from Shanghai Railway College in the PRC. In 1985, he took an one-year advanced study program in Sharp Computer System Research Institute in Japan and received a certificate issued by Japanese AOTS. Prior to joining the Group in August 1997, Mr. Yu had experience in the railway industry and worked as the chief economist in foreign trade and economy office of the Shanghai Railway Bureau.

CHAN Mi Ling, Anita, aged 35, 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 ten years' experience in auditing, accounting and finance field. Ms. Chan joined the Group in July 2000.

Senior technical personnel

HO Wing Yee, Connie, aged 34, 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 ten 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 34, 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 eleven 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.

SHIU Chi Shing, Kelvin, aged 35, 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 12 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 34, 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 ten 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.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Mr. Chung Lok Fai, Mr. Hou Hsiao Wen, Eddie, Mr. Chung Yuk Man, Kevin and Mr. 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.

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.



REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the financial year ended 31 March, 2002, the Group has entered into the following connected transactions which are required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules:-

	Notes	Financial year ended 31 March,	
		2002 HK\$'000	2001 HK\$'000
Rental paid to a Director	(1)	-	300
Consultancy fees paid to related companies	(2)	-	562
Receipt of consultancy income from a related company	(3)	-	126
Rental paid to the related companies	(4)	659	600
Management and performance bonus paid to Mr. Tam and certain employees of Task Consultants	(5)	1,045	-

- (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 of HK\$600,000 (2001: HK\$600,000) and from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC of HK\$59,000 (2001: HK\$ Nil) 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.
- (5) Pursuant to service contracts entered into between Task Consultants, Mr. Tam and certain employees of Task Consultants on 18 October, 2000 for a term of two years commencing from 1 October, 2000, Mr. Tam and certain employees will be entitled to management bonuses of HK\$200,000 each and performance bonuses calculated by reference to the net profits of Task Consultants for every twelve months' period ending on 30 September, during the term. During the year, the Group allotted and issued 2,612,072 shares to Mr. Tam and certain employees in satisfaction of the management bonus, totalling HK\$800,000, and performance bonus, totalling HK\$245,000, to which they are entitled pursuant to the service contracts.

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 confirm that transactions (1) to (3) above were discontinued after the listing of the Shares on the GEM. The independent non-executive Directors confirm that they have reviewed the implementation of the service contracts with Task Consultants and the lease agreements between the Group and certain connected persons, and that the connected transactions have been carried out in accordance with their respective terms.

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 this report, 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 financial year or at any time during the financial year.

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

(i) Shares

As at 31 March, 2002, 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	11,768,018 (Note 3)	-	-	-	11,768,018 (Note 3)

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 Electronic Limited, 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 62.31 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 8,000,000 Shares registered in his own name, Mr. Hou Chung is deemed, by virtue of the SDI Ordinance, to be interested in 270,500,000 Shares in aggregate, representing approximately 59.76 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.
3. Mr. Tam's shareholding in the Company as at 30 September, 2001 (being the date of the Group's previous interim report) was 11,115,000 shares. Pursuant to the new shares issued by the Company to Mr. Tam for payment of the management bonus and the performance bonus, particulars of which are set forth in this report and the Company's announcement dated 28 December, 2001, Mr. Tam's shareholding in the Company has been increased to 11,768,018 shares.



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 may, at their discretion, grant to any employees of the Group, including executive Directors, options to subscribe for the Shares. The subscription price for options granted under the Share Option Scheme after the listing of the Shares on the GEM is determined by the Directors and will not be less than the higher of the closing price of the Shares on GEM on the date of grant of the options or the average of the closing price of the 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 Shares on the GEM (the "Pre-IPO Share Options"), the subscription price is to be determined by Directors and shall not be less than the nominal value of the 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 31.3.2002	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: –

1. None of the above outstanding options was exercised during the financial year.
2. 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 financial year ended 31 March, 2002, 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, 2002.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March, 2002, 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 per cent. or more of the issued shares:—

Name	Notes	Number of Shares	Approximate percentage of issued Shares
ITW	1	262,500,000	58.00%
Dynatek	2	262,500,000	58.00%
Mr. Hou Chung	3	270,500,000	59.76%
Ms. Chung Po Chu	4	270,500,000	59.76%
Ms. Tsou Lo Nien	5	282,000,000	62.31%
Mr. Chung	5	282,000,000	62.31%

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” in (i) “Shares ” 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 8,000,000 Shares (following his disposal of 11,500,000 Shares in November 2001) 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 8,000,000 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 Electronic Limited. 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 per cent. or more of the Company’s issued share capital as at 31 March, 2002.



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 the GEM Listing Rules for the period from 3 January, 2001 to 31 March, 2003.

At 31 March, 2002, 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, 2001 No. of Options	Granted	Exercised	Cancelled	As at 31 March, 2002 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	500,000	Nil	Nil	Nil	500,000	Nil
– Other employees	9,150,000	Nil	Nil	(1,100,000)	8,050,000	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	(200,000)	500,000	Nil
	20,350,000	Nil	Nil	(1,300,000)	19,050,000	Nil



REPORT OF THE DIRECTORS

MOVEMENT OF SHARE OPTIONS (continued)

During the financial year ended 31 March, 2002, 1,300,000 shares options were lapsed upon the resignation of the relevant employees of the Group.

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.

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 93 per cent.
- five largest suppliers combined: Approximately 96 per cent.

Sales

- the largest customer: Approximately 29 per cent.
- five largest customers combined: Approximately 86 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.



REPORT OF THE DIRECTORS

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 of the Board 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. Four Meetings were held during the current financial year. This report has been reviewed and approved by the audit committee of the Board.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

DISCLOSURE OF TRADING BALANCE ARISING FROM SALES TRANSACTIONS CONDUCTED BY THE GROUP IN ITS ORDINARY COURSE OF BUSINESS

The following disclosure is made in accordance with the requirements under Rules 17.15 and 17.22 of the GEM Listing Rules: –

- (a) As at 1 April, 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 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 of approximately HK\$37.41 million as at 31 March, 2001.



REPORT OF THE DIRECTORS

DISCLOSURE OF TRADING BALANCE ARISING FROM SALES TRANSACTIONS CONDUCTED BY THE GROUP IN ITS ORDINARY COURSE OF BUSINESS (continued)

- (b) As at 15 November, 2001, Shanghai SITICO, a customer of the Group and an Independent Third Party had a trading balance with the Group of approximately US\$1.50 million (equivalent to approximately HK\$11.67 million). Such trading balance was resulted from sales to Shanghai SITICO by the Group in its ordinary course of business and on normal commercial terms, and represented approximately 31.2 per cent. of the net tangible assets (within the meaning of note 2 to Rule 17.14 of the GEM Listing Rules) of the Group of approximately HK\$37.41 million as at 31 March, 2001.

The above-mentioned trading balance was unsecured and repayable in accordance with the credit terms as agreed with Shanghai SITICO. As at 31 March, 2002, Shanghai SITICO settled approximately US\$1.05 million (equivalent to approximately HK\$8.20 million) in accordance with the relevant terms of the sales transactions. As at 31 March, 2002, the trading balance with Shanghai SITICO was approximately US\$0.45 million (equivalent to approximately HK\$3.50 million). The trading balance has been fully settled on 12 April, 2002, No collateral is required to be made by Shanghai SITICO and no interest is charged on any of such balances.

- (c) As at 15 November, 2001, Bank of Communications, a customer of the Group and an Independent Third Party, had a trading balance with the Group of approximately RMB12.93 million (equivalent to approximately HK\$12.20 million) representing approximately 32.61 per cent. of the net tangible assets (within the meaning of note 2 to Rule 17.14 of the GEM Listing Rules) of the Group of approximately HK\$37.41 million as at 31 March, 2001. As at 23 November, 2001, the trading balance with Bank of Communications increases to approximately RMB22.42 million (equivalent to approximately HK\$21.15 million) representing approximately 56.54 per cent. of the net tangible assets (within the meaning of note 2 to Rule 17.14 of the GEM Listing Rules) of the Group of approximately HK\$37.41 million as at 31 March, 2001. Such aggregate trading balance was resulted from sales to Bank of Communications by the Group in its ordinary course of business and on normal commercial terms.

The above-mentioned aggregate trading balance is unsecured and repayable in accordance with the credit terms as agreed with the relevant customer. As at 31 March, 2002, Bank of Communications settled approximately RMB21.36 million (equivalent to approximately HK\$20.15 million) in accordance with the relevant terms of the sales transactions. As at 31 March, 2002, the trading balance with Bank of Communications was approximately RMB1.06 million (equivalent to approximately HK\$1.00 million). No collateral is required to be made by Bank of Communications and no interest is charged on the trading balance.

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.



REPORT OF THE DIRECTORS

ISSUE OF NEW SHARES IN SATISFACTION OF MANAGEMENT BONUS AND PERFORMANCE BONUS PAYABLE TO A DIRECTOR AND CERTAIN EMPLOYEES OF TASK CONSULTANTS LIMITED ("TASK CONSULTANTS")

Introduction

The Board approved on 28 December, 2001 an issue of an aggregate of 2,612,072 new Shares, representing approximately 0.58 per cent. of the enlarged issued share capital of the Company, by way of exercising a specific mandate given to the Directors as disclosed in the Prospectus. Such issue of new shares was used in satisfaction of the management bonus and the performance bonus payable to Mr. Tam Wing Chit, Tom ("Mr. Tam"), an executive Director, and certain employees of Task Consultants. Details of the number of shares and the basis of calculation were set forth in the Company's announcement dated 28 December, 2001.

TOTAL NUMBER OF NEW SHARES ISSUED IN SATISFACTION OF THE MANAGEMENT BONUS AND THE PERFORMANCE BONUS

The total number of new shares issued by the Company in satisfaction of the management bonus and the performance bonus are set forth below:-

Name	Management bonus (Number of new Shares)	Performance bonus (Number of new Shares)	Total number of new Shares issued
Mr. Tam	500,000 Shares	153,018 Shares	653,018 Shares
Chan Shu Tak, Alex	500,000 Shares	153,018 Shares	653,018 Shares
Shiu Chi Shing, Kelvin	500,000 Shares	153,018 Shares	653,018 Shares
Yu Chak Fai, Stanley	500,000 Shares	153,018 Shares	653,018 Shares
Total	<u>2,000,000 Shares</u>	<u>612,072 Shares</u>	<u>2,612,072 Shares</u>

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, 2002



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 35 to 66 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 judgments 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, 2002 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, 2002



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	3	208,001	303,391
Cost of sales		(155,541)	(238,407)
<hr/>			
Gross profit		52,460	64,984
Other revenue	3	660	2,699
Selling expenses		(11,933)	(9,275)
Administrative expenses		(31,889)	(28,802)
<hr/>			
Profit from operation	4	9,298	29,606
Finance costs	5	(116)	(94)
Share of results of an associated company	15	-	-
<hr/>			
Profit before taxation		9,182	29,512
Taxation	6	(1,132)	(5,419)
<hr/>			
Profit attributable to shareholders	7	8,050	24,093
<hr/>			
Dividends	8	2,263	30,000
<hr/>			
Basic earnings per share	9	1.79 cents	5.94 cents
<hr/>			



CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
INTANGIBLE ASSETS	12	404	–
FIXED ASSETS	13	1,626	2,356
CURRENT ASSETS			
Inventories	17	7,629	2,150
Accounts receivable	18	40,205	48,774
Bills receivable		7,274	1,401
Other receivables, deposits and prepayments		3,840	4,641
Pledge bank deposits	26	7,000	9,000
Bank balances and cash	20	32,792	22,521
		98,740	88,487
CURRENT LIABILITIES			
Accounts payable	19	23,745	18,507
Other payables and accrued charges		4,432	7,112
Receipt in advance	2(c)	20,622	26,632
Taxation	21	383	1,185
Bank loans, secured	26	5,084	–
		54,266	53,436
NET CURRENT ASSETS		44,474	35,051
		46,504	37,407
Financed by:			
Share capital	23	45,261	45,000
Reserves	24(a)	(1,111)	(7,684)
Proposed final dividend	24(a)	2,263	–
Shareholders' funds		46,413	37,316
Deferred taxation	22	91	91
		46,504	37,407

On behalf of the Board

CHUNG LOK FAI

Director

CHUNG YUK HUNG, YVONNE

Director



BALANCE SHEET

AS AT 31 MARCH, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
INVESTMENTS IN SUBSIDIARIES	14	49,289	43,487
CURRENT ASSETS			
Other receivables, deposits and prepayments		14	600
Bank balances and cash		14	14
		28	614
CURRENT LIABILITIES			
Other payables and accrued charges		350	369
NET CURRENT (LIABILITIES)/ASSETS		(322)	245
		48,967	43,732
Financed by:			
Share capital	23	45,261	45,000
Reserves	24(b)	1,443	(1,268)
Proposed final dividend	24(b)	2,263	–
		48,967	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, 2002

	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
Net cash inflow/(outflow) from operating activities	25(a)	5,791	(1,995)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		660	2,699
Interest paid		(116)	(94)
Dividends paid to the then shareholders		–	(30,000)
Net cash inflow/(outflow) from returns on investments and servicing of finance		544	(27,395)
TAXATION			
Hong Kong profits tax paid		(1,568)	(5,585)
Overseas taxation paid		(366)	(309)
Total taxation paid		(1,934)	(5,894)
INVESTING ACTIVITIES			
Purchase of fixed assets		(870)	(2,162)
Payment for software development costs		(404)	–
Purchase of a subsidiary		–	573
Disposal of a subsidiary	25(d)	60	–
Sale of fixed assets		–	40
Decrease/ (increase) in pledged bank deposits	26	2,000	(9,000)
Net cash inflow/(outflow) from investing activities		786	(10,549)
Net cash inflow/(outflow) before financing		5,187	(45,833)
FINANCING			
Proceeds from issue of shares		–	24,000
Placing and listing expenses		–	(6,416)
New bank loan raised		5,084	1,884
Repayment of amounts borrowed		–	(1,884)
Net cash inflow from financing	25(b)	5,084	17,584
Increase/(decrease) in cash and cash equivalents		10,271	(28,249)
Cash and cash equivalents at the beginning of the year		22,521	50,770
Cash and cash equivalents at the end of the year		32,792	22,521
Analysis of balances of cash and cash equivalents			
Bank balances and cash	20	32,792	22,521



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Exchange differences arising on the translation of the accounts of the subsidiaries not recognised in the profit and loss account	24(a)	2	2
Profit for the year		8,050	24,093
Total recognised gains		8,052	24,095
Capital reserves arising from acquisition of a subsidiary		-	2,228
		8,052	26,323



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 Statements of Standard Accounting Practice (“SSAPs”) 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 are prepared as if the company had been the holding company of the Group from the beginning of the earliest period presented.
- (e) 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 (“HKSA”).

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January, 2001:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases (effective for periods commencing on or after 1 July, 2000)
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the principal accounting policies below.



NOTES TO THE ACCOUNTS

2 PRINCIPAL ACCOUNTING POLICIES

(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.

- (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) 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.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(c) 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)

(d) Fixed assets

Fixed assets, comprising leasehold improvements, office equipment, furniture and fixtures and motor vehicles, are stated at cost less accumulated depreciation.

Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses 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%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(e) 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.

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and cash investments with a maturity of three months or less from date of investment.



NOTES TO THE ACCOUNTS

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(j) 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.

(k) 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. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

In note 27(b) to the accounts the Group has disclosed operating lease commitment under the revised SSAP 14 which requires the disclosure of the aggregate future minimum lease payments. This is a change from the previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months.



NOTES TO THE ACCOUNTS

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(1) Intangible assets

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary and associated company at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisition occurring on or after 1 January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1 January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

For acquisition prior to 1 January, 2001, negative goodwill was taken directly to capital reserve on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January, 2001 acquisition, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(ii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.



NOTES TO THE ACCOUNTS

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Intangible assets (continued)

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(m) Investments in securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(n) 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.

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchanged rates ruling at the transaction 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.

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets (note 12) and fixed assets (note 13).



NOTES TO THE ACCOUNTS

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Segment reporting (continued)

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

No geographical analysis is provided as less than 10 percent. of the consolidated turnover and less than 10 percent. of the profit from operation of the Group are attributable to markets outside the People's Republic of China (the "PRC").

(q) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date.

3 REVENUE, TURNOVER AND SEGMENT INFORMATION

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	
	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales of goods	165,823	263,697
Rendering of services	42,178	39,694
	208,001	303,391
Other revenue		
Interest income	660	2,699
	208,661	306,090



NOTES TO THE ACCOUNTS

3 REVENUE, TURNOVER AND SEGMENT INFORMATION (continued)

Primary reporting format - business segments

	Sales of goods 2002 HK\$'000	Rendering of service 2002 HK\$'000	Group 2002 HK\$'000
Turnover	165,823	42,178	208,001
Segment results	11,432	28,724	40,156
Other revenue			660
Unallocated cost			(31,518)
Profit from operation			9,298
Finance costs			(116)
Share of results of an associated company			-
Profit before taxation			9,182
Taxation			(1,132)
Profit attributable to shareholders			8,050
Segment assets	43,803	16,849	60,652
Associated company			-
Unallocated assets			40,118
Total assets			100,770
Segment liabilities	19,969	19,000	38,969
Unallocated liabilities			15,388
Total liabilities			54,357
Capital expenditure	-	1,054	1,054
Unallocated capital expenditure			220
			1,274
Depreciation	-	390	390
Unallocated depreciation			748
			1,138
Other non-cash expenses			1,045



NOTES TO THE ACCOUNTS

3 REVENUE, TURNOVER AND SEGMENT INFORMATION (continued)

Primary reporting format - business segments

	Sales of goods 2001 HK\$'000	Rendering of service 2001 HK\$'000	Group 2001 HK\$'000
Turnover	263,697	39,694	303,391
Segment results	35,610	19,882	55,492
Other revenue			2,699
Unallocated cost			(28,585)
Profit from operation			29,606
Finance costs			(94)
Share of results of an associated company			-
Profit before taxation			29,512
Taxation			(5,419)
Profit attributable to shareholders			24,093
Segment assets	41,032	14,377	55,409
Associated company			-
Unallocated assets			35,434
Total assets			90,843
Segment liabilities	14,232	24,962	39,194
Unallocated liabilities			14,333
Total liabilities			53,527
Capital expenditure	-	1,262	1,262
Unallocated capital expenditure			1,430
			2,692
Depreciation	-	217	217
Unallocated depreciation			702
			919
Other non-cash expenses			1



NOTES TO THE ACCOUNTS

4 PROFIT FROM OPERATION

Profit from operation is stated after crediting and charging the following:

	Group	
	2002 HK\$'000	2001 HK\$'000
Crediting		
Net exchange gain	7	–
Charging		
Auditors' remuneration	393	609
Cost of inventories	134,680	213,222
Depreciation	1,138	920
Loss on disposal of fixed assets	–	34
Net exchange loss	–	41
Operating leases for land and building	1,675	1,641
Provision for bad and doubtful debt	1,934	–
Research and development costs	1,859	1,389
Retirement benefit costs (note 11)	590	264
Staff cost (including Directors emoluments)	28,231	24,103

5 FINANCE COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loan	116	94



NOTES TO THE ACCOUNTS

6 TAXATION

	Notes	Group	
		2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax			
– current	(a)	1,210	5,419
– over provision in prior years		(628)	(319)
Overseas taxation	(b)	550	319
		1,132	5,419

Notes:

- (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 year.
- (b) Overseas taxation represented tax charges on the assessable profits of subsidiaries operating in the PRC calculated at the applicable rates.
- (c) There was no material unprovided deferred taxation liabilities for the current year.

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$4,190,000 (2001: loss of HK\$1,678,000).

8 DIVIDENDS

	Notes	Group	
		2002 HK\$'000	2001 HK\$'000
Interim, paid, by subsidiaries to their then shareholders before group reorganisation	(a)	–	30,000
Final, proposed of HK\$0.005 (2001: Nil) per ordinary share	(b)	2,263	–
		2,263	30,000



NOTES TO THE ACCOUNTS

8 DIVIDENDS (continued)

- (a) The dividend rates and the number of share ranking for the dividends are not presented as such information, for the purposes of this report, is not considered meaningful.
- (b) At a meeting held on 18 June, 2002 the directors declared a final dividend of 0.5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31 March, 2002.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$8,050,000 (2001: HK\$24,093,000) and the weighted average of 450,672,698 (2001: 405,287,671) shares in issue during the year.

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.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2002 HK\$'000	2001 HK\$'000
Independent non-executive Directors		
Fees	–	–
Basic salaries, allowances and benefits in kind	120	30
Executive directors		
Fees	–	–
Basic salaries, allowances and benefits in kind	4,809	4,917
Discretionary bonuses	–	1,630
Contributions to pensions schemes	60	18
	4,989	6,595
	4,989	6,595



NOTES TO THE ACCOUNTS

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

The executive Directors received individual emoluments for the year ended 31 March, 2002 of approximately HK\$1,110,999 (2001: HK\$2,024,000), HK\$681,999 (2001: HK\$1,044,500), HK\$681,999 (2001: HK\$1,047,500), HK\$681,999 (2001: HK\$1,251,500), HK\$438,999 (2001: HK\$645,500) and HK\$1,273,203 (2001: HK\$552,000) respectively.

In last 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 Growth Market Enterprise of the Stock Exchange of Hong Kong Limited ("GEM") respectively. The options have a duration of 10 years from the date on which the offer of grant was made.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2001: two) Directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining three (2001: three) individuals during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries, allowances and benefits in kind	3,784	3,146
Discretionary bonuses	–	690
	3,784	3,836

The emoluments fell with the following bands

Emolument bands	Number of individuals	
	2002	2001
HK\$Nil – HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	3	3
	3	3

During the year ended 31 March, 2002, 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 (2001: HK\$Nil).



NOTES TO THE ACCOUNTS

11 RETIREMENT BENEFIT COSTS

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 per cent. 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 per cent. of the employee’s monthly salaries up to a maximum of HK\$1,000 (the “mandatory contributions”). The employees are entitled to 100 per cent. of the employer’s mandatory contribution upon their retirement at the age of 65 years old, death or total incapacity.

The subsidiaries operating in the PRC are required to participate in defined contribution retirement scheme, 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 future obligations to the Group.

12 INTANGIBLE ASSETS

Software development costs

	2002 HK\$'000	2001 HK\$'000
At 1st April	–	–
Addition	404	–
Amortisation	–	–
At 31st March	404	–



NOTES TO THE ACCOUNTS

13 FIXED ASSETS

	Group			
	Leasehold improvements <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 April, 2001	977	5,159	340	6,476
Additions	208	662	–	870
Disposals	(200)	(316)	–	(516)
At 31 March, 2002	985	5,505	340	6,830
Accumulated depreciation				
At 1 April, 2001	640	3,208	272	4,120
Charge for the year	225	845	68	1,138
Disposals	(29)	(25)	–	(54)
At 31 March, 2002	836	4,028	340	5,204
Net book value				
At 31 March, 2002	149	1,477	–	1,626
At 31 March, 2001	337	1,951	68	2,356

14 INVESTMENT IN SUBSIDIARIES – COMPANY

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted investments, at cost	27,826	27,826
Amounts due from subsidiaries	21,463	15,661
	49,289	43,487

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



NOTES TO THE ACCOUNTS

14 INVESTMENT IN SUBSIDIARIES – COMPANY (continued)

The following is a list of the subsidiaries of the Company as at 31 March, 2002:

Company	Place of Incorporation/ establishment	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
Soluteck Technology Limited	Hong Kong	Inactive	1,000,000 ordinary shares of HK\$1 each	100
Task Consultants Limited (“Task Consultants”)	Hong Kong	Research and development of banking software in Hong Kong	5 ordinary shares of HK\$1 each	100
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



NOTES TO THE ACCOUNTS

14 INVESTMENT IN SUBSIDIARIES – COMPANY (continued)

Company	Place of Incorporation/ establishment	Principal activities and place of operation	Particulars of issued shares capital/ registered capital	Attributable equity interest %
Subsidiaries held indirectly:				
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	Provision of hardware and software technical support services for electronic banking systems and mailing systems in the PRC	Registered capital US\$150,000	100
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



NOTES TO THE ACCOUNTS

14 INVESTMENT IN SUBSIDIARIES – COMPANY (continued)

* 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 12 per cent. of the Group's total assets.

15 ASSOCIATED COMPANY

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets other than goodwill	–	–
Unlisted shares, at cost	HK\$1	HK\$1

The following is the details of the associated company as at 31 March, 2002:

Company	Place of incorporation and business	Principal activities	Particulars of issued shares held	Attributable equity interest %
Supreme Tech Development Limited	Hong Kong	Inactive	2 ordinary shares of HK\$1 each	50

16 INVESTMENT SECURITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Unlisted, at cost	19	–
Less : Provision for diminution in value	(19)	–
	–	–



NOTES TO THE ACCOUNTS

17 INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Merchandise	5,055	1,099
Spare parts	2,574	1,051
	7,629	2,150

18 ACCOUNTS RECEIVABLES

The majority of the Group's turnover is on credit terms ranging from sixty to ninety days. At 31 March, 2002, the ageing analysis of the accounts receivable were as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current	8,567	12,377
30-60 days	6,146	3,811
61-90 days	1,333	5,266
Over 90 days	24,159	27,320
	40,205	48,774

19 ACCOUNTS PAYABLE

At 31 March, 2002, the ageing analysis of the accounts payable were as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current	6,001	11,959
30-60 days	1,995	347
61-90 days	10,603	1,790
Over 90 days	5,146	4,411
	23,745	18,507



NOTES TO THE ACCOUNTS

20 BANK BALANCES AND CASH

Included in the balance is approximately HK\$15,294,000 (2001: HK\$8,208,000), 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.

21 TAXATION

Taxation represents liabilities of the companies comprising the Group in respect of Hong Kong and overseas taxation as at 31 March, 2002 less provisional tax paid.

22 DEFERRED TAXATION

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning and end of the year	91	91
Provided for in respect of:		
Accelerated depreciation allowances	91	91

23 SHARE CAPITAL – COMPANY

	Authorised	
	Ordinary shares of HK\$0.1 each No. of shares	HK\$'000
At 10 August, 2000, date of incorporation	1,000,000	100
Increase in authorised ordinary share capital	999,000,000	99,900
At 31 March, 2001 and 2002	1,000,000,000	100,000
	Issued and fully paid	
	Ordinary shares of HK\$0.1 each No. of shares	HK\$'000
At 10 August, 2000, date of incorporation	2,000,000	200
Issue of shares	60,000,000	6,000
Capitalisation issue	388,000,000	38,800
At 31 March, 2001	450,000,000	45,000
Issue of shares (note a)	2,612,072	261
At 31 March, 2002	452,612,072	45,261



NOTES TO THE ACCOUNTS

23 SHARE CAPITAL – COMPANY (continued)

- (a) On 28 December, 2001, the Directors of the Company approved to allot and issue 2,612,072 shares to Mr. Tam Wing Chit, Tom (“Mr. Tam”) and certain members of Task Consultants at offer price for each share of HK\$0.4, totalling HK\$1,045,000, in satisfaction of the management and performance bonus totalling HK\$800,000 and HK\$245,000 respectively, to which they are entitled pursuant to their respective service contracts entered into with Task Consultants as disclosed in the Prospectus.

Share options

- (a) 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 per cent. of the shares in issue from time to time (excluding shares issued on exercise of options under the share option scheme). No share options were granted by the Company under the Share Option Schemes during the year.
- (b) 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.
- (c) During the year, no options were exercised and 1,300,000 options were lapsed upon the resignation of the relevant employees of the Group. As at 31 March, 2002, options to subscribe for 19,050,000 shares of the Company were outstanding.



NOTES TO THE ACCOUNTS

24 RESERVES

(a) Group

	Share premium HK\$'000	Capital reserve HK\$'000	Reserve arising from Reorganisation HK\$'000 (Note i)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April, 2000	27,626	-	(24,317)	(4)	19,904	23,209
Placing of shares	18,000	-	-	-	-	18,000
Placing and listing expenses	(6,416)	-	-	-	-	(6,416)
Capitalisation issue Acquisition	(38,800)	-	-	-	-	(38,800)
of a subsidiary	-	2,228	-	-	-	2,228
Exchange difference	-	-	-	2	-	2
Profit for the year	-	-	-	-	24,093	24,093
Dividend paid 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)
At 1 April, 2001	410	2,228	(24,317)	(2)	13,997	(7,684)
Issue of shares	784	-	-	-	-	784
Exchange difference	-	-	-	2	-	2
Profit for the year	-	-	-	-	8,050	8,050
At 31 March, 2002	1,194	2,228	(24,317)	-	22,047	1,152
2002 Final dividend proposed	-	-	-	-	(2,263)	(2,263)
At 31 March, 2002	1,194	2,228	(24,317)	-	19,784	(1,111)
Company and subsidiaries At 31 March, 2002	1,194	2,228	(24,317)	-	19,784	(1,111)



NOTES TO THE ACCOUNTS

24 RESERVES (continued)

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.

(b) Company

	Share premium HK\$'000	(Accumulated losses)/ Retained earnings HK\$'000	Total HK\$'000
At 10 August, 2000 (date of incorporation)	–	–	–
Placing of shares	18,000	–	18,000
Placing and listing expenses	(6,416)	–	(6,416)
Capitalisation issue	(38,800)	–	(38,800)
Amount arising from Reorganisation	27,626	–	27,626
Loss for the year	–	(1,678)	(1,678)
At 31 March, 2001	410	(1,678)	(1,268)
At 1 April, 2001	410	(1,678)	(1,268)
Issue of shares	784	–	784
Profit for the year	–	4,190	4,190
At 31 March, 2002	1,194	2,512	3,706
2002 Final dividend proposed	–	(2,263)	(2,263)
At 31 March, 2002	1,194	249	1,443



NOTES TO THE ACCOUNTS

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Profit from operation	9,298	29,606
Depreciation of fixed assets	1,138	920
Loss on disposal of fixed assets	–	34
Loss on disposal of a subsidiary	21	–
Provision for diminution in value of investment securities	19	–
Management and performance bonus satisfied by issue of shares of the Company (note e)	1,045	–
Increase in inventories	(5,479)	(1,793)
Decrease in accounts and bills receivables	2,696	4,085
Decrease/(increase) in other receivables, deposits and Prepayments	728	(2,812)
Increase/(decrease) in accounts payables	5,238	(29,352)
(Decrease)/increase in other payables and accrued charges	(2,243)	4,381
Decrease in receipt in advance	(6,010)	(4,365)
Interest income	(660)	(2,699)
Net cash inflow/(outflow) from operating activities	5,791	(1,995)

(b) Analysis of changes in financing during the year

	Share capital including premium		Bank loans	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Balance at the beginning of the year	45,410	27,826	–	–
Net cash inflow from financing activities	–	17,584	5,084	–
Issue of shares (note e)	1,045	–	–	–
Balance at the end of the year	46,455	45,410	5,084	–



NOTES TO THE ACCOUNTS

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of a subsidiary

	2002 HK\$'000
Net assets disposed of :	
Fixed assets	462
Other receivables and prepayment	75
Bank balances and cash	1
Other payables and accrued expenses	(437)
	101
Loss on disposal	(21)
	80
Satisfied by:	
Interest in investment securities	19
Cash	61
	80

(d) Analysis of the net inflow in respect of the disposal of a subsidiary:

	2002 HK\$'000
Cash consideration	61
Bank balances sold	(1)
	60

(e) Major non-cash transactions

On 28 December, 2001, the Directors approved to allot and issued 2,612,072 shares at offer price for each share of HK\$0.4, totalling HK\$1,045,000, in satisfaction of the performance and management bonus paid to certain members of Task Consultants including Mr. Tam (2001:HK\$Nil).



NOTES TO THE ACCOUNTS

26 BANKING FACILITIES

As at 31 March, 2002, the Group banking facilities of approximately HK\$45,156,000 (2001: HK\$12,000,000) are secured by the following:

- (a) pledged deposits of HK\$7,000,000 (2001: HK\$9,000,000);
- (b) corporate guarantees by the Company and several subsidiaries of the Group of approximately HK\$46.5 million (2001: HK\$12.0 million);
- (c) personal guarantee by Mr. Tam of HK\$0.4 million (2001: HK\$ Nil)

27 COMMITMENTS

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for	33	367

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

At 31 March, 2002, the Group had future aggregate minimum lease payments under operating leases as follows:

	Group	
	2002 HK\$'000	2001 restated HK\$'000
Within one year	1,234	1,447
In the second to fifth year inclusive	951	92
	2,185	1,539



NOTES TO THE ACCOUNTS

28 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	
		2002 HK\$'000	2001 HK\$'000
Rental paid a Director	(a)	–	300
Consultancy fees paid to related companies	(b)	–	562
Receipt of consultancy income from a related company	(c)	–	126
Rental paid to the related companies	(d)	659	600
Management and performance bonus paid to Mr. Tam and certain employees of Task Consultants	(e)	1,045	–

Notes:

- 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.
- 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.
- The Group received consultancy income from Everscience Information System Co. Limited in which Mr. Tam is a Director and has equity interests.
- The Group leased office premises from San Yee Investment Limited ("San Yee") and Dynatek Limited ("Dynatek") in Hong Kong of HK\$600,000 (2001: HK\$600,000) and from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC of HK\$59,000 (2001: HK\$Nil) 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. Mr. Tsou Lo Nien is the shareholder of the company.
- Pursuant to service contracts entered into between Task Consultants, Mr. Tam and certain employees of Task Consultants on 18 October, 2000 for a term of two years commencing from 1 October, 2000, Mr. Tam and certain employees will be entitled to management bonuses of HK\$200,000 each and performance bonuses calculated by reference to the net profits of Task Consultants for every twelve months' period ending on 30 September during the term. During the year, the Group allotted and issued 2,612,072 shares to Mr. Tam and certain employees in satisfaction of the management bonus, totalling HK\$800,000, and performance bonus, totalling HK\$245,000, to which they are entitled pursuant to the service contracts.

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

29 ULTIMATE HOLDING COMPANY

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

30 APPROVAL OF ACCOUNTS

The accounts were approved by the board of Directors on 18 June, 2002.



FIVE YEAR FINANCIAL SUMMARY

	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Result					
Turnover	208,001	303,391	212,774	234,805	238,727
Profit attributable to shareholders	8,050	24,093	22,991	25,414	17,343
Assets and liabilities					
Total assets	100,770	90,843	106,559	128,805	110,295
Total liabilities	54,357	53,527	83,150	68,417	73,509
Net assets	46,413	37,316	23,409	60,388	36,786

The Reorganisation referred to in note 1 to the accounts has been reflected in the five year financial summary for each of the four years ended 31 March, 2001 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 11, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 30 July, 2002 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, 2002;
2. to approve and declare a final dividend for the year ended 31 March, 2002;
3. to re-elect directors and to fix their remuneration;
4. 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

5. 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



NOTICE OF ANNUAL GENERAL MEETING

(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 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).

6. 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



NOTICE OF ANNUAL GENERAL MEETING

- (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.
7. THAT the Directors of the Company be and they are hereby authorized to exercise the authority referred to in paragraph (a) of Resolution no.5 above in respect of the share capital of the Company referred to in subparagraph (ii) of paragraph (c) of such Resolution.

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

Hong Kong, 20 June, 2002

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 notorially 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. A form of proxy for the meeting will be enclosed with the annual report.
4. The register of members of the Company will be closed from 25 July, 2002 to 30 July, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend payable on 5 August, 2002 to be approved at the meeting and the right to attend and vote at the meeting, all transfers accompanied by

the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 24 July, 2002.

5. In relation to proposed Resolutions nos. 5 and 7 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.
6. In relation to proposed Resolution no.6 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, 2002.