



**Annual Report 2003**

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

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



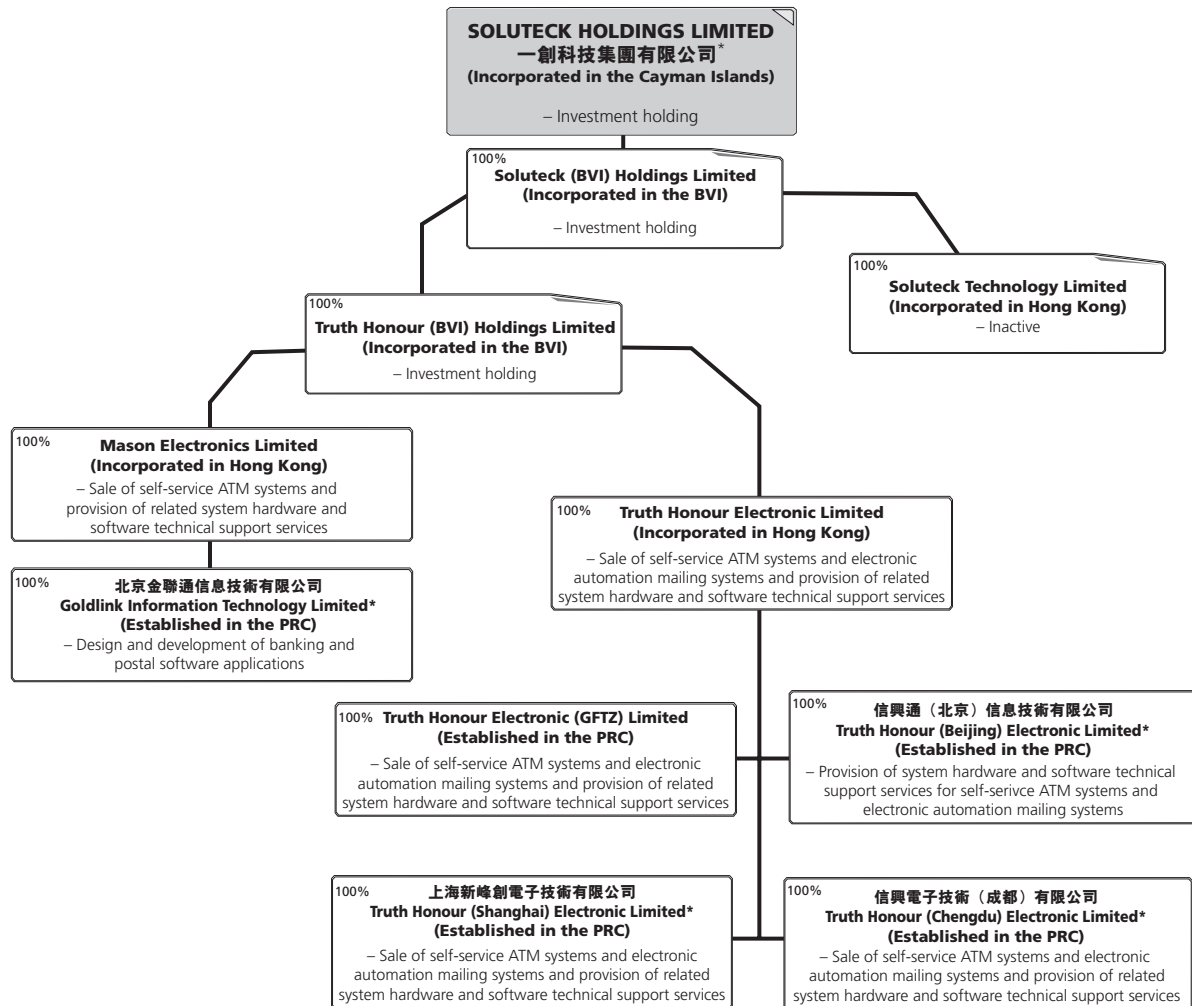
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# CORPORATE STRUCTURE

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



\* For identification purpose only



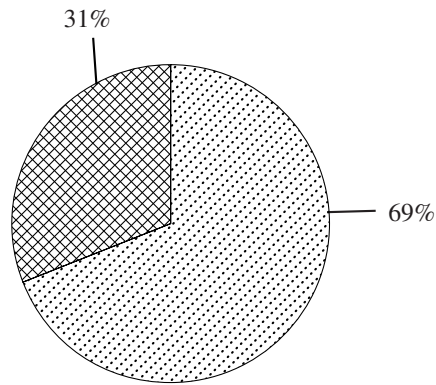
## FINANCIAL HIGHLIGHTS

	2003 HK\$'000	2002 HK\$'000	Increase/ (Decrease) %
Turnover	118,643	208,001	(43%)
Gross profit	39,302	52,460	(25%)
Profit attributable to shareholders	8,768	8,050	9%
Dividends	4,526	2,263	100%
Shareholders' funds	50,686	46,413	9%
Return on Shareholder's funds (%)	17%	17%	0%
Basic earnings per share	1.94 cents	1.79 cents	8%
Dividend declared per share	HK\$0.01	HK\$0.005	100%
<b>FINANCIAL CALENDAR HIGHLIGHTS</b>			
Announcement of final results for the year	18 June, 2003	18 June, 2002	
Book closing dates for final dividend	25 – 30 July, 2003	25 – 30 July, 2002	
Record date for final dividend	30 July, 2003	30 July, 2002	
Payment date for final dividend	5 August, 2003	5 August, 2002	
Annual General Meeting for the year	30 July, 2003	30 July, 2002	

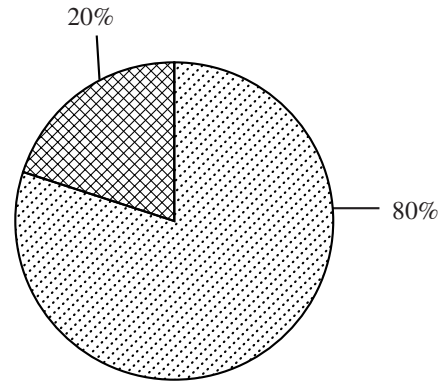


# FINANCIAL HIGHLIGHTS

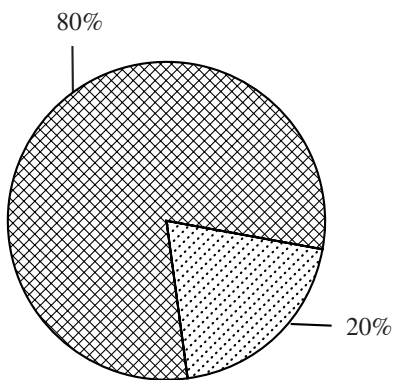
## BY BUSINESS SEGMENT\*



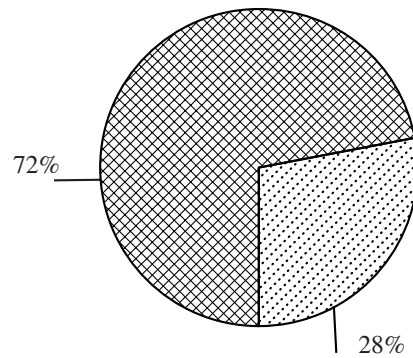
2003 Turnover



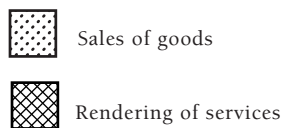
2002 Turnover



2003 Segment results



2002 Segment results



\* Please refer to note 2 to the accounts on pages 44 to 46 for details.



## LETTER FROM THE CHAIRMAN

### ANNUAL RESULTS HIGHLIGHTS

The net profit of the Group for the financial year ended 31 March, 2003 was approximately HK\$9 million, representing an increase of approximately 9 per cent. as compared to the financial year ended 31 March, 2002.

The turnover of the Group for the financial year ended 31 March, 2003 was approximately HK\$119 million, representing a decrease of approximately 43 per cent. as compared to the financial year ended 31 March, 2002.

The Group managed to improve its gross profit margin from approximately 25 per cent. in the financial year ended 31 March, 2002 to approximately 33 per cent. in the financial year ended 31 March, 2003.

Earnings per Share for the financial year ended 31 March, 2003 was approximately HK1.94 cents (earnings per Share for the financial year ended 31 March, 2002 was approximately HK1.79 cents).

The Directors recommend a final dividend of HK\$0.01 per Share for the financial year ended 31 March, 2003 (dividend per Share for the financial year ended 31 March, 2002 was HK\$0.005 per share).

Although global information technology industry has been rather stagnant, the People's Republic of China ("China" or the "PRC") remains a market of very exciting prospects, given the country's dynamic economic growth and the increasing need for its banking and finance sectors to enhance their technological infrastructure to remain competitive.

The management believes that it is critically essential for the Group to be always strategically poised to capture opportunities arising from high growth areas, and this explains the Group's initiatives to put stronger emphasis on provision of services which is more profitable, rather than sales of goods with a lesser margin.

While committed to its core business of providing implementation and upgrading of self-service automatic teller machine ("ATM") systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in China, the Group further strengthened its strategic switch to dedicate more resources and efforts to the provision of technical and value-added services, as its profit margin is generally higher than that of sales of goods. In addition, the offering of solution services also provides the Group with a stable and recurrent income source.

The Group's turnover amounted to HK\$119 million for the year ended 31 March, 2003, representing a drop of 43 per cent. compared with HK\$208 million recorded for the financial year ended 31 March, 2002. The Group pursued a more selective approach to screen out unprofitable projects and only undertake business of higher profitability, and this had led to a drop in turnover. Another major contributing factor was fierce competition among suppliers of ATM systems in China.



## LETTER FROM THE CHAIRMAN

Despite the turnover drop, the Group's profit attributable to shareholders for current year increased to HK\$9 million (2002: HK\$8 million), equivalent to an earnings per share of HK1.94 cents (2002: HK1.79 cents).

The Group's results reflected a gross profit margin growth to 33 per cent. from 25 per cent. a year ago, further reinforcing the strategic value of the Group's foresight in promoting the provision of the more lucrative technical services, and reflecting the success of effective cost management. The Group further curbed its selling and administrative expenses by approximately 38 per cent. and 11 per cent., respectively for the year ended 31 March 2003, compared to those of the last financial year.

The Group's core business of providing implementation and upgrading of self-service ATM systems, related application hardware and software, technical support and consultancy services constitute 86 per cent. to the Group's total turnover for the year ended 31 March, 2003 (2002: 88 per cent.).

Supported by the Group's network of 20 service centers covering major cities in China, including Guangzhou, Shanghai, Beijing, Chengdu, Shenyang, Qingdao, Zhengzhou, Wuhan, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Haikou, Fuzhou, Wuxi, Tianjin, Guiyang, Nanning and Shenzhen, the Group succeeded in securing contracts with an increasing number of financial institutions and postal bureaus for the provision of system maintenance and enhancement services. The Group will continue to expand its service network in China that proves to be an effective channel in reaching out and fostering relationships with existing and new clients.

Regarding the Group's other major businesses, sales of electronic postal automation systems fell 38 per cent. to HK\$5 million (2002: HK\$8 million), accounting for approximately 4 per cent. of the Group's total turnover in the year under review (2002: 4 per cent.).

In January 2003, the Group disposed of a subsidiary responsible for conducting research and development of proprietary software for e-banking business and making investment in application hosting service business, which gave rise to a profit of HK\$5 million. The strategic move was undertaken to consolidate the Group's resources to further develop its core businesses of more positive prospects, and to generate greater shareholders' benefits.

### **Business Prospects**

The Group is committed to be one of the leading service providers for the banking sector in China. The management is monitoring the progress of the latest Severe Acute Respiratory Syndrome ("SARS") outbreak that inevitably has been slowing down investment decisions and economic activities. There are encouraging signs that the outbreak is under effective control and initiatives are being planned to revive investment confidence, especially from multinational corporations. Should the SARS situation be sustained for a longer period of time, the Group's performance for the coming financial year would be adversely affected.

The Group will continue to strengthen the marketing of its integrated services comprising the development, implementation and upgrading of self-services ATM systems, electronic postal automation systems, and the provision of value-added technical consultancy and support services. On the other hand, the Group will further enhance its distribution and customer service network in China to expand business coverage, to strengthen on-site support, and to capitalise on its existing customer base for broader business relationship.





## LETTER FROM THE CHAIRMAN

The current financial year was a challenging year for the Group. However, the management remains positive as to the information technology development and evolution in China, and the many exciting business opportunities it will bring, especially to the Group which has already established a strong presence and a clientele of reputable banking and financial institutions in China.

### DIVIDEND

In view of the Group's sustainable development, the Board recommends the payment of a final dividend of HK\$0.01 per share (the "Share") of the Company for the financial year ended 31 March, 2003.

### APPRECIATION

As at 31 March, 2003, the Group employed 126 and 20 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.

**Hou Hsiao Bing**  
*Chairman*

Hong Kong, 18 June, 2003



## 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, 2002 to 31 March, 2003 (Note)
1.	<p><i>Sales and revenue</i></p> <p>To expand the revenue base of the Group by providing application hosting services ("ASP").</p>	<p>The Directors believe that, giving the prevailing economic condition, it would not be in the interests of the Group to deploy its management and financial resources to the ASP business. The Company may consider such investment opportunities in the future.</p>
2.	<p>To expand the revenue base of the Group by exploring new products and solutions to BANK24.</p>	<p>Leveraging on 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. However, upon the disposal of Task Consultants Limited ("Task Consultants"), the Group no longer designates e-banking software developments such as Bank 24 and ASP business as its business objectives. The Group will focus on other business objectives as stated in the Prospectus, such as to build on its existing customer base to further develop its core business of implementation and upgrading of self-service automatic teller machine systems and related hardware and software, and to strengthen the distribution and service networks of the Group in the PRC. Further, the Group will place emphasis on the provision of information technology and business solutions to banking and financial institutions.</p>

Note:-

The actual business progress of the Group, as compared with its business objectives, during the period between 1 April, 2002 and 30 September, 2002 was set forth in the Company's interim report dated 11 November, 2002.



## 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, 2002 to 31 March, 2003 (Note)
1.	<p><i>Research and development</i></p> <p>To undertake research on the next generation banking system in order to support higher transaction volume and larger scale of database with more value-added functions and features.</p>	<p>While remaining optimistic on the continuous growth in the PRC market, the Group has undertaken research on the next generation banking system in order to support higher transaction volume and larger scale of database with more value-added functions and features.</p>
2.	<p>To upgrade and enhance security system for Internet banking applications.</p>	<p>Upon disposal of Task Consultants, the Group no longer designates e-banking software developments such as internet banking applications as its business objectives. The Group will continue to consider such investment opportunities in the future.</p>
3.	<p>To continue the development of Customer Relationship Management System.</p>	<p>As the current market condition is not favourable for the Group to continue the development of the Customers Relationship Management System, the Group has suspended the manoeuvre and will collaborate with other business partners to develop the Postal Logistics 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, 2002 to 31 March, 2003 (Note)
1.	<p><i>Marketing</i></p> <p>To participate trade shows in Hong Kong, Macau and the PRC to promote the Group's Customer Relationship Management System solutions.</p>	<p>As the current market condition is not favourable for the Group to continue the development of the Customers Relationship Management System, the Group has suspended the manoeuvre and will collaborate with other business partners to develop the Postal Logistics System for postal bureaus in the PRC.</p>
2.	<p>To continue to promote the Group's services and products through trade shows, exhibitions and advertising on professional journals.</p>	<p>The Group held a series of conferences, seminars and exhibitions as well as advertised in professional journals in the PRC during the period under review for its existing and prospective customers.</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, 2002 to 31 March, 2003 (Note)
1.	<p><i>Resources employment</i></p> <p>To recruit additional business support staff and system engineers to support the Group's products and services, staff in sales and marketing, administration and technical support department and to reassess the merits of the Group's investment in Supreme Tech Development Limited ("Supremetech").</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 in payment which is benchmarked against performance. As a result, performance became a major factor to determine 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> <p>Besides, the Directors have reassessed the merits of the Group's investment in Supremetech and are of the opinion that it would not be beneficial to the interests of shareholders to employ its resources in the ASP business under the current market condition.</p>
2.	<p>Subject to satisfactory reassessment of its investment in Supremetech, to consider incorporating the ASP business into the core business of the Group.</p>	<p>The Directors believe that, giving the prevailing economic condition, it would not be in the interest of the Group to deploy its management and financial resources to engage in the ASP business.</p>
3.	<p>To set up two customers service centres in the PRC.</p>	<p>During the period under review, the Group established three more customers service centers in Guiyang, Nanning, and Shenzhen, respectively, giving rise to a total of 20 service centers in the PRC.</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, 2003, in the following manner:-

	From 29 December, 2000 to 31 March, 2001 HK\$ million	From 1 April, 2001 to 30 September, 2001 HK\$ million	From 1 October, 2001 to 31 March, 2002 HK\$ million	From 1 April, 2002 to 30 September, 2002 HK\$ million	From 1 October, 2002 to 31 March, 2003 HK\$ million	Total HK\$ million
For the research and development of proprietary software for e-banking business	1.0	1.0	1.0	0.8	0.8	4.6
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	0.3	0.3	2.5
For establishing additional customer service centres in the PRC as well as recruitment of additional staff and purchase of additional office equipment	0.2	0.2	0.2	0.2	0.2	1.0
For establishing a research and development centre	-	0.8	0.2	0.2	-	1.2
For investing in ASP businesses through Supremetech	-	0.3	-	-	-	0.3
	2.2	2.9	1.7	1.5	1.3	9.6

There was a shortfall of HK\$1.7 million in the investment in 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 of the interest of the Group to deploy its management and financial resources in the ASP business. The Company will continue to consider such investment opportunities in the future. The remaining net proceeds of approximately HK\$8.3 million (2002: HK\$11.1 million) were placed on short term deposits with banks in Hong Kong for future use as identified by the Group's business plans.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

### Review of operations

The Group recorded a turnover of approximately HK\$119 million (2002: HK\$208 million), representing a decrease of approximately 43 per cent. compared with the previous year. Profit attributable to shareholders increased by 9 per cent. to HK\$9 million (2002: HK\$8 million), equivalent to an earnings per share of HK1.94 cents (2002: HK1.79 cents).

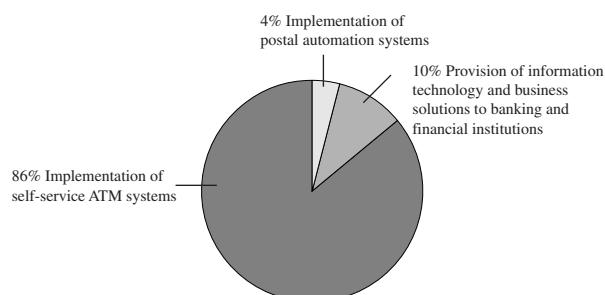
The Group's turnover drop was largely attributable to a more pro-active and selective approach to undertake projects of higher profitability and fierce competition among suppliers of ATM systems in China. Despite the turnover drop, the Group enjoyed a gross profit margin growth to 33 per cent. from 25 per cent. a year ago, it is the result of the Group's efforts exerted in switching its business emphasis to providing more lucrative value-added services and solutions.

### Revenue and turnover

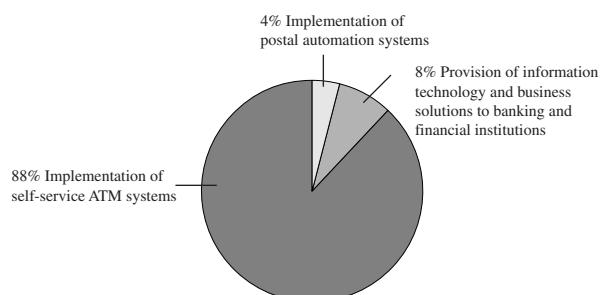
The Group is principally engaged in the sale of electronic banking systems, other banking equipment and mailing systems, and the provision of hardware and software technical support services. Revenues recognised during the financial year are as follows:–

	Financial year ended 31 March,	
	2003 HK\$'000	2002 HK\$'000
<b>Turnover</b>		
Sales of goods	82,143	165,823
Rendering of services	36,500	42,178
	<b>118,643</b>	<b>208,001</b>
<b>Other revenue</b>		
Interest income	311	660
	<b>118,954</b>	<b>208,661</b>

Analysis of turnover by industry nature  
for the financial year ended 31 March, 2003



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





## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

### Implementation of self-service ATM systems

During the financial year ended 31 March, 2003, implementation of self-service ATM systems remained the Group's core business and accounted for approximately 86 per cent. (2002: 88 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\$102 million, representing a decrease of approximately 44 per cent. compared with the previous financial year. Such decrease was due to the "screening out" of unprofitable projects and keen competition in the PRC.

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 China, the Group has established itself as a reliable and reputable vendor that specializes in the ATM-related software design, installation and provision of maintenance services for self-service ATM systems. As the opening of China's banking industry continues to accelerate with its accession to the World Trade Organisation ("WTO"), more international banks are expected to enter and operate in the market. Facing such challenges and competition, banks in China have to gear up to improve their information technology infrastructure and operating efficiency, so as to consolidate and strengthen their respective market standing. The expansion of ATM networks in order to facilitate a more comprehensive market reach is on top of the banks' enhancement agenda; and the Group expects that the demand for self-service ATM systems will continue to increase.

### Implementation of electronic postal automation systems

The implementation of electronic postal automation systems accounted for approximately 4 per cent. (2002: 4 per cent.) of the total turnover of the Group for the financial year ended 31 March, 2003. In view of the unexpected demand slump in the China market for electronic postal automation systems that include mailing finishing systems, volume mailing handling systems and franking machines, the Group will continue to explore and identify business development and growth opportunities for this business stream in China.

### Provision of information technology and business solutions

In January 2003, the Group disposed of a loss-making subsidiary specialised in the development of e-banking application software for commercial and financial institutions and concentrated its resources to the further development of its core businesses, notably the provision of information technology and business solutions to banking and financial institutions. For the year under review, the software development business accounted for approximately 10 per cent. (2002: 8 per cent.) of the Group's total turnover.

Looking forward, this business unit will focus on the development of software applications for converging banking business platforms, and also other applications software for banking and financial institutions and postal bureaus as part of the Group's integrated service offering.

### Provision of technical consultancy and support services

The provision of technical consultancy and support services, which were already included in the above-mentioned businesses, contributed to a stable and recurrent source of income for the Group and accounted for approximately 31 per cent. (2002: 20 per cent.) of the total turnover of the Group for the financial year ended 31 March, 2003. It was the Group's strategic decision to focus more on the rendering of technical services of higher profit margin, rather than one-off sales of goods. To further develop this business, the Group will continue to expand its network of service centers in major cities.

### Interest income

As a result of the full-year impact of the successive interest rate cuts, the interest income of the Group declined by approximately 53 per cent. during the financial year ended 31 March, 2003.

### Gross profit

During the financial year ended 31 March, 2003, the Group managed to improve its gross profit margin by promoting its maintenance and technical support services. The gross profit margin increased to approximately 33 per cent. (2002: 25 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, 2002.





## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

### Selling expenses

Selling expenses incurred by the Group for the financial year ended 31 March, 2003 amounted to approximately HK\$7 million (2002: HK\$12 million), representing a decrease of approximately 38 per cent., which was mainly due to the tight control of the operating expenses by the Group.

### Administrative expenses

Administrative expenses incurred by the Group for the financial year ended 31 March, 2003 amounted to approximately HK\$28 million (2002: HK\$32 million), representing a decrease of approximately 11 per cent. and was due to the tight control of the operating expenses by the Group.

Staff cost (including Directors emoluments) which was included in both selling expenses and administrative expenses decreased by approximately 23 per cent. to approximately HK\$22 million (2002: HK\$29 million). 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 and performance bonuses in view of the existing market condition.

For the financial year ended 31 March, 2003, the Group made a provision for bad and doubtful debt of approximately HK\$1 million (2002: HK\$2 million) for the sake of prudence which lead to an increase in administrative expenses by approximately HK\$1 million.

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 37 per cent. during the financial year.

Depreciation expenses decreased by approximately 13 per cent. as compared to that of last financial year mainly because some fixed assets have been fully depreciated.

### Finance costs

The finance costs of the Group for the financial year ended 31 March, 2003 increased slightly to HK\$195,000 (2002: HK\$116,000).

### Taxation

The Group's taxation charge for the financial year ended 31 March, 2003 decreased by approximately 81 per cent. to HK\$216,000 (2002: HK\$1,132,000) primarily due to lower taxable profit reported for the financial year and a reversal of over provision for taxation in prior year of HK\$469,000.

### Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow. As at 31 March, 2003, the Group had cash and bank balances amounting to a total of approximately HK\$29 million (2002: HK\$40 million) and had outstanding short-term bank loan of approximately HK\$4 million (2002: HK\$5 million) 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.

As at 31 March, 2003, 59 per cent. of the Group's cash and cash equivalents (comprise cash on hand, bank balances and time deposits within three months of maturity when acquired) were denominated in Hong Kong dollars (HKD) and United States dollars (USD).

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, 2003, the gearing ratio of the Group, based on total liabilities over total assets was approximately 32 per cent. (2002: approximately 54 per cent.)



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

### Banking facilities

Although the Group has consistently been in a very liquid position, credit facilities have nevertheless been put in place for contingency purposes. As at 31 March, 2003, the Group's banking facilities of approximately HK\$45 million (2002: HK\$45 million) are secured by the following:-

- (a) pledged deposits of HK\$7 million (2002: HK\$7 million); and
- (b) corporate guarantees by the Company and its subsidiaries of approximately HK\$47 million (2002: HK\$47 million);

### Charges on assets

As at 31 March, 2003, the Group had a HK\$45 million banking facilities with banks in Hong Kong, which were secured by a pledge of the Group's deposits of HK\$7 million at the banks.

Except for the aforementioned, there are no other charges on assets.

### 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, 2003, the Group has no exposure under foreign exchange contracts.

### Contingent liabilities

As at 31 March, 2003, 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 and Renminbi.

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, 2003, the Directors recommend the payment of a final dividend of HK\$0.01 per Share for the financial year ended 31 March, 2003 (2002: HK\$0.005 per Share).

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, 2003 (Wednesday).

The register of members of the Company will be closed from 25 July, 2003 (Friday) to 30 July, 2003 (Wednesday), 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, 2003 (Tuesday), all transfers accompanied by the relevant Share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investors Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 24 July, 2003 (Thursday).



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

### 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

On 10 January, 2003, Soluteck (BVI), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with Mr. Fang Jun ("Mr. Fang") to sell its entire interest in Task Consultants for a consideration of HK\$5.8 million, details of which have been set forth in the announcement of the Company dated 10 January, 2003. The consideration is negotiated on an arm's length basis and is based on the net asset value and the business potential of Task Consultants. The profit on the disposal is approximately HK\$5 million.

The proceeds from the disposal of Task Consultants of HK\$5.8 million will be used as general working capital of the Group to support its ongoing operations and expansion of its distribution and services network in the PRC.

Although Task Consultants has been responsible for the research and development of proprietary software for e-banking business for banking and financial institutions in Hong Kong, Macau and the PRC and the investment in application hosting service business, it has suffered loss of approximately HK\$1.4 million since the beginning of the current financial year up to 10 January, 2003 due to the worldwide economic downturn that affected the information technology business. As at 10 January, 2003, the net asset value of Task Consultants amounted to approximately HK\$2.7 million. As the current market condition is not favourable for the Group to continue the research and development of proprietary software for e-banking and the investment in ASP business, the Group has suspended such business plans since October, 2002. The Directors believe that in order to maintain the profitability of the Group, it would be in the best interest of the Company to enter into the Agreement. The Directors expect that the disposal of Task Consultants will not have any material effect on the business operation of the Group because the e-banking software development business of Task Consultants only accounted for approximately 7 per cent. and approximately 8 per cent. of the total turnover of the Group for the year ended 31 March, 2003 and 2002, respectively.

However, in spite of the sluggish global economy, the Group will not hesitate to resume the research and development of e-banking software and the investments in ASP business once the appropriate opportunity arises.

Except for the disposal of Task Consultants, there were no other significant acquisitions and disposals of investments by the Group during the year under review.

The Group is now looking for the possibilities of forming alliances or any investment opportunities with some strategic partners.

### Purchase, sale or redemption of Shares

The Company has not redeemed any of its Shares during the financial year ended 31 March, 2003. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year ended 31 March, 2003.



## CORPORATE INFORMATION

Executive Directors	Hou Hsiao Bing ( <i>Chairman</i> ) Hou Hsiao Wen, Eddie Chung Yuk Hung, Yvonne Chung Yuk Man, Kevin Chung Lok Fai ( <i>Resigned on 5 August, 2002</i> ) Tam Wing Chit, Tom ( <i>Resigned on 10 January, 2003</i> )
Independent non-executive Directors	Ho Wai Wing, Raymond <sup>#</sup> Lui Ming, Rosita <sup>#</sup>  <sup>#</sup> 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 ( <i>Chairperson</i> )
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
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	<a href="http://www.soluteck.com">www.soluteck.com</a> <a href="http://www.truthhonour.com">www.truthhonour.com</a>

**CORPORATE INFORMATION****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

**Hong Kong branch share registrar  
and transfer office**

Computershare Hong Kong Investor Services Limited  
Room 1901-1905, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**Auditors**

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



## **REPORT OF THE DIRECTORS**

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 14 to the accounts.

An analysis of the Group's performance for the financial year by business and geographical segments is set out in note 2 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 33.

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\$0.01 per Share (2002: HK\$0.005 per Share).

The details of dividends declared 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 23 to the accounts.

### **DONATIONS**

Charitable donation made by the Group during the financial year amounted to HK\$Nil (2002: Nil).

### **FIXED ASSETS**

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

### **SHARE CAPITAL**

Details of the movements in share capital are set out in note 22 to the accounts.

### **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company as at 31 March, 2003 amounted to HK\$6.0 million (2002: HK\$3.7 million). 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.



## REPORT OF THE DIRECTORS

### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 64.

### 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.

### DIRECTORS

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

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. Chung Lok Fai (*Resigned on 5 August, 2002*)

Mr. Tam Wing Chit, Tom (*Resigned on 10 January, 2003*)

\* *Independent non-executive Directors*

In accordance with Article 108 of the Company's Articles of Association, Ms. Chung Yuk Hung, Yvonne and Mr. Hou Hsiao Wen, Eddie 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 expired on 30 November, 2002 and have been reappointed for a further term of 2 years expiring on 30 November, 2004.



## REPORT OF THE DIRECTORS

### BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

#### DIRECTORS

##### Executive Directors

**HOU Hsiao Bing**, aged 48, the elder brother of Hou Hsiao Wen, Eddie, has been appointed as the Chairman of the Group on 5 August, 2002. He is responsible for the 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 22 years' experience in China businesses. Mr. Hou graduated from The Hong Kong Polytechnic University with a Diploma in Marketing.

**HOU Hsiao Wen, Eddie**, aged 43, 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 16 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.

**CHUNG Yuk Hung, Yvonne**, aged 42, 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 12 years' PRC experience in information technology industry and eight years' Hong Kong and PRC experience in finance and administration. Ms. Chung joined the Group in April 1994. Chung Yuk Hung, Yvonne is the elder sister of Mr. Chung Yuk Man, Kevin.

**CHUNG Yuk Man, Kevin**, aged 33, 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 younger brother of Ms. Chung Yuk Hung, Yvonne.





## REPORT OF THE DIRECTORS

### DIRECTORS (continued)

#### **Independent Non-Executive Directors**

**HO Wai Wing, Raymond**, aged 40, 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 marketing head of a telecommunication company in Hong Kong. Mr. Ho has 17 years' experience in sales and marketing in Hong Kong and Asia.

**LUI Ming, Rosita**, aged 39, 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 ten years. Her expertise is in business development, sales and marketing.

### SENIOR MANAGEMENT OF THE GROUP

**LAM Shut Chun**, aged 56, 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 17 years' PRC experience in marketing and business administration.

**YU Pei Liang**, aged 51, is the regional general manager of Truth Honour (Shanghai) Electronic Limited. 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 36, 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 eleven years' experience in auditing, accounting and finance field. Ms. Chan joined the Group in July 2000.



## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Mr. Chung Lok Fai (a former director resigned on 5 August, 2002), 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"), a former executive Director resigned on 10 January, 2003, had entered into a service contract with Task Consultants (a subsidiary of the Group which was disposed of on 10 January, 2003) for an initial term of two years commencing from 1 October, 2000. According to the service contract, 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, and also a performance bonus calculated by reference to the 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.

Followed by the disposal of Task Consultants on 10 January, 2003, Mr. Tam and other Directors of Task Consultants had waived their management bonus and performance bonus for the 12 months from 1 October, 2001 to 30 September, 2002.

The independent non-executive Directors have been appointed for a term expired on 30 November, 2002 and have been reappointed for a further term of 2 years expiring on 30 November, 2004. 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 year, 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,	
		2003 HK\$'000	2002 HK\$'000
Rental paid to Directors	(1)	136	-
Rental paid to the related companies	(2)	617	659
Management and performance bonus paid to Mr. Tam and certain employees of Task Consultants	(3)	-	1,045

- (1) The Group leased an office premise from Mr. Hou Hsiao Wen, Eddie and Ms. Chung Yuk Hung, Yvonne, both are executive Directors of the Company, in Beijing of the PRC for the Group's use.
- (2) The Group leased office premises from San Yee Investment Limited ("San Yee") and Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK\$558,000 (2002: HK\$600,000) and from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of HK\$59,000 (2002: HK\$59,000) 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 was a former Director and a shareholder of the Company. Mr. Hou Chung, Ms. Chung Po Chu and Ms. Tsou Lo Nien are shareholders of the Company.
- (3) 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 were 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 in last year. Followed by the disposal of Task Consultants on 10 January, 2003, Mr. Tam and certain employees of Task Consultants agreed to waive such bonuses for the current period at no consideration.

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 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.

## 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.



## REPORT OF THE DIRECTORS

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

#### (i) Shares

As at 31 March, 2003, 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	
Ms. Chung Yuk Hung, Yvonne	35,190,000 (Note 1)	-	-	-	35,190,000 (Note 1)
Mr. Chung Yuk Man, Kevin	35,190,000 (Note 2)	-	-	-	35,190,000 (Note 2)
Mr. Hou Hsiao Wen, Eddie	33,160,000 (Note 3)	-	-	-	33,160,000 (Note 3)
Mr. Hou Hsiao Bing	98,460,000 (Note 4)	-	-	-	98,460,000 (Note 4)

Notes:-

- Innovative Tech Worldwide Inc. ("ITW"), a company incorporated in the British Virgin Islands, was previously the registered shareholder of 262,500,000 Shares. On 10 July, 2002, ITW transferred the 262,500,000 Shares to various persons as directed by the shareholders of ITW pursuant to a distribution in specie ("Distribution"). Under the Distribution, 35,190,000 Shares were transferred to Ms. Chung Yuk Hung, Yvonne on 10 July, 2002, representing approximately 7.77 per cent. of the Shares in issue.
- Under the Distribution as stated in Note 1, 35,190,000 Shares were transferred to Mr. Chung Yuk Man, Kevin on 10 July, 2002, representing approximately 7.77 per cent. of the Shares in issue.
- Under the Distribution as stated in Note 1, 32,790,000 Shares were transferred to Mr. Hou Hsiao Wen, Eddie on 10 July, 2002. In addition to his acquisition of 370,000 Shares in August, 2002, Mr. Hou Hsiao Wen, Eddie's shareholding increased to 33,160,000, representing approximately 7.33 per cent. of the Shares in issue.
- Under the Distribution, 98,460,000 Shares were transferred to Mr. Hou Hsiao Bing on 10 July, 2002, representing approximately 21.75 per cent. of the Shares in issue.



## 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 31.3.2003	Expiry date
Ms. Chung Yuk Hung, Yvonne	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Chung Yuk Man, Kevin	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Hou Hsiao Wen, Eddie	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Hou Hsiao Bing	18/12/2000	0.4	2,000,000	17/12/2010

*Notes:—*

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

Save as disclosed above, at no time during the financial year ended 31 March, 2003, 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, 2003.



## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March, 2003, 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
Mr. Chung Lok Fai	1	80,370,000	17.76 per cent.
Ms. Tsou Lo Nien	2	80,370,000	17.76 per cent.
Mr. Hou Hsiao Bing	3	98,460,000	21.75 per cent.

Notes:—

1. Mr. Chung Lok Fai is the spouse of Ms. Tsou Lo Nien. Accordingly, Mr. Chung Lok Fai is deemed, by virtue of the SDI Ordinance, to be interested in all the Shares in which Ms. Tsou Lo Nien is interested. Together with the 45,125,000 Shares registered in his own name, Mr. Chung Lok Fai is deemed, by virtue of the SDI Ordinance, to be interested in 80,370,000 Shares, representing approximately 17.76 per cent. of the Shares in issue.
2. Ms. Tsou Lo Nien is the spouse of Mr. Chung Lok Fai. Accordingly, Ms. Tsou Lo Nien is deemed, by virtue of the SDI Ordinance, to be interested in all the Shares in which Mr. Chung Lok Fai is interested. Together with the 35,245,000 Shares registered in her own name, Ms. Tsou Lo Nien is deemed, by virtue of the SDI Ordinance, to be interested in 80,370,000 Shares, representing approximately 17.76 per cent. of the Shares in issue.
3. Mr. Hou Hsiao Bing is an executive Director.
4. 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, 2003.

### 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, 2003, neither DBS Asia, its directors, employees nor their associates, had any interest in any securities of the Company or any of its associated corporation.



## REPORT OF THE DIRECTORS

### 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				As at	No. of new shares arising therefrom
	1 April, 2002 No. of Options	Granted	Exercised	Cancelled	31 March, 2003 No. of Options	
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	(1,150,000)	6,900,000	Nil
Exercise price:						
HK\$0.40						
- Executive Directors						
Mr. Chung Lok Fai (Note 2)	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
	19,050,000	Nil	Nil	(1,150,000)	17,900,000	Nil

Notes:-

- During the financial year ended 31 March, 2003, 1,150,000 shares options were lapsed upon the resignation of the relevant employees of the Group.
- Mr. Chung Lok Fai resigned as a Director on 5 August, 2002, but remained as an employee of Truth Honour Electronic Limited, a subsidiary of the Company. As a result, the share options are still valid.



## REPORT OF THE DIRECTORS

### MANAGEMENT CONTRACTS

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

### PENSION SCHEME ARRANGEMENT

The Company and subsidiaries incorporated/operate in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the Pension Scheme.

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

The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The employer’s contributions vest fully with the employees when contributed to the MPF Scheme, except for the portion of voluntary contributions made by the employer, which will be refunded to the Group when the employees cease employment prior to vesting fully in the contributions, in accordance with the rules of the MPF Scheme.

The subsidiaries operating in the People’s Republic of China (the “PRC”) are required to participate in defined contribution retirement schemes, organised by relevant local government authorities. The subsidiaries are required to make contributions to the retirement schemes, at a rate of 11 per cent. to 22.5 per cent. of the basic salary of their employees and there is no other future obligations to the Group towards the employees’ retirement benefits.

### 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 90 per cent.
- five largest suppliers combined: Approximately 98 per cent.





## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS (continued)

#### Sales

- the largest customer: Approximately 28 per cent.
- five largest customers combined: Approximately 81 per cent.

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

### BOARD PRACTICES AND PROCEDURES

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

### PRE-EMPTIVE RIGHTS

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

### AUDIT COMMITTEE

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

The Audit Committee 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 risk 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.

### AUDITORS

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

On behalf of the Board

**Hou Hsiao Bing**

*Chairman*

Hong Kong, 18 June, 2003



# AUDITORS' REPORT



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor Prince's Building  
Central  
Hong Kong

TO THE SHAREHOLDERS OF SOLUTECK HOLDINGS LIMITED  
(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 33 to 63 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 of the Group as at 31 March, 2003 and of the Group's profit and cash flows 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, 2003



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	2	118,643	208,001
Cost of sales		(79,341)	(155,541)
Gross profit		39,302	52,460
Other revenue	2	311	660
Selling expenses		(7,363)	(11,933)
Administrative expenses		(28,357)	(31,889)
Gain on disposal of a discontinuing operation	3	5,286	–
Profit from operation	4	9,179	9,298
Finance costs	5	(195)	(116)
Operating profit		8,984	9,182
Taxation	6	(216)	(1,132)
Profit attributable to shareholders	7	8,768	8,050
Dividends	8	4,526	2,263
Basic earnings per share	9	1.94 cents	1.79 cents



# CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH, 2003

	<i>Notes</i>	2003 HK\$'000	2002 HK\$'000
Intangible assets	12	822	404
Fixed assets	13	1,363	1,626
Investment securities	16	–	–
<b>Current assets</b>			
Inventories	17	10,462	7,629
Accounts receivable	18	19,929	40,205
Bills receivable		–	7,274
Other receivables, deposits and prepayments		12,049	3,840
Prepaid taxation		850	–
Pledged bank deposits	25	7,000	7,000
Bank balances and cash	20	21,959	32,792
		72,249	98,740
<b>Current liabilities</b>			
Accounts payable	19	6,630	23,745
Other payables and accrued charges		5,884	4,432
Receipt in advance	1(c)	7,308	20,622
Taxation payable		157	383
Short-term bank loans, secured	25	3,769	5,084
		23,748	54,266
<b>Net current assets</b>		48,501	44,474
<b>Total assets less current liabilities</b>		50,686	46,504
<b>Financed by:</b>			
Share capital	22	45,261	45,261
Reserves	23(a)	899	(1,111)
Proposed final dividend	23(a)	4,526	2,263
<b>Shareholders' funds</b>		50,686	46,413
Deferred taxation	21	–	91
		50,686	46,504

On behalf of the Board

Hou Hsiao Bing  
Director

Chung Yuk Hung, Yvonne  
Director



# BALANCE SHEET

AS AT 31 MARCH, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Investments in subsidiaries	14	52,230	49,289
<b>Current assets</b>			
Other receivables, deposits and prepayments		112	14
Bank balances and cash		160	14
		272	28
<b>Current liabilities</b>			
Other payables and accrued charges		1,198	350
Net current liabilities		(926)	(322)
Total assets less current liabilities		51,304	48,967
<b>Financed by:</b>			
Share capital	22	45,261	45,261
Reserves	23(b)	1,517	1,443
Proposed final dividend	23(b)	4,526	2,263
Shareholders' funds		51,304	48,967

On behalf of the Board

Hou Hsiao Bing  
Director

Chung Yuk Hung, Yvonne  
Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH, 2003

	2003 HK\$'000	2002 HK\$'000
Total equity as at 1 April	46,413	37,316
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(4)	2
Profit for the year	8,768	8,050
Reserves transferred to profit and loss account upon disposal of subsidiary	(2,228)	–
Dividends	(2,263)	–
Issue of shares	–	1,045
Total equity as at 31 March	50,686	46,413



# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash (outflow)/inflow from operations	24(a)	(3,513)	5,791
Interest paid		(195)	(116)
Hong Kong profits tax paid		(506)	(1,568)
Overseas taxation paid		(816)	(366)
Net cash (outflow)/inflow from operating activities		(5,030)	3,741
Investing activities			
Purchase of fixed assets		(925)	(870)
Payment for software development costs		(470)	(404)
Interest received		311	660
Sale of a subsidiary, net of cash disposed	3	(1,174)	60
Decrease in pledged bank deposits		-	2,000
Net cash (outflow)/inflow from investing activities		(2,258)	1,446
Net cash (outflow)/inflow before financing		(7,288)	5,187
Financing activities			
New bank loan payable	24(b)	3,769	5,084
Repayment of amounts borrowed	24(b)	(5,047)	-
Dividends paid		(2,263)	-
Net cash (outflow)/inflow from financing		(3,541)	5,084
(Decrease)/increase in cash and cash equivalents		(10,829)	10,271
Cash and cash equivalents at 1 April		32,792	22,521
Effect of foreign exchange rate changes		(4)	-
Cash and cash equivalents at 31 March		21,959	32,792
Analysis of balances of cash and cash equivalents			
Bank balances and cash		21,959	32,792



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES

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

(a) **Basis of preparation**

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAP”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January, 2002:–

SSAP1 (revised)	:	Presentation of financial statements
SSAP11 (revised)	:	Foreign currency translation
SSAP15 (revised)	:	Cash flow statements
SSAP33	:	Discontinuing operations
SSAP34 (revised)	:	Employee benefits

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

(b) **Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March.

Subsidiaries are companies in which the Company, directly or indirectly, controls more than half the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of Directors; or to cast majority of votes at the meetings of the board of Directors.

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

The gain or loss on disposal of a subsidiary represents the difference between the sales proceeds and the Group’s share of its net assets, together with any negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account.

In the Company’s balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable.





## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (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 unrecognised portion is recorded as receipt in advance when deposits and instalment payments are received.

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

#### (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.

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.

#### (e) Inventories

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



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

(h) **Employee benefits**

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Company and subsidiaries incorporated/operate in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the Pension Scheme.

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

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The employer's contributions vest fully with the employees when they are contributed to the MPF Scheme, except for the portion of voluntary contributions made by the employer, which will be refunded to the Group when the employees cease employment prior to vesting fully in the contributions, in accordance with the rules of the MPF Scheme.



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (h) Employee benefits (continued)

##### (ii) Pension obligations (continued)

The subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes, organised by the 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 will be no other future obligations of the Group towards the employees' retirement benefits.

#### (i) Deferred taxation

Deferred taxation is accounted for, under the liability method, 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.

#### (j) 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.

#### (k) 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 at the date of acquisition.

Goodwill on acquisitions 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, while the amount was eliminated against reserves before 1 January, 2001.

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 acquisition occur 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.



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (k) Intangible assets (continued)

##### (i) Goodwill/negative goodwill (continued)

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

The gain or loss on disposal of an acquired entity is determined after taking into account the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January, 2001 acquisition, the related goodwill or negative goodwill, written off against or charged to 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 will not be recognised as an asset in a subsequent period.

##### (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.

#### (l) Investment securities

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

The carrying amounts of individual investment 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.



## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (m) 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.

#### (n) Translation of foreign currencies

The Group adopts Hong Kong dollars as its financial statement reporting currency. Transactions in foreign currencies are translated to Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated to Hong Kong dollars at rates of exchange ruling at the balance sheet date ("closing rate"). Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries outside Hong Kong expressed in currencies other than Hong Kong dollar are translated to Hong Kong dollars at closing rate whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the profit and loss accounts of subsidiaries outside Hong Kong were translated at closing rate. There is a change in accounting policy in current year, however, the translation of the profit and loss accounts of these subsidiaries in prior years has not been restated as the effect of this change is not material to the current and prior years.

#### (o) 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 segment 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

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (o) 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% of the consolidated turnover and less than 10% of the profit from operation of the Group are attributable to markets outside the PRC.

#### (p) Dividends

The Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date.

### 2. TURNOVER, REVENUE 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	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of goods	82,143	165,823
Rendering of services	36,500	42,178
	118,643	208,001
Other revenue		
Interest income	311	660
	311	660
Total revenue	118,954	208,661



## NOTES TO THE ACCOUNTS

### 2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

#### Primary reporting format – business segments

The Group is organised into two main business segments:–

Sales of goods – sale of electronic banking systems, other banking equipment and mailing systems

Rendering of service – provision of hardware and software technical support services

On 10 January, 2003, a subsidiary which was a component of the rendering of service segment was disposed of to an independent third party (Note 3).

	Sales of goods 2003 HK\$'000	Rendering of service 2003 HK\$'000	Group 2003 HK\$'000
Turnover	82,143	36,500	118,643
Segment results	7,739	31,259	38,998
Other revenue			311
Unallocated costs			(35,416)
Gain on disposal of a discontinuing operation			5,286
Profit from operation			9,179
Finance costs			(195)
Profit before taxation			8,984
Taxation			(216)
Profit attributable to shareholders			8,768
Segment assets	16,493	10,348	26,841
Unallocated assets			46,376
Total assets			73,217
Segment liabilities	4,961	7,532	12,493
Unallocated liabilities			11,255
Total liabilities			23,748
Capital expenditure	–	155	155
Unallocated capital expenditure			770
			925
Depreciation	–	161	161
Unallocated depreciation			825
			986
Other non-cash expenses			1,611



## NOTES TO THE ACCOUNTS

### 2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

	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 costs			(31,518)
Profit from operation			9,298
Finance costs			(116)
Profit before taxation			9,182
Taxation			(1,132)
Profit attributable to shareholders			8,050
Segment assets	43,803	16,849	60,652
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. DISCONTINUING OPERATION

On 10 January, 2003, the board of directors of Soluteck Holdings (BVI) Limited resolved to dispose of the entire interest in Task Consultants Limited (“Task Consultants”), a then wholly-owned subsidiary of the Group. The results and net assets of this subsidiary are included in the business segment of rendering of service for the purpose of segment reporting. The disposal is reported in the accounts as a discontinuing operation. The unaudited sales, results, cash flows and net assets of this subsidiary were as follows:–

	From 1 April, 2002 to 10 January, 2003 HK\$'000	Twelve months to 31 March, 2002 HK\$'000
Turnover	7,947	16,211
Cost of sales	(977)	(1,902)
Gross profit	6,970	14,309
Operating costs	(8,330)	(13,771)
Operating (loss)/profit	(1,360)	538
Finance costs	(10)	(4)
(Loss)/profit before taxation	(1,370)	534
Taxation	–	(215)
(Loss)/profit after taxation	(1,370)	319
Net operating cash inflow/(outflow)	392	(501)
Net investing cash inflow/(outflow)	1	(46)
Net financing cash (outflow)/inflow	(335)	372
Total net cash inflow/(outflow)	58	(175)



## NOTES TO THE ACCOUNTS

### 3. DISCONTINUING OPERATION (continued)

	At 10 January, 2003 HK\$'000	At 31 March, 2002 HK\$'000
Fixed assets (see also Note 13)	167	281
Current assets	3,249	6,726
Total assets	3,416	7,007
Total liabilities	(674)	(2,895)
Net assets	2,742	4,112
Net assets disposed	2,742	
Release of negative goodwill captured in reserve	(2,228)	
Partial proceeds received from the sale (Note a)	(200)	
Remaining proceeds receivable (Note a)	(5,600)	
Gain on disposal of discontinuing operation	(5,286)	

	At 10 January, 2003 HK\$'000
The net cash outflow on sale is determined as follows:-	
Partial settlement from sales	200
Less: Cash and cash equivalents in subsidiary sold	(1,374)
Sale of subsidiary, net of cash disposed	(1,174)

Note a:-

Pursuant to the sale and purchase agreement entered into between Soluteck Holdings (BVI) Limited and a third party buyer of Task Consultants (the "Agreement"), Task Consultants was disposed at a cash consideration of HK\$ 5.8 million, payable by seven installments according to a schedule specified in the Agreement up to 15 May, 2004. Partial settlement of the consideration of HK\$200,000 was received by the Group upon completion of the Agreement on 10 January, 2003, and the remaining proceeds receivable, totalling HK\$5.6 million, were recorded as other receivable on the consolidated balance sheet as at 31 March, 2003. In the opinion of the Directors, there is no recoverability associated with the remaining balance outstanding as at year end and therefore no provision has been made in the accounts.



## NOTES TO THE ACCOUNTS

### 4. PROFIT FROM OPERATION

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

	Group	
	2003 HK\$'000	2002 HK\$'000
<b>Crediting</b>		
Net exchange gain	2	7
<b>Charging</b>		
Auditors' remuneration	405	393
Amortisation of intangible assets	52	-
Cost of inventories	70,365	134,680
Depreciation	986	1,138
Loss on disposal of fixed assets	35	-
Operating leases for land and building	1,534	1,675
Provision for bad and doubtful debt	1,413	1,934
Bad debts written off	146	-
Research and development costs	2,556	1,859
Staff costs (including directors' emoluments) (Note 10)	22,447	29,160

### 5. FINANCE COSTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans	195	116



## NOTES TO THE ACCOUNTS

### 6. TAXATION

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Current taxation:			
– Hong Kong profits tax	(a)	–	1,210
– Overseas taxation	(b)	776	550
– Over provisions in prior years		(469)	(628)
Deferred taxation ( <i>Note 21</i> )		(91)	–
		<b>216</b>	<b>1,132</b>

Notes:–

- (a) No Hong Kong profits tax has been provided in current year as there are tax losses brought forward from previous years.
- (b) Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the subsidiaries of the Group operates.

### 7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$4,600,000 (2002: HK\$4,190,000).

### 8. DIVIDENDS

	Note	Group	
		2003 HK\$'000	2002 HK\$'000
Final, proposed, of HK\$0.01 (2002: HK\$0.005) per ordinary share	(a)	4,526	2,263
		<b>4,526</b>	<b>2,263</b>

- (a) At a meeting held on 18 June, 2003, the directors declared a final dividend of 1.0 cent per ordinary share. This proposed dividend is not reflected as dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March, 2004.



## NOTES TO THE ACCOUNTS

### 9. EARNINGS PER SHARE

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of HK\$8,768,000 (2002: HK\$8,050,000). The basic earnings per share is based on the weighted average of 452,612,072 (2002: 450,672,698) shares in issue during the year.

No diluted earnings per share for the year ended 31 March, 2003 is presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect. For the year ended 31 March, 2002, no diluted earnings per share is presented as there is no material dilutive effect arising from the share options granted by the Company.

### 10. STAFF COSTS

	2003 HK\$'000	2002 HK\$'000
Wages and salaries	21,310	28,231
Termination benefits	100	–
Pension costs – defined contribution plans	1,037	929
	22,447	29,160

### 11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (a) Directors' emoluments

Emoluments of the directors of the Company during the year are as follows:–

	2003 HK\$'000	2002 HK\$'000
Independent non-executive directors		
Fees	–	–
Basic salaries, allowances and benefits in kind	120	120
Executive directors		
Fees	–	–
Basic salaries, allowances and benefits in kind	4,254	4,809
Contributions to pensions schemes	54	60
	4,428	4,989

The executive directors received individual emoluments for the year ended 31 March, 2003 of approximately HK\$180,000 (2002: HK\$1,110,999), HK\$970,845 (2002: HK\$681,999), HK\$963,307 (2002: HK\$681,999), HK\$952,000 (2002: HK\$681,999), HK\$736,000 (2002: HK\$438,999) and HK\$505,998 (2002: HK\$1,273,203) respectively.

Please also refer to note 22 for details of options granted to executive directors.



## NOTES TO THE ACCOUNTS

### 11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: two) directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining two (2002: three) individuals during the year are as follows:-

	2003 HK\$'000	2002 HK\$'000
Basic salaries, allowances and benefits in kind	1,691	3,784
Discretionary bonuses	-	-
	<b>1,691</b>	<b>3,784</b>

The emoluments of the directors fell with the following bands:-

	Number of individuals	
	2003	2002
Emolument bands		
HK\$Nil – HK\$1,000,000	2	-
HK\$1,000,001 – HK\$1,500,000	-	3
	<b>2</b>	<b>3</b>

During the year ended 31 March, 2003, no emoluments have been paid by the Group to the directors and the two highest paid individuals other than the directors above as bonus, an inducement to join the Group or as compensation for loss of office (2002: Nil).

### 12. INTANGIBLE ASSETS

#### Software development costs

	2003 HK\$'000	2002 HK\$'000
At 1 April	404	-
Additions	470	404
Amortisation	(52)	-
At 31 March	<b>822</b>	<b>404</b>



## NOTES TO THE ACCOUNTS

### 13. FIXED ASSETS

	Leasehold improvements <i>HK\$'000</i>	Group Office equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 April, 2002	985	5,505	340	6,830
Additions	176	749	–	925
Disposal of a subsidiary	(119)	(641)	–	(760)
Disposals	(65)	–	–	(65)
At 31 March, 2003	977	5,613	340	6,930
Accumulated depreciation				
At 1 April, 2002	836	4,028	340	5,204
Charge for the year	66	920	–	986
Disposal of a subsidiary	(76)	(517)	–	(593)
Disposals	(30)	–	–	(30)
At 31 March, 2003	796	4,431	340	5,567
Net book value				
At 31 March, 2003	181	1,182	–	1,363
At 31 March, 2002	149	1,477	–	1,626

### 14. INVESTMENTS IN SUBSIDIARIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted investments, at cost	27,826	27,826
Amounts due from subsidiaries	24,404	21,463
	52,230	49,289



## NOTES TO THE ACCOUNTS

### 14. INVESTMENTS IN SUBSIDIARIES (continued)

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following is a list of the subsidiaries of the Company as at 31 March, 2003:–

Name of company	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particulars of issued shares capital/ registered capital	Interest held %
Subsidiary held directly:				
Soluteck (BVI) Holdings Limited	British Virgin Islands, limited liability company ("BVI")	Investment holding in Hong Kong	1,000 ordinary shares of US\$1 each	100
Subsidiaries held indirectly:				
Mason Electronics Limited	Hong Kong, limited liability company	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, limited liability company	Inactive	1,000,000 ordinary shares of HK\$1 each	100
Truth Honour Electronic Limited	Hong Kong, limited liability company	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in Hong Kong	2 ordinary shares of HK\$1 each and 3,000,000 non-voting deferred shares of HK\$1 each	100
Truth Honour Electronics (GFTZ) Limited **	PRC, limited liability company	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in the PRC	Registered capital of US\$200,000	100





## NOTES TO THE ACCOUNTS

### 14. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particulars of issued shares capital/ registered capital	Interest held %
Subsidiaries held indirectly (continued):				
Truth Honour (BVI) Holdings Limited	BVI, limited liability company	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, limited liability company	Design and development of banking and postal application software in the PRC	Registered capital of US\$150,000	100
信興通(北京)信息技術 有限公司 **	PRC, limited liability company	Provision of hardware and software technical support services for electronic banking systems and mailing systems in the PRC	Registered capital of US\$150,000	100
上海新峰創電子技術 有限公司 **	PRC, limited liability company	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in the PRC	Registered capital of US\$200,000	100
信興電子技術(成都) 有限公司 **	PRC, limited liability company	Sale of electronic banking systems and mailing systems and provision of related hardware and software technical support services in the PRC	Registered capital of US\$150,000	100

\* Subsidiaries have financial accounting period ends at 31 December, which is not coterminous with the Group. The Board of Directors of the Company considers the financial impact of the three-month intervening period from 1 January, 2003 to 31 March, 2003 is insignificant.

# Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 12% of the Group's total assets as at 31 March, 2003.



## NOTES TO THE ACCOUNTS

### 15. ASSOCIATED COMPANY

During the year, the associated company was disposed of by the Group along with the disposal of Task Consultants, the immediate holding company of the associated company, on 10 January, 2003 as disclosed in Note 3 to the accounts.

### 16. INVESTMENT SECURITIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted, at cost	19	19
Less: Provision for diminution in value	(19)	(19)
	-	-

### 17. INVENTORIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Merchandise for re-sale	6,481	5,055
Spare parts	3,981	2,574
	10,462	7,629

At 31 March, 2003 and 2002, all inventories were stated at cost.

### 18. ACCOUNTS RECEIVABLE

The majority of the Group's turnover is on credit terms ranging from sixty to ninety days. At 31 March, 2003, the ageing analysis of the accounts receivable was as follows:-

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 60 days	12,515	14,713
61 – 90 days	1,621	1,333
Over 90 days	5,793	24,159
	19,929	40,205



## NOTES TO THE ACCOUNTS

### 19. ACCOUNTS PAYABLE

At 31 March, 2003, the ageing analysis of the accounts payable was as follows:-

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 60 days	3,538	7,996
61 – 90 days	287	10,603
Over 90 days	2,805	5,146
	<b>6,630</b>	<b>23,745</b>

### 20. BANK BALANCES AND CASH

Included in the balance was approximately HK\$8,969,000 (2002: HK\$15,294,000), representing bank deposits denominated in Renminbi 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. DEFERRED TAXATION

	Group	
	2003 HK\$'000	2002 HK\$'000
At 1 April	91	91
Credited to profit and loss	(91)	–
At 31 March	–	91
Provided for in respect of:		
Accelerated depreciation allowances	–	91



## NOTES TO THE ACCOUNTS

### 22. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 March, 2002 and 2003	1,000,000,000	100,000
	Issued and fully paid	
	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 March, 2001	450,000,000	45,000
Issue of shares	2,612,072	261
At 31 March, 2002 and 2003	452,612,072	45,261

#### 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% of the shares in issue from time to time (excluding shares issued up on the exercise of options granted 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, Pre-IPO share options ("Pre-IPO share options") were granted to certain Directors of the Company and employees of the Group, respectively under the Share Option Scheme to subscribe for 10,000,000 and 10,600,000 shares of the company. The exercise prices of these share options range from HK\$0.2 to HK\$0.4 per share. 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 of the company on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, respectively. These options have a life of 10 years from the date on which the grant was made.
- (c) During the year, no options were granted or, exercised and 1,150,000 options lapsed upon resignation of the relevant employees of the Group. As at 31 March, 2003, options to subscribe for 17,900,000 shares of the Company were outstanding.



## NOTES TO THE ACCOUNTS

### 23. RESERVES

(a)	Group					Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Reserve arising from reorganisation HK\$'000 (Note i)	Exchange reserve HK\$'000	Retained earnings HK\$'000	
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
At 1 April, 2002	1,194	2,228	(24,317)	-	22,047	1,152
Exchange difference	-	-	-	(4)	-	(4)
Profit for the year	-	-	-	-	8,768	8,768
Reserves transferred to profit and loss account upon disposal of a subsidiary (Note 3)	-	(2,228)	-	-	-	(2,228)
2002 final dividend	-	-	-	-	(2,263)	(2,263)
At 31 March, 2003	1,194	-	(24,317)	(4)	28,552	5,425
2003 final dividend proposed	-	-	-	-	(4,526)	(4,526)
At 31 March, 2003	1,194	-	(24,317)	(4)	24,026	899

Note:-

- (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 these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.



## NOTES TO THE ACCOUNTS

### 23. RESERVES (continued)

(b)

	Share premium <i>HK\$'000</i>	Company (Accumulated losses)/ Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	–	(2,263)	(2,263)
At 31 March, 2002	1,194	249	1,443
At 1 April, 2002	1,194	249	1,443
Profit for the year	–	4,600	4,600
At 31 March, 2003	1,194	4,849	6,043
2003 final dividend proposed	–	(4,526)	(4,526)
At 31 March, 2003	1,194	323	1,517



## NOTES TO THE ACCOUNTS

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Operating profit	8,984	9,182
Depreciation	986	1,138
Amortisation of intangible assets	52	–
Loss on disposal of fixed assets	35	–
(Gain)/loss on disposal of a discontinuing operation	(5,286)	21
Provision for diminution in value of investment securities	–	19
Interest income	(311)	(660)
Interest expenses	195	116
Operating profit before working capital changes	4,655	9,816
Management and performance bonus satisfied by issue of shares of the Company	–	1,045
Increase in inventories	(2,833)	(5,479)
Decrease in accounts and bills receivables	25,928	2,696
(Increase)/decrease in other receivables, deposits and prepayments	(2,862)	728
(Decrease)/increase in accounts payables	(17,051)	5,238
Increase/(decrease) in other payables and accrued charges	1,964	(2,243)
Decrease in receipt in advance	(13,314)	(6,010)
Net cash (outflow)/inflow from operations	(3,513)	5,791



## NOTES TO THE ACCOUNTS

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (b) Analysis of changes in financing during the year

	Bank loans	
	2003 HK\$'000	2002 HK\$'000
Balance at the beginning of the year	5,084	–
Payment of amounts borrowed	(5,047)	–
New bank loans	3,769	5,084
Loans of subsidiary disposed of	(37)	–
Balance at the end of the year	3,769	5,084

### 25. BANKING FACILITIES

As at 31 March, 2003, the Group's banking facilities of approximately HK\$45.2 million (2002: HK\$45.2 million) are secured and supported by the following:–

- (a) pledged deposits of HK\$7,000,000 (2002: HK\$7,000,000); and
- (b) corporate guarantees granted by the Company and several subsidiaries of the Group of approximately HK\$46.5 million (2002: HK\$46.5 million);

### 26. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDING

At 31 March, 2003, the Group had future aggregate minimum lease payments under operating leases as follows:–

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	761	1,234
In the second to fifth year inclusive	34	951
	795	2,185





## NOTES TO THE ACCOUNTS

### 27. RELATED PARTY TRANSACTIONS

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

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Rental paid to Directors	(a)	136	-
Rental paid to the related companies	(b)	617	659
Management and performance bonus paid to Mr. Tam and certain employees of Task Consultants	(c)	-	1,045

Notes:-

- (a) The Group leased a office premise from Mr. Hou Hsiao Wen, Eddie and Ms. Chung Yuk Hung, Yvonne, both are executive Directors of the Company, in Beijing of the PRC for the Group's use.
- (b) The Group leased office premises from San Yee Investment Limited ("San Yee") and Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK\$558,000 (2002: HK\$600,000) and from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of HK\$59,000 (2002: HK\$59,000). 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 was a former Director and a shareholder of the Company. Mr. Hou Chung, Ms. Chung Po Chu and Ms. Tsou Lo Nien are shareholders of the Company.
- (c) Pursuant to service contracts entered into between Task Consultants, Mr. Tam (shareholder and a former Director) and certain employees of Task Consultants on 18 October, 2000 for a term of two years commencing 1 October, 2000, Mr. Tam and certain employees were 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 in last year. Followed by the disposal of Task Consultants on 10 January, 2003, Mr. Tam and certain employees of Task Consultants agreed to waive such bonus for the current period at no consideration.

### 28. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18 June, 2003.



## FIVE YEAR FINANCIAL SUMMARY

	2003		2002		2001		2000	1999
	Continuing operations HK\$'000	Discontinuing operation* HK\$'000	Continuing operations HK\$'000	Discontinuing operation* HK\$'000	Continuing operations HK\$'000	Discontinuing operation* HK\$'000		
<b>Result</b>								
Turnover	110,696	7,947	191,790	16,211	292,353	11,038	212,774	234,805
Profit/(loss) attributable to Shareholders	10,138	(1,370)	7,730	320	22,025	2,068	22,991	25,414
<b>Assets and liabilities</b>								
Total assets	74,434	-	93,763	7,007	86,721	4,122	106,559	128,805
Total liabilities	(23,748)	-	(51,462)	(2,895)	(53,497)	(30)	(83,150)	(68,417)
Net assets	50,686	-	42,301	4,112	33,224	4,092	23,409	60,388

\* A subsidiary principally which was engaged in software development acquired by the Group in September 2000 was disposed of on 10 January, 2003. Its business is grouped under the rendering of service for the purpose of segment reporting as described in Notes 2 and 3 to the accounts.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Soluteck Holdings Limited (the “Company”) will be held at the Basement Function Room II, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on 30 July, 2003 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, 2003;
2. to approve and declare a final dividend for the year ended 31 March, 2003;
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



## NOTICE OF ANNUAL GENERAL MEETING

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

(d) for the purposes of this Resolution:

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

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

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



## NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate nominal amount of shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly;
  - (c) for the purposes of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, the Company Law of the Cayman Islands or any other applicable law to be held; and
    - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.
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 sub-paragraph (ii) of paragraph (c) of such Resolution.

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

Hong Kong, 20 June, 2003

*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.



## NOTICE OF ANNUAL GENERAL MEETING

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the principal office of the Company at Room 1004, SUP Tower, 75-83 King's Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. 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, 2003 to 30 July, 2003, 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, 2003 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, Computershare Hong Kong Investor Services 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, 2003.
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, 2003.