Annual Report 2006

SOLUTECK HOLDINGS LIMITED

一創科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8111

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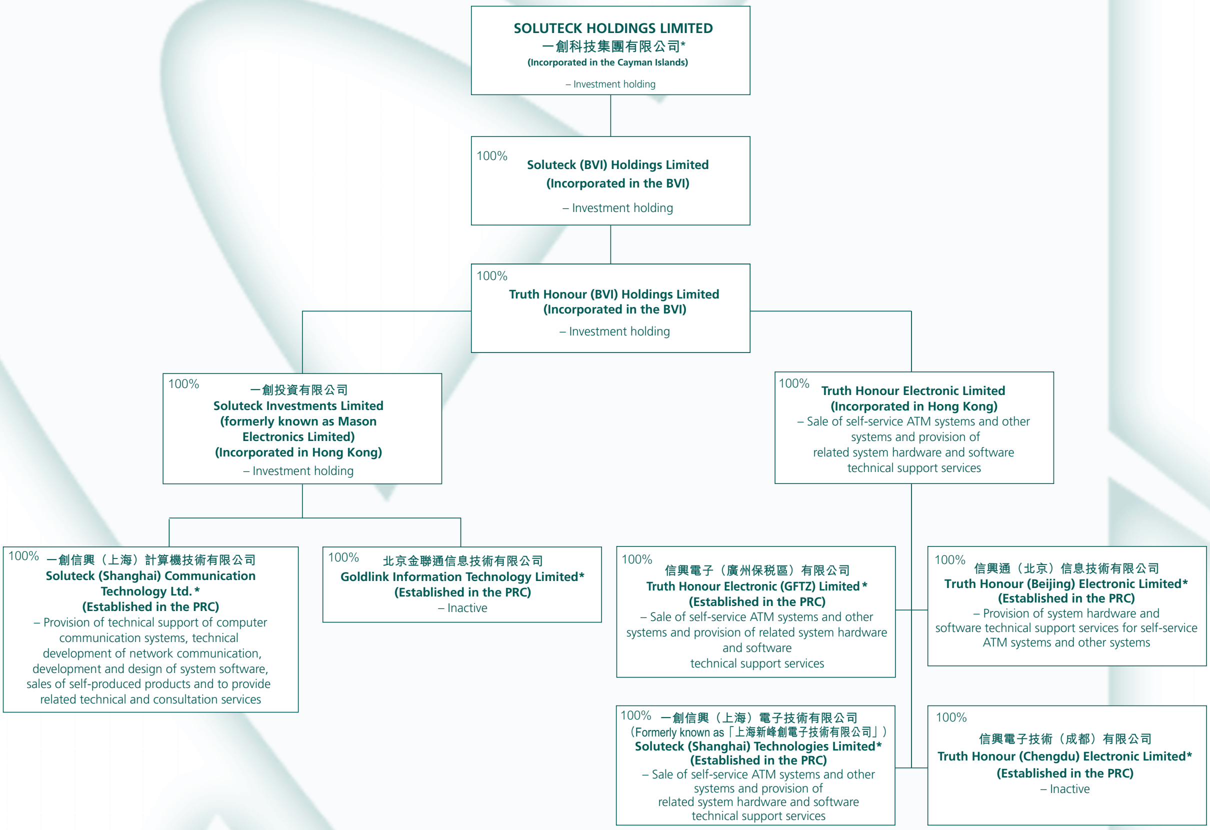
This report, for which the directors (the "Directors") of Soluteck Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of 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.

CONTENTS

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 CALENDAR HIGHLIGHTS

Announcement of final results for the year	**14 June 2006**	17 June 2005
Annual General Meeting for the year	**28 July 2006**	26 July 2005

LETTER FROM THE CHAIRMAN

ANNUAL RESULTS HIGHLIGHTS

The net loss of the Group for the financial year ended 31 March 2006 was approximately HK$2.6 million (net loss of the Group for the financial year ended 31 March 2005 was approximately HK$11.9 million).

The turnover of the Group for the financial year ended 31 March 2006 was approximately HK$34.1 million, representing a decrease of approximately 49.1 per cent. as compared to the financial year ended 31 March 2005.

Gross profit margin of the Group was approximately 46.0 per cent. in the financial year ended 31 March 2006, compared to approximately 19.8 per cent. in the financial year ended 31 March 2005.

Loss per share for the financial year ended 31 March 2006 was approximately HK0.58 cents (loss per share for the financial year ended 31 March 2005 was approximately HK2.63 cents).

The Directors do not recommend the payment of a dividend for the financial year ended 31 March 2006 (dividend per Share for the financial year ended 31 March 2005: Nil).

BUSINESS REVIEW

The continuous fierce competition among players in the market of the People's Republic of China (the "PRC" or "China") still greatly suppressed the Group's performance during the year under review, which resulted the Group yet to record a decline in turnover. However, with the Group's management to uphold the policy of "screening out" of unprofitable projects and its tight control on cost, it is pleased to notice that a significant improvement on gross profit margin has been achieved for the year under review despite the intense competition as aforesaid. Nevertheless, the Group will keep on restructuring on its business operations and structures, and will have its business strategies modified whenever necessary, aiming to strengthen its competitiveness and improve its operating capability and efficiency, and strive to prefect its strategies and structures sought to reduce expenses, preserve resources and maximize profitability whenever possible.

With its strong presence and clientele of reputable postal bureaus, banking and financial institutions established in China yet, and in order to re-position itself as a more service-oriented operations, so as to provide the Group with a steady and recurrent cash-based income, the Group, which already as an established and leading Total Solution Providers for the finance sector in the PRC, has continued to dedicate more resources and efforts to the provision of technical and value-added services apart from committing 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 the PRC during the year under review. On the other hand, by the establishment of Soluteck (Shanghai) Communication Technology Limited and the network of ATM services centers to cover a total of 29 strategic cities and locations in China, the Group's service network in China has been strategically refined, which a more effective channel for reaching out and fostering relationships with existing and new clients has been set up. On top of that, new contracts were successfully and successively secured with a number of financial institutions and postal bureaus like the Commercial Bank, The Bank of Communications, Shanghai Pudong Development Bank and several postal bureaus for the provision of system maintenance and enhancement services during the year under review. It should be a result of the Group's progressive effort put on improving the existing maintenance service quality caused by the expansion of the service business segment, the increasing in the provision of value-added services delivered to our customers, the exploration of new business opportunity in corporate outsourcing technical service sector, and the business strategies refined by the management during the year under review.

BUSINESS PROSPECTS

The reform of financial industry in China is endlessly progressed at a rapid pace as before, and local commercial banks continue to speed up their development on retail banking business on top of the original operations as to face the challenge to be led by the opening up of the PRC financial industry to foreign-owned banks by the end of 2006. To succeed in this new competitive atmosphere, they are proactively seeking ATM partners (especially those with international experience and connections) to outsource their ATM operations and to bring with them international best practice, knowledge, expertise, systems and technologies. It should be no doubt that the demand for state-of-the-art ATM services will further be heightened by the needs of local practitioners to align with international standards resulted from the modernization and advancement of cities in the PRC.

To cope with the aforesaid environment, the Group will, by further taking advantage on its existing prestige as an authorized value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited ("NCR") and related applications software for commercial banks in China, together with the non-stopping efforts to be put on the enhancement of closer customer relationships, broadening business relationship and the exploration of new business opportunity in corporate outsourcing technical service sector, in order to fully commit itself to be one of the leading Total Solution Providers for the banking sector in China, offering a full range of banking and financial system solutions, from the supply of hardware to software development, banking applications to value-added complementary services and the like. The Group believes, with its competitive strengths in China remains, on top of its carrying of keeping abreast of all latest developments in the industry in order to consolidate existing activities and be prepared to diversify into new areas (whenever found to be necessary and suitable to do so), will surely be one of the vital players and to make considerable contribution in the above-mentioned evolution in China's financial infrastructure.

We expect the coming year yet to be more promising but still challenging year for the Group. However, leveraging on our prudent and experienced management and our strong and determined workforce, the Group, by keeping on boosting its marketing effort in the PRC to bring in new customers, will strive to maintain and expand its operations farther, thus expanding our market share while at the same time bringing along greater return to our shareholders.

DIVIDEND

The Board does not recommend the payment of a dividend for the financial year ended 31 March 2006 (2005: Nil).

LETTER FROM THE CHAIRMAN

APPRECIATION

EMPLOYEES

As at 31 March 2006, the Group employed 13 and 114 staff in Hong Kong and the PRC, 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, 14 June 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

REVIEW OF OPERATIONS

The Group recorded a turnover of approximately HK$34.1 million (2005: HK$67.0 million), representing a decrease of approximately 49.1 per cent. compared with the previous year. The drop in the Group's turnover was largely attributable to the Group's policy to undertake projects of higher profitability and fierce competition among suppliers of ATM systems in the People's Republic of China (the "PRC" or "China") remained.

Loss attributable to shareholders amounted to approximately HK$2.6 million (2005: loss attributable to shareholders of approximately HK$11.9 million), attributable to a loss per share of approximately HK0.58 cents (2005: loss per share of approximately HK2.63 cents). The reduction in loss in the current year under review was resulted mainly from the increase in gross profit margin and decreases in the selling expenses and administrative expenses.

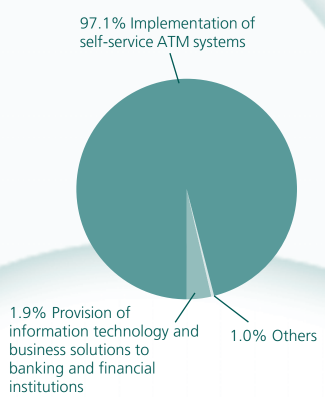
The Group's gross profit margin was approximately 46.0 per cent. in the financial year ended 31 March 2006 (2005: 19.8 per cent.). The management believes that the rise in the Group's gross profit margin was mainly due to the "screening out" of unprofitable projects and a result of the Group's policy on cost control.

REVENUE AND TURNOVER

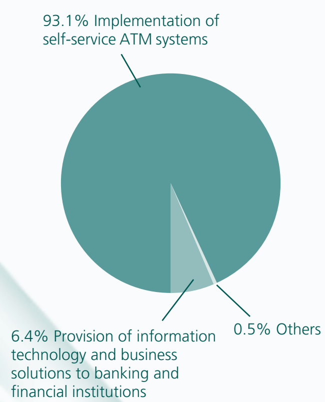
The Group is principally engaged in the sale of self-service ATM systems and other banking equipment, and the provision of hardware and software technical support services. Revenues recognized during the financial year are as follows:

	Financial year ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**17,321**	48,736
Rendering of services	**16,747**	18,250
	34,068	66,986
Other revenue		
Interest income	**78**	253
	34,146	67,239

Analysis of turnover by industry nature for the financial year ended 31 March, 2006



Analysis of turnover by industry nature for the financial year ended 31 March, 2005



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

IMPLEMENTATION OF SELF-SERVICE ATM SYSTEMS

During the financial year ended 31 March 2006, implementation of self-service ATM systems remained the Group's core business and accounted for approximately 97.1 per cent. (2005: 93.1 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$33.1 million, representing a decrease of approximately 47.0 per cent. compared with the previous financial year. Such decrease was mainly a result of the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC remained.

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 is fully committed itself as a reliable and reputable vendor and a Total Solution Provider for self-service ATM systems. With China's entry into the World Trade Organisation ("WTO"), more banks and postal bureaus in the PRC will need to offer additional services and expand their branch networks to compete with international facilities in order to operate in the market. They have to gear up to improve their information technology infrastructure and operating efficiency, so as to consolidate and strengthen their respective market standing. The Group believes that demand for the implementation of self-service ATM systems will continue to grow in China, especially with China's fast economic growth.

New contracts had been signed with the Bank of Communication, Commercial Bank, Shanghai Pudong Development Bank and postal bureaus during the financial year ended 31 March 2006. By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Kunming, Hangzhou, Jinan, Chuanzhou, Guangzhou, Shanghai, Beijing, Chengdu, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Fuzhou, Wuxi, Tianjin, Shenzhen, Zhejiang, Yantai, Sanming, Suzhou, Dalian and Zhuhai, the network of ATM services was strategically located and the Group has ATM service centers to cover a total of 29 strategic cities and locations currently.

PROVISION OF INFORMATION TECHNOLOGY AND BUSINESS SOLUTIONS

The provision of information technology and business solutions accounted for approximately 1.9 per cent of the Group's turnover for the financial year ended 31 March 2006 (2005: 6.4 per cent). With China's fast economic growth, the Group believes that the economic activities will be fueled which in turn will create demand from banking and financial institutions in China for the Group's information technology and business solutions. The Group has already succeeded in developing software applications for converging banking business platforms and other state-of-the-art application software for banking and financial institutions and postal bureaus.

OTHERS

Others include the implementation of electronic postal automation systems and the like and accounted for approximately 1.0 per cent. (2005: 0.5 per cent.) of the total turnover of the Group for the financial year ended 31 March 2006. Since the development of electronic postal automation systems that include mailing finishing systems, volume mailing handling systems and franking machines are still greatly hindered by market competition and acceptance, the Group at this stage would not put any effort in any new development of this business stream and the aforesaid sales recorded is just from existing clients.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

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 49.2 per cent. (2005: 27.2 per cent.) of the total turnover of the Group for the financial year ended 31 March 2006. Actual income derived from the provision of technical consultancy and support services decreased by approximately 8.2 per cent. mainly because of the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC.

INTEREST INCOME

As a result of the decline in bank balance for the period under review, the bank interest income of the Group declined by approximately 69.2 per cent. to approximately HK$78,000 during the financial year ended 31 March 2006.

GROSS PROFIT

The Group's gross profit margin was approximately 46.0 per cent. in the financial year ended 31 March 2006 (2005: 19.8 per cent.). Such an increase was predominantly attributable to the "screening out" of unprofitable projects and a result of the Group's policy on cost control.

SELLING EXPENSES

The Group had implemented successful cost control measures during the year under review, which contributed to a reduction in selling expenses by HK$1.8 million, representing a decrease of almost 35.6 per cent. to HK$3.3 million (2005: HK$5.1 million).

ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Group for the financial year ended 31 March 2006 amounted to approximately HK$13.9 million (2005: HK$19.1 million), representing a decrease of approximately 27.2 per cent. as a result of the Group's policy on cost control.

Staff costs (including Directors emoluments) which were included in both selling expenses and administrative expenses decreased by approximately 32.3 per cent. to approximately HK$9.3 million (2005: HK$13.7 million) mainly because of the decrease in the average number of employees from 133 during the financial year ended 31 March 2005 to 128 during the financial year ended 31 March 2006 and tighter control on staff costs.

A general provision for slow moving and obsolete inventories of HK$1.0 million (2005: HK$1.0 million) has been provided for during the year under review.

Depreciation expenses decreased by approximately 21.9 per cent. to HK$481,000 (2005: HK$616,000) as compared to that of last financial year mainly because certain fixed assets became fully depreciated in previous years.

Operating leases for land and building dropped as savings achieved from reduced floor area leased during the year.

Besides, there is no amortization of intangible assets during the year under review (2005: amortization of approximately HK$665,000) because all intangible assets have been fully amortized in previous years.

FINANCE COSTS

The finance costs of the Group for the financial year ended 31 March 2006 decreased to HK$391,000 (2005: HK$503,000) mainly because all the short-term bank loans have been entirely settled during the year.

INCOME TAX EXPENSES

The Group's income tax expenses for the financial year ended 31 March 2006 increased slightly to approximately HK$796,000 (2005: HK$698,000).

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

The Group generally finances its operations with internally generated cash flow. As at 31 March 2006, the Group had cash and bank balances amounting to a total of approximately HK$3.8 million (2005: HK$8.6 million) and had outstanding bank overdraft and outstanding short-term bank loan of approximately HK$3.4 million and HK$nil respectively (2005: HK$3.9 million and HK$4.8 million respectively) which represented the total borrowings of the Group as at that date. The bank overdraft was at 0.75% per annum over Hong Kong Dollar prime rate while the short-term loan was repayable within 1 year and at interest rate of approximately 5 per cent. over the base rate announced by the People's Bank of China.

CURRENT RATIO

As at 31 March 2006, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 3.6 (2005: 2.7).

GEARING RATIO

As at 31 March 2006, the gearing ratio of the Group, based on total liabilities over total assets was approximately 28.8 per cent. (2005: approximately 37.6 per cent.).

DIRECTORS' OPINION ON SUFFICIENCY OF WORKING CAPITAL

In view of the Group's financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

BANKING FACILITIES

Although the Group has consistently been in a liquid position, credit facilities have nevertheless been put in place for contingency purposes. As at 31 March 2006, the Group's banking facilities of approximately HK$9.0 million (2005: HK$28.0 million) are secured by the following:

(a) pledged deposits of HK$Nil (2005: HK$5.1 million); and

(b) corporate guarantees granted by the Company and several subsidiaries of the Group of approximately HK$15.0 million (2005: HK$32.0 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

CHARGES ON ASSETS

As at 31 March 2006, the Group had an approximately HK$9.0 million (2005: HK$28.0 million) banking facilities with banks in Hong Kong, which were secured by a pledge of the Group's deposits of approximately HK$Nil (2005: HK$5.1 million) at the banks.

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

CONTINGENT LIABILITIES

As at 31 March 2006, the Group did not have any significant contingent liabilities.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with transactions settled in RMB principally and did not have any significant exposure to foreign exchange risk during the year.

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. Particulars of the scheme are set out in the relevant sections of this report.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There were no significant acquisitions and disposals of investments by the Group during the year under review.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its Shares during the financial year ended 31 March 2006. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year ended 31 March 2006.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company are committed to maintain a high stand of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the financial year under review, the Company has complied with the Code except the followings:

Distinctive roles of Chairman and Chief Executive Officer

Code Provisions
Under the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Deviation and its Reasons
Mr. Hou Hsiao Bing is both the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group's business. Mr. Hou has been both Chairman and Chief Executive Officer of the Company since 5 August 2002. The management considered that there is no imminent need to change the arrangement for there are only 2 directors in the board of Directors are executive directors.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rule as the code of conduct for securities transactions by Directors of the Company ("Code for Director's Dealings"). The Company has made specific enquiry with all Directors and all Directors have complied with the requirements set out in the Code for Director's Dealing for the year under review.

BOARD OF DIRECTORS

The Board comprises of two executive Directors and three independent non-executive directors. The brief biographical details and the relationship between the directors are described on page 18 to 19 of this annual report. As aforesaid, the executive Director of the Company namely Mr. Hou Hsiao Bing is both the Chairman and Chief Executive Officer of the Company.

The Board of directors is accountable to shareholders for the activities and performance of the Group and for the preparation of financial statements which give a true and fair view. It oversees the Group's overall strategic plans, reviews the financial performance, supervise the management of the business and affairs and to approve the strategic plans. The Board delegate corporate matters to Management of the Group, including preparation of annual, interim and quarterly accounts, execution of business strategies and adopted by the Board, implementation of internal controls system and compliance with relevant statutory requirements, rules and regulations. Management is required to present an annual budget, and any proposal for major investment, addition of capital assets, and change in business strategies for the Board's approval.

During the year, the Board held four meetings to exercise their duties including discussing and making decisions on the Group's business strategic development, finance matters, material operational matters and other matters as required.

CORPORATE GOVERNANCE REPORT

Currently, at every annual general meeting of the Company, one-third of all the directors including the independent non-executive Directors shall retire from office by rotation. A retiring director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

All the three independent non-executive directors ("INDs") come from professional backgrounds and one of them has appropriate accounting and financial management expertise. The INDs render valuable expertise and experience for promoting the best interests of the Group. There is no service contract between the INDs and the Company. The INDs are not appointed for a specific term but are subject to retirement by rotation and re-election at every annual general meeting of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his independent pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive directors are independent.

The Board conducts four regular Board meetings at approximately quarterly a year in addition to other Board meetings to review the performance and finance matters of the Groups, and for statutory purpose. The Board has established committees, namely Audit Committee and Remuneration Committee to oversee particular aspects of the Company's affairs.

Statistics of Director's attendance at the regular Board Meeting:

Name of director	Title	Attendance at Board Meetings/No. of Board Meeting held
Mr. Hou Hsiao Bing	Chairman, Chief Executive Officer	4/4
Mr. Hou Hsiao Wen	Executive Director	4/4
*Ms. Lui, Ming Rosita	Independent non-executive director	0/4
*Mr. Tam Kam Biu, William	Independent non-executive director	0/4
*Mr. Ho Wai Wing, Raymond	Independent non-executive director	0/4

* *INDs who will not attend the Company's regular Board Meetings*

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2005 with defined terms of reference. It's role is to review and determines the policy for the remuneration of directors and senior management. Currently, it comprises the chairman and Chief Executive Officer, and three independent non-executive directors Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William with the Chairman and Chief Executive Officer as the Chairman of the Committee.

The Committee held one meeting during the financial year under review to discuss the policy and structure of the remuneration of the directors and senior management.

The Remuneration Committee is mainly responsible for:

(a) Making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and as the establishment of a formal and transparent procedure for developing policy as such remuneration.

(b) Determining the specific remuneration packages of an executive directors and senior management and make recommendation to the Board of the remuneration of the non-executive directors.

(c) Reviewing and approving the performance-based remuneration.

(d) Review and approving the compensation payable to executive director and senior management in connection with any loss or termination of office or appointment.

(e) Reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct.

NOMINATION OF DIRECTORS

In considering the nomination of a new director, the Board will take into account the qualification, ability, working experience, and professional ethics of the candidates. Currently the full Board is responsible for selection and approval of candidates for appointment as executive director to the Board. The Board will arrange meeting for nomination of director on an as-needed basis. During the year no new director was appointed and accordingly no meeting for nomination of director was held.

AUDIT COMMITTEE

The Audit Committee was established since listing of the Company on the GEM Board. Currently, it comprises three independent non-executive directors, namely Ms. Lui, Ming Rosita (as the Chairman of the Committee), Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William. A term of reference described the authority and duties of the Audit Committee were adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountant and the Code Provision published by the Stock Exchange of Hong Kong Limited.

The Committee meets regularly reviewing the reporting of financial and other information to shareholders.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that an adequate system of internal controls is maintained with the Group, and for reviewing its effectiveness through the Audit Committee.

The internal control system of the Group comprises of a well defined management structure with specified limits of authority and control procedures, designed to achieve the following objectives : (a) ensure proper maintenance of account records; (b) ensure the completeness and accuracy of accounting transactions recorded in the accounting system, and timely reporting of actual financial results of the Group with comparison against budgets; (c) safeguard the Group's assets and Management acts within their limits of authority; and (d) ensure compliance with relevant legislation, regulations and Listing rules, including but not limited to the present a balanced, clear and understandable assessment and regular review of the Group's financial reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Management maintains and monitors the system of internal controls on an ongoing basis. Based on the evaluations made by the board of directors and external auditors, the Audit Committee was satisfied that the Group has fully complied with the Code Provisions on internal controls during the year under review as set forth in the Code; except that an internal audit function has not been set up in the internal control system of the Group. Nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate or ineffective.

The Audit Committee has met three times during the period under review and all the members had presented at all the meetings. It discharged its responsibilities, reviewed and discussed the financial results and internal control system of the Group.

EXTERNAL AUDITORS

During the year, the external auditors W.H.Tang & Partners CPA Limited provided annual audit services and taxation advisory service to the Group. The Audit Committee is responsible for considering the appointment of the external auditors and review any non-audit functions performed by the external auditors of the Group. In particular, the Committee will consider, in advance of them being contracted for such service, whether such non-audit service could lead to any potential material conflict of interest. Nothing has come to its attention to cause the Audit Committee to believe that the non-audit services provided by the external auditors affect their independence, objectivity and effectiveness in the auditing process in accordance with applicable standard.

The remuneration in respect of services provided by W.H.Tang & Partners CPA Limited for the Group for the year ended 31 March 2006 are as follow:

	2006
	HK$
Annual audit and taxation services	200,000

CORPORATE INFORMATION

Executive Directors	Hou Hsiao Bing *(Chairman)* Hou Hsiao Wen
Independent non-executive Directors	Ho Wai Wing, Raymond Lui, Ming Rosita Tam Kam Biu, William
Company secretary	Chan So Mei, ACS, ACIS
Members of audit committee	Lui, Ming Rosita *(Chairperson)* Ho Wai Wing, Raymond Tam Kam Biu, William
Members of remuneration committee	Hou Hsiao Bing *(Chairman)* Lui, Ming Rosita Ho Wai Wing, Raymond Tam Kam Biu, William
Authorised representatives	Chan So Mei, ACS, ACIS Hou Hsiao Wen
Compliance officer	Hou Hsiao Wen
Qualified accountant	Chan Mi Ling, Anita, FCCA, CPA, ACA
Registered office	Century Yard Cricket Square Hutchins Drive P.O. Box 2681 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 1104, SUP Tower 75 King's Road Hong Kong
Company homepage/website	www.soluteck.com

CORPORATE INFORMATION

Principal bankers	Standard Chartered Bank (HK) Limited 10th Floor 4-4A Des Voeux Road Central Hong Kong
	DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Central, Hong Kong
	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	Bank of Communications Ground Floor 67-71 King's Road Hong Kong
Principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited 46/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Auditors	W. H. Tang & Partners CPA Limited Level 7, Parkview Centre, 7 Lau Li Street, Causeway Bay, Hong Kong
GEM Stock Code	8111

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 18 to the financial statements.

An analysis of the Group's performance for the financial year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year are set out in the consolidated income statement on page 28.

No interim dividend have been paid or declared by the Company during the financial year. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2006 (2005: Nil).

RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out in note 26 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2006 amounted to HK$0.3 million (2005: HK$0.9 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.

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 66.

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.

REPORT OF THE DIRECTORS

DIRECTORS

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

Mr. Hou Hsiao Bing *(Chairman and Chief Executive Officer)*
Mr. Hou Hsiao Wen
Mr. Ho Wai Wing, Raymond*
Ms. Lui, Ming Rosita*
Mr. Tam Kam Biu, William*

* *Independent non-executive Directors*

In accordance with Articles 108(A) of the Company's Articles of Association, the executive Director Mr. Hou Hsiao Wen retire as Director by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

HOU Hsiao Bing, aged 51, the elder brother of Hou Hsiao Wen, has been appointed as the Chairman and Chief Executive Officer of the Group on 5 August 2002. He is currently responsible for the business development, finance and administration and formulation and implementation of operation policies 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 25 years' experience in China businesses. Mr. Hou graduated from The Hong Kong Polytechnic University with a Diploma in Marketing.

HOU Hsiao Wen, aged 46, is the Compliance Officer and 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 19 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

HO Wai Wing, Raymond, aged 43, 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 20 years' experience in sales and marketing in Hong Kong and Asia.

LUI, Ming Rosita, aged 42, 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 thirteen years. Her expertise is in business development, sales and marketing.

TAM Kam Biu, William, aged 49, is an Associate member of the Hong Kong Institute of Certified Public Accountants (Formerly known as "the Hong Kong Society of Accountants") since 1987 and an Associate member of the Association of Chartered Certified Accountants since 1988. He graduated from the York University of Canada and holds a Master Degree of Business Administration major in finance and a Bachelor Degree of Business Administration major in Accounting. He has got more than 11 years experience taking the positions as Chief Financial Officer in a number of large listed companies and is currently an executive director of Q9 Technology Holdings Limited, a GEM board listed company, a non-executive director of ViaGOLD Capital Limited, a company listed on the Australia Stock Exchange, and also an independent non-executive Director of China Solar Energy Holdings Limited, a Main Board listed company.

Saved as disclosed above, none of the above-mentioned directors have any relationship with the directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

The Board has also confirmed that it has received the annual confirmation by each of the aforesaid three Independent Non-Executive Directors confirming their independence pursuant to Rule 5.09 of the GEM Listing Rules and so the Board still consider each of them to be independent.

SENIOR MANAGEMENT OF THE GROUP

CHAN Mi Ling, Anita, aged 38, is the Chief Financial Officer and the qualified Accountant of the Group. Ms. Chan holds a Master degree in Business Administration from the University of Western Sydney in Australia and a Master degree in Accounting from Guangzhou Jinan University in the PRC. Ms. Chan is also a member of Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales; and a fellow member of Association of Chartered Certified Accountants. Ms. Chan has over 14 years' experience in the fields of auditing, accounting and finance and have been engaged in international certified public accountant firms, Hong Kong listed companies and multinational company listed overseas. Ms. Chan joined the Group in July 2000.

CHAN So Mei, aged 36, is the Company Secretary of the Group. Ms. Chan holds a Bachelor degree in Business Administration from Lingnan University of Hong Kong and a Postgraduate Diploma in Corporate Administration from The Hong Kong Polytechnic University. Ms. Chan is also an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Chan has over 10 years' working experience in the fields of cooperative administration and company secretarial and have been engaged in both practising professional firms and listed corporations. Ms. Chan joined the Group in February 2004.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Mr. Hou Hsiao Bing and Hou Hsiao Wen, both being executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 1 December 2000 (which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other).

The independent non-executive Directors have been appointed for a term expired on 30 November 2004 and have been reappointed for a further term of 1 year renewable automatically for successive term of 1 year each commencing from the next day after the expiry of the then current term of the aforesaid appointment (except Mr. Tam Kam Biu, William who has been appointed for a term expired on 27 September 2006). 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 terminable by the Company within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS

The connected transactions (also known as "Related Party Transactions") undertaken by the Group are set out in note 30 to the financial statements.

The independent non-executive Directors have examined and confirmed that:

(i) these transactions were executive in the ordinary and usual course of business of the Company;

(ii) these transactions were executed on normal commercial terms or on terms not less favorable than those given to (or obtained from, wherever applicable) independent third parties (if no comparable transaction can be referred to judge whether the transaction was executed on normal commercial terms);

(iii) these transactions were executed in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole;

(iv) the aggregate amount of each of these transactions has not exceeded the cap amount as agreed with the Stock Exchange in this regard; and

(v) the Company should continue with these transactions.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in this report, no contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2006, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name	Name of company	Capacity	Number and class of securities *(Note 1)*	Percentage shareholding in the same class of securities
Mr. Hou Hsiao Bing *(Executive Director)*	The Company	Beneficial owner	76,460,000 ordinary shares (L)	16.89%
	The Company	Beneficial owner	2,000,000 ordinary shares *(Note 2)*	0.44%
Mr. Hou Hsiao Wen *(Executive Director)*	The Company	Beneficial owner	33,160,000 ordinary shares (L)	7.33%
	The Company	Beneficial owner	2,000,000 ordinary shares *(Note 2)*	0.44%

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporations.

2. These shares were the respective number of shares which would be allotted and issued upon exercise in full of the options granted to each of the Company's Executive Directors namely Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, and the former Executive Directors namely Ms. Chung Yuk Hung and Mr. Chung Yuk Man pursuant to the share option scheme of the Company adopted on 13 December 2000. The exercise period and the exercise price of these options are set out in the section headed "Share Option Scheme" below.

SHARE OPTION SCHEMES

1. PRE-IPO SHARE OPTIONS

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 18 December 2000, which is the date on which the offer of grant was made, and therefore will be exercisable during the period from the aforesaid date to 17 December 2010. 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.

Pre-IPO Share Options	Outstanding at 1.4.2005	Number of Options Granted during the period	Lapsed during the period	Outstanding at 31.3.2006	Closing price per share immediately before the date of grant (HK$) (Note 2)
Exercise price at HK$0.20:					
– Other Employees	2,400,000	Nil	(1,150,000)	1,250,000	Nil
Exercise price at HK$0.40:					
– Executive Directors					
HOU Hsiao Bing	2,000,000	Nil	Nil	2,000,000	Nil
HOU Hsiao Wen	2,000,000	Nil	Nil	2,000,000	Nil
– Former Executive Directors					
CHUNG Yuk Hung, Yvonne	2,000,000	Nil	(2,000,000)	Nil	Nil
CHUNG Yuk Man, Kevin	2,000,000	Nil	(2,000,000)	Nil	Nil
– Other Employees	2,400,000	Nil	Nil	2,400,000	Nil
	12,800,000	Nil	(5,150,000)	7,650,000	

Notes:

1. During the financial year ended 31 March 2006, 5,150,000 share options were lapsed upon the resignation of the relevant employees and executive directors of the Group.

2. As the shares of the Company were listed in the GEM of the Stock Exchange of Hong Kong Limited not earlier than the date of 3 January 2001, no closing price per share of the Pre-IPO Share Options could be calculated.

The share options are not recognised in the financial statements until they are exercised. No share option was granted and exercised during the financial year ended 31 March 2006.

2. NEW SHARE OPTION SCHEME ADOPTED AS AT 30 JULY 2004

The Company has adopted a new share option scheme ("New Scheme") and terminated the Share Option Scheme by shareholders' resolutions passed at its Annual General Meeting held on 30 July 2004. The New Scheme became effective on 30 July 2004. Upon the termination of the Share Option Scheme on 30 July 2004, no further options may be offered under the Share Option Scheme but the Share Option Scheme would in all respects remain in force to the extent necessary to give effect to the exercise of the outstanding Pre-IPO Share Options granted under it prior to its termination. The outstanding Pre-IPO Share Options will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2006, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares	Capacity	Approximate percentage of interest
Ms. Chung Yuk Hung	35,190,000	Beneficial owner	7.77%
Mr. Chung Yuk Man	35,190,000	Beneficial owner	7.77%

Save as disclosed above, as at 31 March 2006, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

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 income statement 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 independent 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 11.0 per cent. to 22.5 per cent. of the basic salary of their employees and there is not other future obligations to the Group towards the employees' retirement benefits.

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASES

- the largest supplier: Approximately 91.9 per cent.
- five largest suppliers in aggregate: Approximately 97.7 per cent.

SALES

- the largest customer: Approximately 54.7 per cent.
- five largest customers in aggregate: Approximately 93.9 per cent.

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

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company has complied with the minimum standards of good practice concerning the general management responsibilities of the board as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

PRE-EMPTVE 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 Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

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 three independent non-executive Directors, namely Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William. 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

Mr. Tam Kam Biu, William, an Independent non-executive director of the Company, is an Executive Director of Q9 Technology Holding Limited ("Q9 Technology"). As Q9 Technology is also a Company which is engaged in business related to research and development of information technology, Q9 Technology may be in competition with the Group.

Save as disclosed above, none of the Directors or management shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business which complete or may complete with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on page 11 to 14 of the annual report.

AUDITORS

The financial statements have been audited by W.H. Tang & Partners CPA Limited who was appointed as auditors of the Company on 7 March 2006 to fill the causal vacancy following the resignation of Albert Lam & Co. on 7 March 2006. In accordance with the articles of association of the Company, W.H. Tang & Partners CPA Limited will retire in the forthcoming annual general meeting and the Board will propose in the forthcoming annual general meeting to re-appoint W.H. Tang & Partners CPA Limited as auditors to hold office until the conclusion of the annual general meeting which to be held after the forthcoming annual general meeting.

On behalf of the Board
Hou Hsiao Bing
Chairman

Hong Kong, 14 June 2006

鄧偉雄會計師事務所有限公司

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W.H. TANG
& PARTNERS
CPA LIMITED

To the shareholders of Soluteck Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements 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 financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

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

We planned and performed our audit so as to obtained 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2006 and of the Group's loss 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.

W.H. Tang & Partners CPA Limited
Certified Public Accountants

TANG Wai Hung
Practising Certificate Number: P03525

Hong Kong
14 June 2006

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
Revenue	7	**34,068**	66,986
Cost of sales		**(18,393)**	(53,703)
Gross profit		**15,675**	13,283
Other revenue	7	**78**	253
Selling expenses		**(3,298)**	(5,118)
Administrative expenses		**(13,913)**	(19,103)
Operating loss	8	**(1,458)**	(10,685)
Finance costs	9	**(391)**	(503)
Loss before taxation		**(1,849)**	(11,188)
Income tax expenses	10	**(796)**	(698)
Loss attributable to shareholders		**(2,645)**	(11,886)
Dividend	11	**–**	–
Basic loss per share	13	**(0.58 cents)**	(2.63 cents)

CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Intangible assets	16	–	–
Property, plant and equipment	17	**444**	839
Investment securities	19	–	–
		444	839
Current assets			
Inventories	20	**16,532**	14,329
Accounts receivable	21	**15,264**	20,034
Other receivable, deposits and prepayments		**5,636**	6,840
Pledged bank deposits		–	5,107
Bank balances and cash	23	**3,799**	3,451
		41,231	49,761
Current liabilities			
Accounts payable	22	**1,986**	4,532
Other payables and accruals		**3,003**	2,608
Receipt in advance		**3,022**	2,350
Taxation payable		**10**	280
Bank overdrafts		**3,356**	3,898
Short-term bank loans, secured		–	4,806
		11,377	18,474
Net current assets		**29,854**	31,287
Total assets less current liabilities		**30,298**	32,126
Non-current liabilities			
Deferred tax liabilities	24	**608**	539
Net assets		**29,690**	31,587
Share capital	25	**45,261**	45,261
Reserves	26	**(15,571)**	(13,674)
Shareholders' funds		**29,690**	31,587

On behalf of the Board

Hou Hsiao Bing
Director

Hou Hsiao Wen
Director

BALANCE SHEET

As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Investment in subsidiaries	*18*	**46,586**	47,134
Current assets			
Other receivable, deposits and prepayments		**126**	126
Bank balances and cash		**21**	53
		147	179
Current liabilities			
Other payables and accruals		**1,137**	1,144
Net current liabilities		**(990)**	(965)
Net assets		**45,596**	46,169
Share capital	*25*	**45,261**	45,261
Reserves	*26*	**335**	908
Shareholders' funds		**45,596**	46,169

On behalf of the Board

Hou Hsiao Bing
Director

Hou Hsiao Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2006

	2006 HK$'000	2005 HK$'000
Total equity as at 1 April	**31,587**	45,723
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**748**	13
Loss for the year	**(2,645)**	(11,886)
Dividends	**–**	(2,263)
Total equity as at 31 March	**29,690**	31,587

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2006

	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(1,849)**	(11,188)
Adjustment for:		
Depreciation	**481**	616
Amortization of intangible assets	**–**	665
Loss on disposal of property, plant and equipment	**–**	328
Provision for bad and doubtful debts	**900**	446
Provision for slow moving and obsolete inventories	**1,000**	1,000
Interest income	**(78)**	(253)
Interest expenses	**391**	503
Operating cash flows before movements in working capital	**845**	(7,883)
Increase in inventories	**(3,203)**	(7,691)
Decrease in accounts receivable	**3,870**	4,720
Decrease in other receivables, deposits and prepayments	**1,204**	6,655
(Decrease)/increase in accounts payable	**(2,546)**	1,176
Increase/(decrease) in other payables and accruals	**395**	(1,067)
Increase/(decrease) in receipt in advance	**672**	(691)
Cash generated from/(used in) operations	**1,237**	(4,781)
Interest expenses	**(391)**	(503)
Overseas taxation paid	**(1,011)**	(495)
Net cash used in operating activities	**(165)**	(5,779)
INVESTING ACTIVITIES		
Interest received	**78**	253
Purchase of property, plant and equipment	**(72)**	(516)
Decrease in pledged bank deposits	**5,107**	3,393
Net cash generated from investing activities	**5,113**	3,130
FINANCING ACTIVITIES		
New bank loan drawn down	**2,293**	15,172
Repayment of amounts borrowed	**(7,099)**	(15,075)
Dividends paid	**–**	(2,263)
Net cash used in financing activities	**(4,806)**	(2,166)
Net increase/(decrease) in cash and cash equivalents	**142**	(4,815)
Cash and cash equivalents at 1 April	**(447)**	4,355
Effect of foreign exchange rate changes	**748**	13
Cash and cash equivalents at 31 March	**443**	(447)
Cash and cash equivalents at 31 March, represented by		
Bank balances and cash	**3,799**	3,451
Bank overdrafts	**(3,356)**	(3,898)
	443	(447)

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liabilities and its shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business is located at Room 1104, SUP Tower, 75 King's Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the sale of electronic banking systems, other systems and provision of hardware and software technical support services of computer communication systems, technical development of network communication, development and design of system software.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs''), Hong Kong Accounting Standards ("HKASs'') and Interpretations (hereinafter collectively referred to as "new HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA'') that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

FINANCIAL INSTRUMENTS

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement*. HKAS 32 requires retrospective application and HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact or how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarized below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

However, there has been no material effect on how the results for the current accounting period are prepared and presented.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognized in profit or loss directly. Other financial liabilities are carried at amortized cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

SHARE-BASED PAYMENTS

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expenses to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over share ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these shares option until they were exercised. In relation to share options granted before 1 January 2005, in accordance with the relevant transitional provision, the Group has not granted any share options since 7 November 2002, the provision of HKFRS 2 are not applicable to the Group's outstanding share options. The application of HKFRS 2 has had no financial impact on the results of the Group for current or prior accounting periods.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARD NOT YET EFFECTIVE

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] *Effective for annual periods beginning on or after 1 January 2007*
[2] *Effective for annual periods beginning on or after 1 January 2006*
[3] *Effective for annual periods beginning on or after 1 December 2005*
[4] *Effective for annual periods beginning on or after 1 March 2006*

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong, which include HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the SEHK and of the Hong Kong Companies Ordinance.

(A) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2006. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(A) BASIS OF CONSOLIDATION *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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 on the basis of dividends received and receivable.

(B) REVENUE RECOGNITION

Revenue from the sale of goods is recognized 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 recognized when the services are rendered. The unrecognized portion is recorded as receipt in advance when deposits and instalment payments are received.

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

(C) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, comprising leasehold improvements, office equipment, furniture and fixtures and motor vehicles, are stated as cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the item of property, plant and equipment to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalized as an additional cost of that item of property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment 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%

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that items included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the item of property, plant and equipment is estimated and where relevant, an impairment loss is recognized to reduce the item of property, plant and equipment to its recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant item of property, plant and equipment, and is recognized in the income statement.

(D) INVENTORIES

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

(E) 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.

(F) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of balance sheet, cash and cash equivalents comprise cash on hand and at bank, including term deposits, which are not restricted as to use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) EMPLOYMENT BENEFITS

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized 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 leave are not recognized until the time of leave.

Pension obligations

The Company and subsidiaries incorporated/operated 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 income statement 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 a 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.

The subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes, organized by the relevant local government authorities. The subsidiaries are required to make contributions to the retirement schemes, at a rate of 11.0 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.

(H) 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 income statement on a straight-line basis over the lease periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized 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 recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized 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 recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(J) TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(J) TAXATION *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(K) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(L) FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(L) FOREIGN CURRENCIES *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operating is disposed of.

(M) SEGMENT REPORTING

In accordance with the Group's internal financial reporting structure, 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, property, plant and equipment, 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 (Note16) and property, plant and equipment (Note 17).

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 operating results of the Group are attributable to markets outside the PRC.

(N) DIVIDENDS

Dividends proposed or declared after the balance sheet date is not recognized as a liability at the balance sheet date.

(O) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) FINANCIAL INSTRUMENTS *(Continued)*

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits and loan receivables) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) FINANCIAL INSTRUMENTS *(Continued)*

Other financial liabilities

Other financial liabilities including trade and other payables, loan from a shareholder and borrowings are subsequently measured at amortized cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(P) INTANGIBLE ASSETS

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 acquisition occurring on or after 1 January 2001 is included in intangible assets and is amortized 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 an 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 expectation 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 recognized in the income statement when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized 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 recognized in the income statement immediately.

For acquisition 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 unamortized 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 realized in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(P) INTANGIBLE ASSETS *(Continued)*

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 recognized 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 recognized as an asset and amortized 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 recognized. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognized as an expense will not be recognized as an asset in a subsequent period.

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in Note 4, management has made the following judgments that have significant effect on the amounts recognized in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

(A) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

(B) ALLOWANCE FOR INVENTORIES

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in the business. The management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(C) ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that its has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(A) CREDIT RISK

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(B) FOREIGN CURRENCY RISK

The Group mainly operates in the PRC with the transactions settled in RMB principally and did not have any significant exposure to foreign exchange risk.

(C) INTEREST RATE RISK

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets.

7. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the sale of self-service ATM systems and other systems, and the provision of hardware and software technical support services. Revenues recognized during the year are as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**17,321**	48,736
Rendering of services	**16,747**	18,250
	34,068	66,986
Other revenue		
Interest income	**78**	253
Total revenue	**34,146**	67,239

Primary reporting format – business segments

The Group is organized into two main business segments:

i. Sales of goods – sales of self-service ATM systems and other systems

ii. Rendering of services – provision of hardware and software technical support services

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Sales of goods 2006 *HK$'000*	Rendering of services 2006 *HK$'000*	The Group 2006 *HK$'000*
Revenue	17,321	16,747	34,068
Segment results	1,253	6,859	8,112
Other revenue			78
Unallocated costs			(9,648)
Operating loss			(1,458)
Finance costs			(391)
Loss before taxation			(1,849)
Income tax expenses			(796)
Loss attributable to shareholders			(2,645)
Segment assets	23,323	9,507	32,830
Unallocated assets			8,845
Total assets			41,675
Segment liabilities	1,986	2,026	4,012
Unallocated liabilities			7,973
Total liabilities			11,985
Capital expenditure	–	35	35
Unallocated capital expenditure			–
			35
Depreciation	–	94	94
Unallocated depreciation			387
			481
Other non-cash expenses			2,166

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Sales of goods 2005 HK$'000	Rendering of services 2005 HK$'000	The Group 2005 HK$'000
Revenue	48,736	18,250	66,986
Segment results	(237)	3,464	3,227
Other revenue			253
Unallocated costs			(14,165)
Operating loss			(10,685)
Finance costs			(503)
Loss before taxation			(11,188)
Income tax expenses			(698)
Loss attributable to shareholders			(11,886)
Segment assets	24,738	10,132	34,870
Unallocated assets			15,730
Total assets			50,600
Segment liabilities	4,532	2,481	7,013
Unallocated liabilities			12,000
Total liabilities			19,013
Capital expenditure	–	411	411
Unallocated capital expenditure			105
			516
Depreciation	–	226	226
Unallocated depreciation			390
			616
Other non-cash expenses			2,392

8. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Crediting		
Net foreign exchange gains	**233**	–
Charging		
Auditors' remuneration:		
– Current year	**222**	171
– Under provision for previous year	**94**	–
Amortization of intangible assets	**–**	665
Cost of inventories	**13,526**	44,484
Depreciation	**481**	616
Loss on disposal of property, plant and equipment	**–**	328
Net foreign exchange losses	**–**	11
Operating leases for land and building	**1,180**	1,259
Provision for bad and doubtful debts	**900**	446
Provision for slow moving and obsolete inventories	**1,000**	1,000
Bad debts written off	**266**	281
Research and development costs	**439**	1,689
Staff costs (including directors' emoluments and research and development costs) *(Note 14)*	**9,298**	13,731

9. FINANCE COSTS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**391**	503

10. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the year. (2005: Nil).

Income tax expenses on overseas profits have been calculated on the estimated assessable profit for the year at the rates of income tax prevailing in the PRC in which the subsidiaries of the Group operate.

The amount of income tax expenses charged to the consolidated income statement represents:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**–**	–
– Overseas taxation	**741**	451
– Under provision in prior years	**–**	90
Deferred taxation *(Note 24)*	**55**	157
Income tax expenses	**796**	698

Income tax expenses on the Group's loss differ from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Loss before taxation	**(1,849)**	(11,188)
Calculated at a rate of income tax of 17.5%	**(324)**	(1,958)
Effect of difference rate of income tax in other countries	**152**	(346)
Income not subject to taxation	**–**	(12)
Expenses not deductible for taxation purposes	**329**	406
Tax losses not recognized	**876**	2,371
Under provision in prior years	**–**	90
Others	**(237)**	147
	796	698

11. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2006 and 2005 nor has any dividend been proposed since the balance sheet date.

12. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$573,000 (2005: HK$850,000)

13. BASIC LOSS PER SHARE

The calculation of basic loss per share are based on the Group's loss attributable to shareholders of approximately HK$2,645,000 (2005: HK$11,886,000) and 452,612,072 (2005: 452,612,072) ordinary shares in issue during the year.

No diluted loss per share for the years 31 March 2006 and 2005 is presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK$'000	*HK$'000*
Wages and salaries	**8,648**	12,449
Termination benefits	**100**	693
Pension costs – defined contribution plans	**550**	589
	9,298	13,731

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the 5 (2005: 7) directors of the Company during the year were as follows:

2006	**Fees**	**Salaries and other emoluments**	**Contribution to retirement benefits scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Hou Hsiao Bing	–	1,017	12	1,029
Hou Hsiao Wen	–	916	12	928
Independent Non-Executive Directors				
Ho Wai Wing, Raymond	–	60	–	60
Lui, Ming Rosita	–	60	–	60
Tam Kam Biu, William	–	60	–	60
	–	2,113	24	2,137

2005	**Fees**	**Salaries and other emoluments**	**Contribution to retirement benefits scheme**	**Termination benefits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Hou Hsiao Bing	–	689	15	–	704
Hou Hsiao Wen	–	690	12	–	702
Chung Yuk Hung *(Note 1)*	–	660	10	87	757
Chung Yuk Man *(Note 2)*	–	610	9	150	769
Independent Non-Executive Directors					
Ho Wai Wing, Raymond	–	60	–	–	60
Lui, Ming Rosita	–	60	–	–	60
Tam Kam Biu, William	–	30	–	–	30
	–	2,799	46	237	3,082

Note 1: Resigned on 10 January 2005

Note 2: Resigned on 1 April 2005

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2005: four) directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining three (2005: one) individual during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**1,485**	603

The emoluments fell with the following bands:

	Number of individuals	
	2006	2005
Emoluments bands		
Nil – HK$1,000,000	**3**	1

During the year ended 31 March 2006, no emoluments have been paid by the Group to the Directors and the highest paid individuals other than the Directors above as bonus, as inducement to join the Group or as compensation for loss of office (2005: HK$Nil).

16. INTANGIBLE ASSETS

Software development costs

	2006	2005
	HK$'000	*HK$'000*
At 1 April	**–**	665
Amortization	**–**	(665)
At 31 March	**–**	–

17. PROPERTY, PLANT AND EQUIPMENT

	The Group			
	Leasehold improvements	**Office equipment, furniture and fixtures**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 April 2005	856	6,094	340	7,290
Additions	–	72	–	72
Disposals	(777)	(1,335)	–	(2,112)
Exchange adjustment	5	42	–	47
At 31 March 2006	**84**	**4,873**	**340**	**5,297**
Accumulated depreciation				
At 1 April 2005	825	5,286	340	6,451
Charge for the year	24	457	–	481
Eliminated on disposals	(777)	(1,335)	–	(2,112)
Exchange adjustment	4	29	–	33
At 31 March 2006	**76**	**4,437**	**340**	**4,853**
Net book values				
At 31 March 2006	**8**	**436**	**–**	**444**
At 31 March 2005	31	808	–	839

18. INVESTMENTS IN SUBSIDIARIES

	2006	2005
	HK$'000	*HK$'000*
Unlisted investments, at cost	**27,826**	27,826
Amounts due from subsidiaries	**18,760**	19,308
	46,586	47,134

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

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of subsidiaries as at 31 March 2006:

Name of company	Place of Incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particular of issued shares capital/ Registered capital	Interest held %
Subsidiary held directly:				
Soluteck (BVI) Holdings Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	100
Subsidiary held indirectly:				
Soluteck Investments Limited	Hong Kong, limited liability company	Investment holding in the PRC	2 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	100
Truth Honour Electronic Limited	Hong Kong, limited liability company	Sale of electronic banking systems and other 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

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of Incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particular of issued shares capital/ Registered capital	Interest held %
Subsidiary held indirectly: *(Continued)*				
Truth Honour Electronic (GFTZ) Limited	PRC, limited liability company	Sale of electronic banking systems and other systems and provision of related hardware and software technical support services in the PRC	Registered capital of US$200,000	100
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	Inactive	Registered capital of US$150,000	100
一創信興(上海)計算機技術有限公司	PRC, limited liability company	Provision of technical support of computer communication systems, technical development of network communications, development and design of system software, sales of self-produced products and provision of related technical and consultation services	Registered capital of US$200,000	100

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of Incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particular of issued shares capital/ Registered capital	Interest held %
Subsidiary held indirectly: *(Continued)*				
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 other systems in the PRC	Registered capital of US$150,000	100
一創信興(上海)電子技術有限公司 (Formerly known as 上海新峰創電子技術有限公司)	PRC, limited liability company	Sale of electronic banking systems and other 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	Inactive	Registered capital of US$150,000	100

19. INVESTMENT SECURITIES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted, at cost	**190**	190
Less: Provision for diminution in value	**(190)**	(190)
	–	–

20. INVENTORIES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Merchandize for re-sale	**14,577**	11,470
Spare parts	**3,955**	3,859
	18,532	15,329
Less: Provision for slow moving and obsolete inventories	**(2,000)**	(1,000)
	16,532	14,329

21. ACCOUNTS RECEIVABLE

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Accounts receivable	**16,964**	20,834
Less: Provision for bad and doubtful debt	**(1,700)**	(800)
	15,264	20,034

21. ACCOUNTS RECEIVABLE *(Continued)*

The majority of the Group's revenue is on credit terms stipulated on the sale agreement between the customers and the Group. At 31 March 2006, the aging analysis of the accounts receivable was as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 60 days	**6,048**	10,338
61 – 90 days	**3,005**	2,931
Over 90 days	**6,211**	6,765
	15,264	20,034

The directors consider that the carrying amount of the Group's accounts receivable approximates their fair value.

22. ACCOUNTS PAYABLE

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Accounts payable	**1,986**	4,532

At 31 March 2006, the aging analysis of the accounts payable was as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 60 days	**299**	3,254
61 – 90 days	**8**	10
Over 90 days	**1,679**	1,268
	1,986	4,532

The directors consider that the carrying amount of the Group's accounts payable approximates their fair value.

23. BANK BALANCES AND CASH

Included in the balance was approximately HK$2,215,000 (2005: HK$1,168,000), 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.

24. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the deferred tax liabilities account is as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
At 1 April	**539**	382
Exchange adjustment	**14**	–
Deferred taxation charged to income statement *(Note10)*	**55**	157
At 31 March	**608**	539

Deferred income tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized deferred tax assets of approximately HK$4,056,000 (2005: HK$3,886,000) relating to tax losses of approximately HK$23,175,000 (2005: HK$21,445,000) as at 31 March 2006. The tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

DEFERRED TAX LIABILITIES

	Accelerated tax depreciation		Other temporary difference		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 April	**115**	57	**2,576**	1,496	**2,691**	1,553
Exchange adjustment	**3**	–	**71**	–	**74**	–
Charged (credited) to income statement	**(118)**	58	**51**	1,080	**(67)**	1,138
At 31 March	**–**	115	**2,698**	2,576	**2,698**	2,691

24. DEFERRED TAXATION *(Continued)*

DEFERRED TAX ASSETS

	Provision		Tax losses		Other temporary difference		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 April	**–**	–	**–**	57	**2,152**	1,114	**2,152**	1,171
Exchange adjustment	**–**	–	**–**	–	**60**	–	**60**	–
Charged (credited) to income statement	**–**	–	**–**	(57)	**(122)**	1,038	**(122)**	981
At 31 March	**–**	–	**–**	–	**2,090**	2,152	**2,090**	2,152

	2006	2005
	HK$'000	*HK$'000*
Deferred tax assets	**2,090**	2,152
Deferred tax liabilities	**(2,698)**	(2,691)
At 31 March	**(608)**	(539)

Deferred tax liabilities are to be recovered and settled after more than 12 months.

25. SHARE CAPITAL

	Authorized	
	Ordinary shares of HK$0.1 each	
	No. of shares	**HK$'000**
At 31 March 2005 and 2006	1,000,000,000	100,000

	Issued and fully paid	
	Ordinary shares of HK$0.1 each	
	No. of shares	**HK$'000**
At 31 March 2005 and 2006	452,612,072	45,261

25. SHARE CAPITAL *(Continued)*

SHARE OPTIONS

(a) Under a share option scheme approved and adopted by the shareholders on 13 December 2000 (the "Share Option Scheme"), the Director 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).

(b) On 13 December 2000, Pre-IPO share options (the "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 the 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 under the Share Option Scheme, and 5,150,000 (2005: 3,200,000) options were lapsed upon resignation of the relevant employees of the Group. As at 31 March 2006, options to subscribe for 7,650,000 (2005: 12,800,000) shares of the Company were outstanding.

(d) The Company has adopted a new share option scheme ("New Scheme") and terminated the Share Option Scheme by shareholders' resolutions passed at its Annual General Meeting held on 30 July 2004. The New Scheme became effective on 30 July 2004. Upon the termination of the Share Option Scheme on 30 July 2004, no further options may be offered under the Share Option Scheme but the Share Option Scheme would in all respects remain in force to the extent necessary to give effect to the exercise of the outstanding Pre-IPO Share Options granted under it prior to its termination. The outstanding Pre-IPO Share Options will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme. No option shares have been granted under the New Scheme to any person since its adoption.

26. RESERVES

(A) THE GROUP

	Share premium	Reserve arising from reorganization	Exchange reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	1,194	(24,317)	(4)	21,326	(1,801)
Exchange difference	–	–	13	–	13
Loss for the year	–	–	–	(11,886)	(11,886)
At 31 March 2005	1,194	(24,317)	9	9,440	(13,674)
At 1 April 2005	1,194	(24,317)	9	9,440	(13,674)
Exchange difference	–	–	748	–	748
Loss for the year	–	–	–	(2,645)	(2,645)
At 31 March 2006	**1,194**	**(24,317)**	**757**	**6,795**	**(15,571)**

Note:

(i) The reserve arising from reorganization of approximately 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.

(B) THE COMPANY

	Share premium	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2004	1,194	564	1,758
Loss for the year	–	(850)	(850)
At 31 March 2005	1,194	(286)	908
At 1 April 2005	1,194	(286)	908
Loss for the year	–	(573)	(573)
At 31 March 2006	**1,194**	**(859)**	**335**

27. BANKING FACILITIES

As at 31 March 2006, the Group's banking facilities of HK$9,000,000 (2005: HK$28,000,000) are secured and supported by the following:

(a) pledged deposits of HK$Nil (2005: HK$5,107,000); and

(b) corporate guarantees granted by the Company and several subsidiaries of the Group of HK$15,000,000 (2005: HK$32,000,000).

28. COMMITMENTS UNDER OPERATING LEASES - LAND AND BUILDING

At 31 March 2006, the Group had future aggregate minimum lease payments under operating leases as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Not later than one year	**646**	852
Later than one year and not later than five years	**275**	250
	921	1,102

The Company did not have significant lease commitment as at 31 March 2006.

29. CAPITAL COMMITMENTS

The Group and the Company did not have significant capital commitment as at 31 March 2006.

30. RELATED PARTY TRANSACTIONS

During the year, the Group undertook the following material transactions with the directors and/or related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The transactions during the year and balances with the at the balance sheet date, are as follows:

(A) TRANSACTION WITH CONNECTED OR RELATED PARTIES

		The Group	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Rental paid to Directors	*(i)*	**205**	127
Rental paid to the related parties	*(ii)*	**306**	406

30. RELATED PARTY TRANSACTIONS *(Continued)*

(A) TRANSACTION WITH CONNECTED OR RELATED PARTIES *(Continued)*

Note:

(i) The Group leased an office premise from Mr. Hou Hsiao Wen (an executive director of the Company) and Ms. Chung Yuk Hung (a former Executive Director resigned on 10 January 2005), in Beijing of the PRC for the Group's use.

(ii) The Group leased office premises from Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK$188,400 for the Group's use for the year ended 31 March 2006. In last year, the Group leased office premises from Dynatek and San Yee Investment Limited ("San Yee") in Hong Kong for an annual rental of HK$301,200 for the Group's use. Besides, the group leased office premises from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of HK$117,797 (2005: HK$104,700) 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 Hsiao Bing, the Chairman of the Group. Mr. Chung Lok Fai was a former Director and shareholder of the Company. Ms. Chung Po Chu and Ms. Tsuo Lo Nien are shareholders of the Company.

(B) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2006	2005
	HK$'000	*HK$'000*
Short-term benefits	**4,064**	3,827
Post-employment benefits	**72**	70
Termination benefits	**–**	237
	4,136	4,134

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 14 June 2006.

FIVE YEAR FINANCIAL SUMMARY

	2006	2005	2004	2003		2002	
				Continuing operations	Discontinuing operations	Continuing operations *Note (i)*	Discontinuing operations
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results:							
Revenue	**34,068**	66,986	103,062	110,696	7,947	191,790	16,211
(Loss)/profit attributable to shareholders	**(2,645)**	(11,886)	(437)	10,138	(1,370)	7,730	320
Assets and liabilities							
Total assets	**41,675**	50,600	62,837	74,434	–	93,763	7,007
Total liabilities	**(11,985)**	(19,013)	(17,114)	(23,748)	–	(51,462)	(2,895)
Net assets	**29,690**	31,587	45,723	50,686	–	42,301	4,112

Note (i): A subsidiary which was principally engaged in software development acquired by the Group in September 2000 was disposed on 10 January 2003. Its operating results and state of affairs were grouped under rendering of services for the purpose of segment reporting as described in Notes 2 and 3 to the financial statements.