



First Quarterly Report
for the period from 1 April, 2002 to 30 June, 2002

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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



- The turnover of the Group during the three months ended 30 June, 2002 was approximately HK\$25 million, representing a decrease of approximately 41 per cent. as compared to the same period last year.
- The net profit attributable to shareholders of the Company during the three months ended 30 June, 2002 was approximately HK\$1 million.
- The Board does not recommend the payment of quarterly dividend for the three months ended 30 June, 2002.

The board (the "Board") of Directors is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months ended 30 June, 2002.

CHAIRMAN'S STATEMENT

Business Review

The three months ended 30 June, 2002 reported a decrease in both turnover and net profit which was principally attributable to keen competition in the market of the People's Republic of China (the "PRC" or "China"). The Group recorded a turnover of approximately HK\$25 million, representing a decline of approximately 41 per cent. over the same period last year. The net profit attributable to shareholders of the Company for the three months ended 30 June, 2002 decreased by approximately 26 per cent. to approximately HK\$1 million while earnings per share decreased from HK0.33 cents to HK0.24 cents, as compared to the corresponding period in 2001.

The implementation and upgrading of automatic teller machine ("ATM") systems together with the provision of system hardware and software technical support and consultancy services remained the Group's core business. Sales derived from this business accounted for approximately 76 per cent. (2001 : 82 per cent.) of the Group's total turnover with a gross profit ratio of approximately 21 per cent. For the period under review, the Group entered into a number of ATM maintenance contracts with major financial institutions. Although this business segment recorded a decrease in sales turnover of approximately 45 per cent., as compared to the same period last year, the long-standing business relationship between the Group and its customers, together with its professional services, will continue to provide the Group with a stable source of income. Nevertheless, the Group will reinforce its marketing efforts to improve the performance of this business segment.

During the three months ended 30 June, 2002, the Group's implementation of electronic postal automation systems accounted for approximately 9 per cent. of the Group's turnover as compared to approximately 3 per cent. for the corresponding period in 2001. The actual sales amount for this sector increased by approximately 83 per cent., as compared to the corresponding period last year.

During the period under review, the Group also heightened its efforts in the development of software and middleware for the development of banking and postal applications. Sales from this segment represented approximately 15 per cent. of the Group's turnover as compared to approximately 12 per cent. for the corresponding period in 2001. Upon signing contracts with financial institutions and postal bureaus in the PRC for the development of Bank Securities Clearing Systems and Postal Logistic Systems, the Group will continue to expand its revenue source by expanding its sales and distribution network in the PRC.

The provision of technical consultancy and support services, which were already included in the above-mentioned businesses, still contributed to a stable source of income for the Group and accounted for approximately 36 per cent. of the Group's total turnover during the three months ended 30 June, 2002, as compared to 25 per cent. for the same period last year. Weighing on its strength and position in the industry, the information technology market in the PRC remains a market with tremendous growth potential for the Group as a "one-stop" information technology solutions provider. With the establishment of 15 service centers in major industrial and commercial centers of the PRC, the present trend of the postal and finance industry will certainly allow the Group to achieve better growth and profitability with its products and services.

In view of the continuous development and opening up of the PRC domestic market, the Board is optimistic that all subsidiaries of the Group are starting to contribute positively to the performance of the Group and are worthy of investment. During the period under review, the Group had successfully controlled the operating expenses of its subsidiaries and resulted in decreases in selling and administrative expenses by 28 per cent. and 25 per cent. respectively.

The Group will continue to expand its business through partnership and will achieve growth by enhancing product research and development, expanding the market reach of existing and emerging products and providing its customers with more and better customised and localised services.

Business Prospects

With the PRC's accession to the World Trade Organisation ("WTO") and the anticipated development of the PRC's domestic market, business opportunities for "one-stop" information technology providers are boundless. The Directors believe that commercial banks and postal bureaus in the PRC will continue to expand and upgrade existing services to prepare for imminent competition brought about by the gradual opening up of the banking and finance industry.

The market for ATM systems and postal automation systems in the PRC has ample room for expansion in consideration of their present stage of development. As one of the first "total solutionist" to provide such services to banking and financial institutions in the PRC, together with its excellent track record, the Directors are confident that the Group's core business will continue to grow. While focusing on the promotion of ATM services to secure a steady source of income, the Group will also promote the research and development of software used by the banking and finance industry in bank-postal clearing, logistics, utility payment and other applications.

While continuing to pursue opportunities to establish business partnership to expand its business, the Group will simultaneously pursue prospects of collaboration with universities and research institutions in the PRC on technology research and development, with a view to further improve existing services and develop new services to expand market reach. Being always committed to service and quality, the Group will continue to provide its customers with comprehensive banking and postal system integration services, pre-sale and after-sale support, maintenance and enhancement services and technical support.



Fully prepared for additional business opportunities ahead, the Directors are perfectly confident of the Group's continuous growth, albeit global economic conditions that are not entirely favorable. While remaining optimistic on the continuous growth of the PRC market, the Group will continue to pursue its growth strategy and to keep abreast with all relevant development, with a view consolidating its existing business, diversifying into relevant new businesses and ultimately enhancing the shareholder's value.

RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June, 2002 (the "Period") together with comparative unaudited consolidated results of the Group for the corresponding period in 2001 as follows:

		From 1 April, 2002 to 30 June, 2002	From 1 April, 2001 to 30 June, 2001
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	3	24,943,509	42,100,551
Cost of sales		(15,220,785)	(28,461,523)
Gross profit		9,722,724	13,639,028
Other revenue	3	76,805	312,849
Selling expenses		(2,418,660)	(3,353,742)
Administrative expenses		(6,213,783)	(8,309,349)
Profit from operations	4	1,167,086	2,288,786
Finance costs		(55,981)	-
Share of results of an associated company		-	(162,376)
Profit before taxation		1,111,105	2,126,410
Taxation	5	(4,678)	(630,000)
Net profit attributable to shareholders		1,106,427	1,496,410
Basic earnings per share	6	0.24 cents	0.33 cents

Notes:-

1. Group reorganisation

- (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 (the "Reorganisation") in preparation for the listing of the shares (the "Shares") of the Company on GEM, 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 forth in the prospectus (the "Prospectus") of the Company dated 22 December, 2000.
- (c) The Shares have been listed on GEM since 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.

2. Basis of preparation

The unaudited consolidated accounts include the accounts of all members of the Group made up to 30 June. 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 inter-company transactions and balances within the Group are eliminated on consolidation.

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.

3. Turnover and revenue

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

	From 1 April, 2002 to 30 June, 2002 HK\$	From 1 April, 2001 to 30 June, 2001 HK\$
Turnover		
Sales of goods	15,939,622	31,568,602
Rendering of services	9,003,887	10,531,949
	<u>24,943,509</u>	<u>42,100,551</u>
Other revenue		
Interest income	76,805	312,849
Total revenue	<u>25,020,314</u>	<u>42,413,400</u>

**4. Profit from operations**

The Group's profit from operations is arrived at after charging:

	From 1 April, 2002 to 30 June, 2002 HK\$	From 1 April, 2001 to 30 June, 2001 HK\$
Depreciation	<u>235,539</u>	<u>278,349</u>

5. Taxation

- (a) Hong Kong profits tax has been provided for at the rate of 16 per cent. on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the period.
- (b) Overseas taxation represented tax charge on the assessable profits of subsidiaries operating in the PRC calculated at the applicable rates.
- (c) There was no material unprovided deferred taxation assets/liabilities for the period (2001: Nil).

6. Earnings per Share

The calculation of the basic earnings per Share for the three months ended 30 June, 2002 is based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$1,106,427 (2001: HK\$1,496,410) and the weighted average number of 452,612,072 (2001: 450,000,000) ordinary shares in issue during the period.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. As at 30 June, 2002, the Group had cash and bank balances amounting to a total of approximately HK\$33 million (2001: HK\$26 million) and had outstanding short-term bank loan of approximately HK\$1 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.

MOVEMENT OF RESERVE

Apart from the exchange fluctuation reserve of approximately HK\$6,982, there is no other movement to and from reserve.

QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the period from 1 April, 2002 to 30 June, 2002 (2001: Nil).

RESIGNATION AND APPOINTMENT OF CHAIRMAN AND EXECUTIVE DIRECTOR

With effect on 5 August, 2002, Mr. Chung Lok Fai ("Mr. Chung"), a substantial shareholder of the Company, has resigned as an executive Director and chairman of the Company because of health reasons, and Mr. Hou Hsiao Bing, an executive Director, has been re-appointed as the chairman of the Company. Mr. Chung, aged 68, used to be responsible for the overall strategic planning and business development of the Company since its establishment and his role will be taken up by Mr. Hou Hsiao Bing.

The Board wishes to express thanks and appreciation to Mr. Chung for his invaluable contribution and unfailing support to the Company during his tenure of services. The Board also takes this opportunity to welcome Mr. Hou Hsiao Bing, and confirms that the resignation of Mr. Chung will not have any significant impact to the operations of the Company.

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

(i) Shares

As at 30 June, 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	-	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 ("Mr. Tam")	11,118,018 (Note 3)	-	-	-	11,118,018 (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
	<hr/>	<hr/>
Total	75.0	100.0
	<hr/> <hr/>	<hr/> <hr/>

- 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.
- 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 and Ms. Tsou Lo Nien are both directors 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.
- 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 31 March, 2002 (being the date of the Group's previous annual report) was 11,768,018 shares. Following his disposal of 650,000 shares in May 2002, Mr. Tam's shareholding in the Company has been decreased to 11,118,018.

(ii) **Directors' rights to acquire Shares**

On 13 December, 2000, the shareholders of the Company approved and adopted a share option scheme (the "Share Option Scheme"). Under the Share Option Scheme, the Directors of the Company may, at their discretion, grant to any employees of the Group, including executive Directors of the Group, options to subscribe for the Shares. The subscription price for options granted under the Share Option Scheme after the listing of the Shares on 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 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 of the Company in issue from time to time. The maximum option term is ten years from the respective grant dates. Options may be exercised at any time during a period, generally three years but not later than ten years, to be determined and notified to each grantee.

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

Name of Director	Date of grant	Exercise price HK\$	Number of share options outstanding as at 30.6.2002	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:-

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

Save as disclosed above, at no time during the period ended 30 June, 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 30 June, 2002.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June, 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% or more of the issued Shares:-

Name	<i>Notes</i>	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.



3. These Shares comprise 262,500,000 Shares registered in the name of ITW and 8,000,000 Shares registered in his name. Hou Chung, together with Dynatek Limited, a company beneficially owned by him and his spouse, Chung Po Chu, is interested in 50.0 per cent. of the issued share capital of ITW. Accordingly, Hou Chung is deemed, by virtue of the SDI Ordinance, to be interested in all the Shares in which ITW is interested. On this basis, Hou Chung is a substantial shareholder.
4. 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.
5. 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 and Tsou Lo Nien are both directors of Truth Honour Electronic Limited, a subsidiary of the Company. On this basis, each of Mr. Chung and Tsou Lo Nien is a substantial shareholder.
6. Assuming the Pre-IPO Share Options are not exercised.

Save as disclosed above, the Company had not been notified of any other interests representing 10 per cent. or more of the Company's issued share capital as at 30 June, 2002.

TRANSFER OF SHARES BY THE CONTROLLING SHAREHOLDER

Introduction

Reference is made to the announcement of the Company dated 10 July, 2002. ITW is a company incorporated in the British Virgin Islands with limited liability on 2 June, 2000 and a management shareholder (as such term is defined under the GEM Listing Rules) prior to completion of the distribution of an aggregate of 262,500,000 Shares beneficially owned by ITW in specie by ITW to those persons directed by the shareholders of ITW ("Distribution").

The Board has been informed by ITW that under the Distribution, an aggregate of 262,500,000 Shares, representing approximately 58 per cent. of the total issued Shares, were transferred by ITW to various persons as directed by the shareholders of ITW on 10 July, 2002.

Particulars of the Distribution

Under the Distribution, the 262,500,000 Shares were transferred by ITW to the following persons at the direction of the shareholders of ITW:

Name of transferees	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Hou Hsiao Bing	98,460,000	21.75
Mr. Hou Hsiao Wen, Eddie	32,790,000	7.25
Mr. Chung	45,125,000	9.97
Madam Tsou Lo Nien	15,745,000	3.49
Ms. Chung Yuk Hung, Yvonne	35,190,000	7.77
Mr. Chung Yuk Man, Kevin	35,190,000	7.77
Total	262,500,000	58

As at the date of this first quarterly report, all the transferees (except for Mr. Chung and his spouse, Madam Tsou Lo Nien) named above are executive Directors.

Information on ITW

ITW is an investment holding company and is owned as to 34 per cent. by Dynatek Limited, 20.4 per cent. by Mr. Chung, 16 per cent. by Mr. Hou Chung, 16 per cent. by Madam Tsou Lo Nien, 6.8 per cent. by Ms. Chung Yuk Hung, Yvonne and the remaining 6.8 per cent. by Mr. Chung Yuk Man, Kevin. Such shareholding structure has not changed since the listing of the Shares on GEM in January 2001. Immediately prior to the Distribution, ITW was a management shareholder (as such term is defined under the GEM Listing Rules) of the Company. The moratorium period has passed and accordingly, the lock-up of the Shares held by ITW has been released.

Reasons for the Distribution

Since the listing of the Shares on GEM in January, 2001, the Company has been controlled by two related families, Mr. Chung and his spouse, Madam Tsou Lo Nien and their two children, Mr. Chung Yuk Man, Kevin and Ms. Chung Yuk Hung, Yvonne (together, the “**Chung family**”), who together control 50 per cent. of the issued share capital of ITW. Mr. Hou Chung and his spouse, Madam Chung Po Chu and their two children, Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, Eddie (together, the “**Hou family**”) control the remaining 50 per cent. of the issued share capital of ITW. Madam Chung Po Chu is a sister of Mr. Chung. As at the date of this report, except for Mr. Hou Chung, Madam Chung Po Chu, Mr. Chung and Madam Tsou Lo Nien, all members of the Chung family and the Hou family are executive Directors and are responsible for the daily operations of the Company and its subsidiaries.

The purpose of the Distribution is to reorganise the shareholding structure of the Company amongst members of the Chung family and the Hou family so that younger members of the two families will directly hold a significant portion of the Shares. Following completion of the Distribution, the proportion of shareholdings in the Company held between members of the Chung family and the Hou family remains unchanged. In addition, the Distribution does not change any management, directors or business operations of the Company. An application had been made by the Chung family and the Hou family to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “Executive”) for a waiver from strict compliance with any general offer obligation that may arise under Rule 26 of the Hong Kong Code on Takeovers and Mergers as a result of the transfer of Shares pursuant to the Distribution on the basis that transferees, being members of the Chung family and the Hou family, remain parties acting in concert for the purpose of control of the Company. The Executive has ruled that such transfer of Shares would not attract a general offer obligation under the Hong Kong Code on Takeovers and Mergers.

SPONSOR’S INTEREST

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

As at 30 June, 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

Pre-IPO Share Options	As at 1 April, 2002	Number of Options			As at 30 June, 2002	No. of new shares arising therefrom
		Granted	Exercised	Cancelled		
Exercise price: HK\$0.20						
- Director of a subsidiary:						
Mr. Lam Shut Chun	500,000	Nil	Nil	Nil	500,000	Nil
- Other employees	8,050,000	Nil	Nil	Nil	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	500,000	Nil	Nil	Nil	500,000	Nil
	<u>19,050,000</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>19,050,000</u>	<u>Nil</u>

YEAR 2000 COMPLIANCE

In the Prospectus, the Directors reported that the computer hardware and software used by the Group were year 2000 compliant and therefore, the Year 2000 compliance issue had no material adverse impact on the business operations in all functional areas of the Group.

Up to 30 June, 2002 and the date of this report, the Group had not experienced any significant adverse consequences in connection with the year 2000 issue. However, the Directors will continue their oversight of date change issues during the year 2002.

AUDIT COMMITTEE OF THE BOARD

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

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

None of the members of the Group purchased, sold or redeemed any of the Group's listed securities during the period from 1 April, 2002 to 30 June, 2002.

COMPETING INTERESTS

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

By order of the Board
Soluteck Holdings Limited
Hou Hsiao Bing
Chairman

Hong Kong, 12 August, 2002

