SOLUTECK

SOLUTECK HOLDINGS LIMITED

一創科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

Annual Report 2007

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

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

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

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

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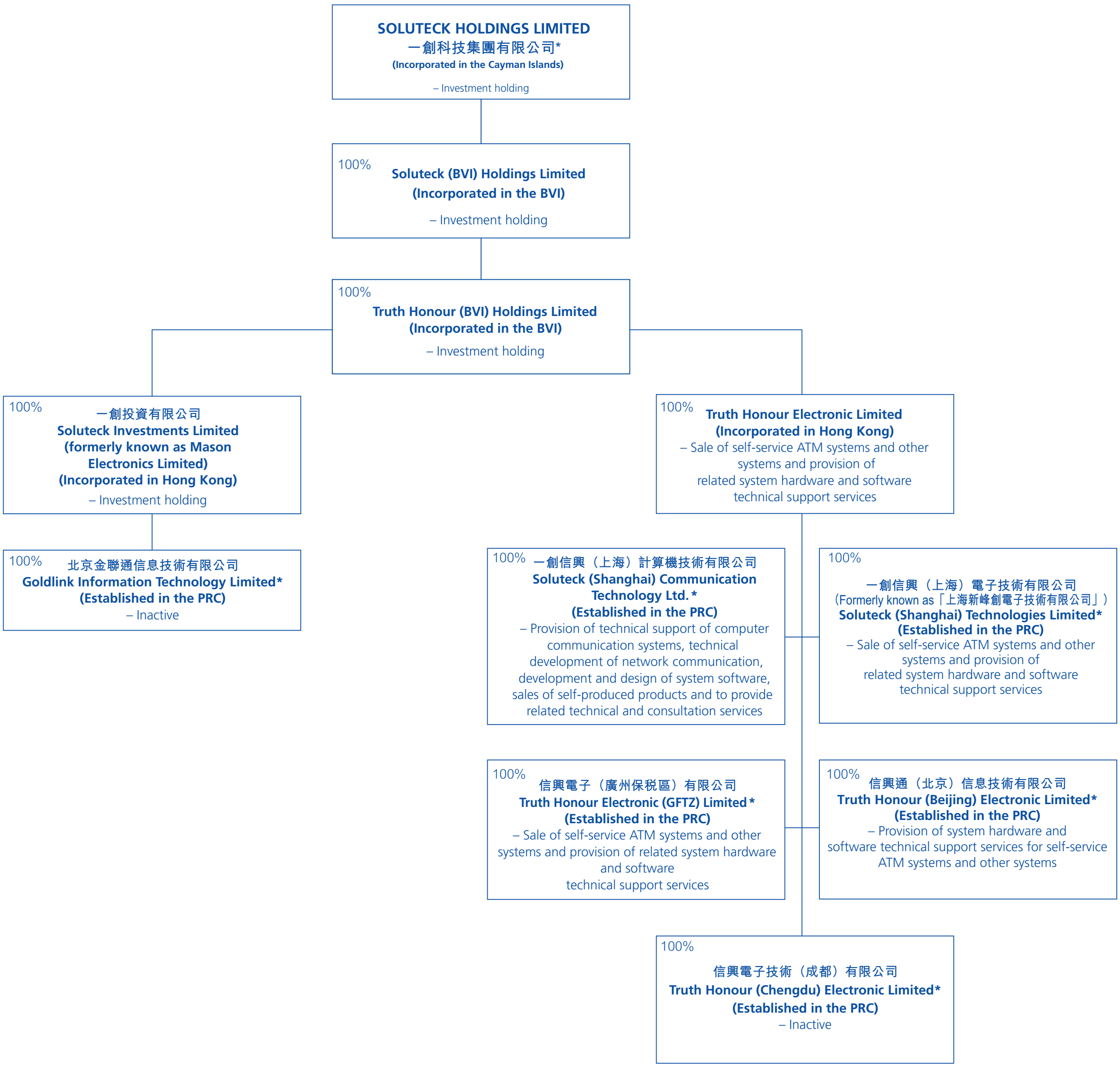
CORPORATE STRUCTURE

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



* *For identification purpose only*

FINANCIAL CALENDAR HIGHLIGHTS

Announcement of final results for the year	**14 June 2007**	14 June 2006
Annual General Meeting for the year	**27 July 2007**	28 July 2006

CORPORATE INFORMATION

Executive Directors	Hou Hsiao Bing *(Chairman)* Hou Hsiao Wen
Independent non-executive Directors	Lui, Ming Rosita Ho Wai Wing, Raymond Tam Kam Biu, William
Company secretary	Chan Mi Ling, Anita, FCCA, CPA, ACA
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	Hou Hsiao Wen Chan Mi Ling, Anita, FCCA, CPA, ACA
Compliance officer	Hou Hsiao Wen
Qualified accountant	Chan Mi Ling, Anita, FCCA, CPA, ACA
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
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	DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Central, Hong Kong
	Shenzhen Development Bank Co., Ltd. 5047 Shennan Road East Shenzhen Guangdong Province China
	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	Standard Chartered Bank (HK) Limited 10th Floor 4-4A Des Voeux Road Central 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

LETTER FROM THE CHAIRMAN

ANNUAL RESULTS HIGHLIGHTS

The net profit of the Group for the financial year ended 31 March 2007 was approximately HK$2.1 million (net loss of the Group for the financial year ended 31 March 2006 was approximately HK$2.6 million).

The revenue of the Group for the financial year ended 31 March 2007 was approximately HK$63.8 million, representing an increase of approximately 87.3 per cent. as compared to the financial year ended 31 March 2006.

Gross profit margin of the Group was approximately 26.5 per cent. in the financial year ended 31 March 2007, compared to approximately 46.0 per cent. in the financial year ended 31 March 2006.

Earnings per share for the financial year ended 31 March 2007 was approximately HK0.46 cents (loss per share for the financial year ended 31 March 2006 was approximately HK0.58 cents).

The Directors do not recommend the payment of a dividend for the financial year ended 31 March 2007 (dividend per Share for the financial year ended 31 March 2006: Nil).

BUSINESS REVIEW

On behalf of the board of directors (the "Board") of Soluteck Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), I am pleased to announce the results of the Group for the year ended 31 March 2007. The Group recorded an increase in its revenue to approximately HK$63.8 million, representing an increase of approximately 87.3 per cent., as compared with the revenue for the year ended 31 March 2006 of approximately HK$34.1 million. The management believes that such an increase should be a result on the marketing effort the Group has put during the year.

The Group continued to specialize in the provision of implementation and upgrading of self-service automatic teller machine ("ATM") systems and other systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the People's Republic of China (the "PRC" or "China") during the year ended 31 March 2007.

Pro-active efforts to explore and ascertain the Group's business development thrust started to show encouraging signs of fruition in 2007 – a year that witnessed a satisfactory growth and business development for the Group in that the Group had made significant progress in the sales of ATMs to commercial banks, the China State Postal Bureau and the Rural Credit Cooperatives of China in the PRC. The successful bid of the tenders of the Hubei and Jiangsu Postal Bureaus represented breakthroughs in implementing the Group's marketing strategy. 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.

The Group had established its position as an "ATM Total Solutionist" in the information technology market in the banking and postal industry in the PRC. Leveraging its extensive experience in the applications of information technology in both the banking and postal sectors and the long-term business relationships with reputable commercial banks and postal bureaus in the PRC, the Group expanded its business in the PRC at a satisfactory pace.

LETTER FROM THE CHAIRMAN

Internally, two subsidiaries of the Group, namely, Soluteck (Shanghai) Communication Technology Ltd. and Soluteck (Shanghai) Technologies Limited, had accomplished their ISO9001:2000 quality management certification through strict controls on organizational structure, staff number and operating procedures to ensure that optimum management standards and operational capabilities are always in place during the year ended 31 March 2007.

Externally, by the establishment of 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 to reach out and foster relationships with existing and new clients.

BUSINESS PROSPECTS

In the presence of a strategic partnership agreement which has been signed by the Group with a subsidiary of NCR Corporation in China in April 2006, and the Group, being a prestigious and experienced professional ATM software, hardware and services company in the ATM sector, together with its existing reputation as an authorized value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited and related applications software for commercial banks in China, will fully commit itself to be one of the leading ATM Total Solution Providers in the banking sector in the PRC, offering a full range of banking and financial system solutions for the banking and financial sectors, from the supply of hardware to software development, banking applications to value-added complementary services. In addition, it will also persist to put efforts on enhancing closer customer relationships, broadening business relationship and exploring new business opportunities in corporate outsourcing technical service sector, so as to better satisfy the demand from the financial sector in China for advanced global self-service equipment solutions' products, technologies and extensive trans-national industrial experience.

Specifically, the Group will aim at raising profitability through stronger management, tighter cost control and robust business development. It will further expand its customer base and market coverage for the provision of self-service ATM systems and its related services to the banking and postal sectors.

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 2007 (2006: Nil).

APPRECIATION

As at 31 March 2007, the Group employed 11 and 129 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, suppliers and customers for their continuous support to the Group.

Hou Hsiao Bing
Chairman

Hong Kong, 14 June 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

REVIEW OF OPERATIONS

During the financial year ended 31 March 2007, the Group recorded an increase in its revenue to approximately HK$63.8 million (2006: HK$34.1 million), representing an increase of approximately 87.3 per cent. compared with the previous year. The management believed that the growth in the revenue of the Group was principally attributable to the application of successful marketing strategies in the People's Republic of China (the "PRC" or "China").

During the year under review, the net profit attributable to shareholders amounted to approximately HK$2.1 million (2006: loss attributable to shareholders of approximately HK$2.6 million), attributable to an earnings per share of approximately HK0.46 cents (2006: loss per share of approximately HK0.58 cents).

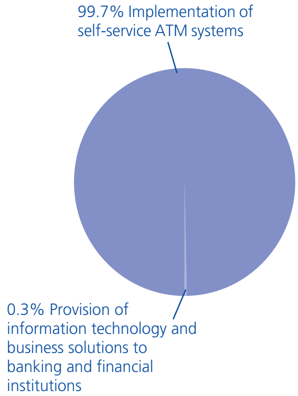
The Group's gross profit margin was approximately 26.5 per cent. in the financial year ended 31 March 2007 (2006: 46.0 per cent.). The management believes that the decrease in the Group's gross profit margin was mainly due to the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC.

REVENUE

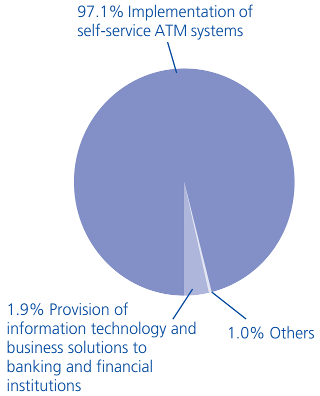
The Group is principally engaged in the sale of self-service ATM systems and other banking equipments, and the provision of hardware and software technical support services. Revenues recognized during the financial year are as follows:

	Financial year ended 31 March	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**52,521**	17,321
Rendering of services	**11,287**	16,747
	63,808	34,068
Other revenue		
Interest income	**85**	78
Total revenue	**63,893**	34,146

Analysis of revenue by industry nature for the financial year ended 31 March, 2007



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



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

IMPLEMENTATION OF SELF-SERVICE ATM SYSTEMS

During the financial year ended 31 March 2007, the Group continued to target at the growing banking and finance sectors of China, with the implementation of self-service ATM systems as the core operation and accounted for approximately 99.7 per cent. (2006: 97.1 per cent.) of the Group's total revenue, including the income derived from the provision of technical consultancy and support services.

2007 was a year of solid business development for the Group. The revenue generated from the implementation of self-service ATM systems amounted to approximately HK$63.6 million, representing an increase of approximately 92.3 per cent. compared with the previous financial year. The management believes that such an increase should be a result on the marketing effort the Group has put during the year.

The Group achieved encouraging business growth with the China State Postal Bureau and the Rural Credit Cooperatives of China when it successfully secured sales and/or service tenders and contracts for self-service ATM systems for the branches of the China State Postal Bureau in Hubei, Jiangsu, etc. and the Rural Credit Cooperatives of China during the financial year ended 31 March 2007. On top of that, new contracts were successfully and successively secured with a number of financial institutions like the Commercial Bank, the Bank of Communications and Shanghai Pudong Development Bank for the provision of system maintenance and enhancement services during the year under review.

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.

By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Kunming, Hangzhou, Jinan, Chuanzhou, Guangzhou, Shanghai, Beijing, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Fuzhou, Wuxi, Tianjin, Shenzhen, Zhejiang, Yantai, Sanming, Suzhou, Dalian, Liaoning and Hubei, 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 0.3 per cent of the Group's revenue for the financial year ended 31 March 2007 (2006: 1.9 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

The income generated by the Group from other businesses including the implementation of electronic postal automation systems and the like is insignificant for the financial year ended 31 March 2007, as compared with approximately 1.0 per cent. of the total revenue of the Group in last year. 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 revenue 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 17.7 per cent. (2006: 49.2 per cent.) of the total revenue of the Group for the financial year ended 31 March 2007. Actual income derived from the provision of technical consultancy and support services decreased by approximately 32.6 per cent. mainly because of the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC.

INTEREST INCOME

The bank interest income of the Group increased slightly by approximately 9.0 per cent. to approximately HK$85,000 during the financial year ended 31 March 2007 (2006: HK$78,000).

GROSS PROFIT

The Group's gross profit margin was approximately 26.5 per cent. in the financial year ended 31 March 2007 (2006: 46.0 per cent.). Such a decrease was predominantly attributable to the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC.

SELLING EXPENSES

The Group had implemented successful cost control measures during the year under review, which contributed to a reduction in selling expenses by approximately 13.6 per cent. to HK$2.9 million (2006: HK$3.3 million).

ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Group for the financial year ended 31 March 2007 amounted to approximately HK$10.7 million (2006: HK$13.9 million), representing a decrease of approximately 23.3 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 8.0 per cent. to approximately HK$8.6 million (2006: HK$9.3 million) mainly because of the tighter control on staff costs during the financial year ended 31 March 2007.

The Group has not made additional general provision for slow moving and obsolete inventories and bad and doubtful debts during the year under review (2006: general provision for slow moving and obsolete inventories and bad and doubtful debts of HK$1.0 million and HK$0.9 million respectively).

Depreciation expenses decreased by approximately 59.9 per cent. to HK$193,000 (2006: HK$481,000) as compared to that of last financial year mainly because certain fixed assets became fully depreciated in previous years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

FINANCE COSTS

The finance costs of the Group for the financial year ended 31 March 2007 was approximately HK$389,000 (2006: approximately HK$391,000).

INCOME TAX EXPENSES

The Group's income tax expenses for the financial year ended 31 March 2007 increased to approximately HK$992,000 (2006: approximately HK$796,000) primarily due to an increase in operating profit during the current financial year.

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

The Group generally finances its operations with internally generated cash flow. As at 31 March 2007, the Group had cash and bank balances amounting to a total of approximately HK$1.1 million (2006: approximately HK$3.8 million) and had outstanding bank overdraft and outstanding short-term bank loan of approximately HK$2.1 million and HK$4.5 million respectively (2006: approximately HK$3.4 million and HK$nil respectively) which represented the total borrowings of the Group as at that date and are repayable within one year. The bank overdraft was at 0.75% per annum over Hong Kong Dollar prime rate while the short-term bank loan was made in Renminbi and at an annual interest rate of approximately 8.5 per cent.

CURRENT RATIO

As at 31 March 2007, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 4.0 (2006: approximately 3.6).

GEARING RATIO

As at 31 March 2007, the gearing ratio of the Group, based on total liabilities over total assets was approximately 26.8 per cent. (2006: approximately 28.8 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

As at 31 March 2007, the Group's banking facilities of approximately HK$7.1 million (2006: approximately HK$9.0 million) are secured by the following:

(a) corporate guarantees granted by the Company and several subsidiaries of the Group of approximately HK$15.0 million (2006: approximately HK$15.0 million).

(b) Short-term bank loan of approximately HK$4.5 million (2006: HK$Nil) are secured by personal guarantee given by a director of the Company, Mr. Hou Hsiao Wen.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

CHARGES ON ASSETS

As at 31 March 2007, total banking facilities available to the Company and its subsidiaries amounted to approximately HK$7.1 million (2006: approximately HK$9.0 million), of which approximately HK$6.7 million (2006: approximately HK$3.4 million) had been utilized. As of 31 March 2007, the Company and its subsidiaries pledged no assets to banks as security for bank loans and overdraft (2006: HK$Nil).

CONTINGENT LIABILITIES

As at 31 March 2007, 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 Renminbi 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 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year ended 31 March 2007.

CORPORATE GOVERNANCE REPORT

(1) CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to the principles of Corporate Governance and have dedicated significant efforts to provide transparency, accountability and independence.

The Company has adopted the Code of Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 effective from the accounting periods from 1 January 2005, save as disclosed in section (3) Chairman and Chief Executive Officer regarding code provision A.2.1.

(2) BOARD OF DIRECTORS

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, supervises the management of the business and affairs and approves the strategic plans. The Board delegates corporate matters to the Management of the Group under the leadership of the Chief Executive Officer, including preparation of annual, interim and quarterly accounts, execution of business strategies 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.

BOARD COMPOSITION

The Board currently comprises of the following members:

Executive Directors:
Hou Hsiao Bing
Hou Hsiao Wen

Independent Non-executive Directors:
Lui, Ming Rosita
Tam Kam Biu, William
Ho Wai Wing, Raymond

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.

CORPORATE GOVERNANCE REPORT

BOARD MEETING

The Board meets at least four times a year to review financial and operating performance and discuss Group direction and strategy.

Details of the attendance of the board of Directors are as follows:

	14 Jun 2006	11 Aug 2006	13 Nov 2006	8 Feb 2007
Hou Hsiao Bing	✓	✓	✓	✓
Hou Hsiao Wen	✓	✓	✓	✓
*Lui, Ming Rosita	n/a	n/a	n/a	n/a
*Tam Kam Biu, William	n/a	n/a	n/a	n/a
*Ho Wai Wing, Raymond	n/a	n/a	n/a	n/a

* *Independent non-executive Directors who will not attend the Company's regular Board Meetings.*

The Directors will receive details of agenda items for decision in advance of each board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive Directors are considered to be independent.

(3) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated.

The Company has achieved a high compliance level with the exception of the separation of Mr. Hou Hsiao Bing serving the dual role of Chairman and Chief Executive Officer.

This exception was discussed and the dual role was approved by the Board based on the following reasons:

- The Company size is relatively small and thus not justified in separating the role of chairman and chief executive officer.

- The Company has in place internal controls to provide check and balance on the functions.

Mr. Hou Hsiao Bing has been the Chairman and Chief Executive Officer of the Company starting from 5 August 2002 and 31 December 2004 respectively. The management considered that there is no imminent need to change the arrangement for there are only two executive Directors in the Board of Directors.

CORPORATE GOVERNANCE REPORT

(4) AUDIT COMMITTEE

The Company established an audit committee on 13 December 2000 with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members – Ms. Lui, Ming Rosita, Mr. Tam Kam Biu, William and Mr. Ho Wai Wing, Raymond, all of whom are independent non-executive Directors. Ms. Lui, Ming Rosita is the chairman of the audit committee. Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee meets four times a year to review with senior management and at least once a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to listing rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 March 2007 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

Details of the attendance of members at Audit Committee meeting are as follows:

	8 Jun 2006	4 Aug 2006	3 Nov 2006	1 Feb 2007
Lui, Ming Rosita	✓	✓	✓	✓
Tam Kam Biu, William	✓	✓	✓	✓
Ho Wai Wing, Raymond	✓	✗	✓	✓

(5) REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2005 with defined terms of reference. It's role is to review and determine 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 director and senior management and making recommendation to the Board of the remuneration of the non-executive directors.

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

(d) Reviewing and approving the compensation payable to executive directors 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.

(6) NON-EXECUTIVE DIRECTOR

Code provision A.4.1 provides that non-executive Director should be appointed for a specific term and subject to re-election. The Company's non-executive Director has been appointed for specific term and subject to re-election.

(7) COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the twelve months ended 31 March 2007.

(8) 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 2007 are as follow:

	2007	2006
	HK$	*HK$*
Annual audit and taxation services	**210,000**	200,000

CORPORATE GOVERNANCE REPORT

(9) INTERNAL CONTROLS

The Board recognises that a sound and effective internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

Management has established the Group's Internal Control Policies and Guidance for monitoring the internal control system.

The Board has delegated to the Management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel and individual department heads throughout the Group maintain and monitor the compliance to these controls on an ongoing basis and report variance to senior management.

Based on the assessment and review made by the Board and senior management on the effectiveness of the internal control system, the Audit Committee is satisfied that:

- The internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication; and

- There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 17 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 6 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 29.

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 2007 (2006: Nil).

RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out in note 24 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

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

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
Ms. Lui, Ming Rosita*
Mr. Ho Wai Wing, Raymond*
Mr. Tam Kam Biu, William*

* *Independent non-executive Directors*

In accordance with Articles 108(A) of the Company's Articles of Association, the Independent non-executive Directors Ms. Lui, Ming Rosita and Mr. Ho Wai Wing, Raymond retire as Directors by rotation at the forthcoming annual general meeting and, being eligible, offer herself/himself for re-election.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

HOU Hsiao Bing, aged 52, the elder brother of Hou Hsiao Wen, has been the Chairman and Chief Executive Officer of the Group starting from 5 August 2002 and 31 December 2004 respectively. 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 26 years' experience in China business. Mr. Hou graduated from the Hong Kong Polytechnic University with a Diploma in Marketing.

HOU Hsiao Wen, aged 47, is the Compliance Officer, one of the Authorized Representatives of he Group 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 20 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 44, 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 the University of East Asia in Macau. Mr. Ho is currently a marketing head of a telecommunication company in Hong Kong. Mr. Ho has 21 years' experience in sales and marketing in Hong Kong and Asia.

REPORT OF THE DIRECTORS

LUI, Ming Rosita, aged 43, 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 fourteen years. Her expertise is in business development, sales and marketing.

TAM Kam Biu, William, aged 50, is an Associate member of the Hong Kong Institute of Certified Public 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 12 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 39, is the Chief Financial Officer, the Qualified Accountant, Company Secretary and one of the Authorised Representatives 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 Professional Accounting from Jinan University in the PRC. Ms. Chan is also a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England & Wales and a fellow member of Association of Chartered Certified Accountants. Ms. Chan has over 15 years' experience in the fields of auditing, accounting and finance and have been engaged in international certified public accountants firms, Hong Kong listed companies and multinational company listed overseas. Ms. Chan joined the Group in July 2000.

CHAN So Mei, aged 37, was appointed Company Secretary of the Group on 25 February 2004 and resigned on 24 November 2006 due to personal reasons. 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 11 years' working experience in the fields of cooperative administration and company secretary and have been engaged in both practising professional firms and listed corporations.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Mr. Hou Hsiao Bing and Mr. 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 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, unless terminated by not less than three months' notice in writing served by either party on the other during the term of the renewed appointment. 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 28 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.

REPORT OF THE DIRECTORS

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 2007, the interests and short positions of the Directors and chief executive 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 the Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(A) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY

Name	Name of company	Capacity	Number and class of securities *(Note)*	Percentage shareholding in the same class of securities
Mr. Hou Hsiao Bing *(Executive Director)*	The Company	Beneficial owner	131,150,000 ordinary shares (L) *(Note 1 and 2)*	28.98%
	The Company	Beneficial owner	2,000,000 ordinary shares *(Note 3)*	0.44%
Mr. Hou Hsiao Wen *(Executive Director)*	The Company	Beneficial owner	33,160,000 ordinary shares (L) *(Note 1)*	7.33%
	The Company	Beneficial owner	2,000,000 ordinary shares *(Note 3)*	0.44%

REPORT OF THE DIRECTORS

Notes:

1. The letter "L" represents the Director's interests in the Shares and underlying Shares of the Company.

2. Following his acquisition of 54,690,000 Shares in February 2007, Mr. Hou Hsiao Bing's shareholding increased to 131,150,000 Shares representing approximately 28.98 per cent of the Shares in issue.

3. 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, 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 Schemes" below.

(B) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS/SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director	Associated Corporations	Number of shares in which interested	Nature of interest	Approximate percentage holding of the non-voting deferred shares
Mr. Hou Hsiao Bing *(Executive Director)*	Truth Honour Electronic Limited	3,000,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares
Mr. Hou Hsiao Bing *(Executive Director)*	Soluteck Investments Limited	500,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares

Truth Honour Electronic Limited and Soluteck Investments Limited are subsidiaries of the Company and are thus associated corporations of the Company.

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.

REPORT OF THE DIRECTORS

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.

	Number of Options				
Pre-IPO Share Options	**Outstanding at 1.4.2006**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 31.3.2007**	**Closing price per share immediately before the date of grant** *(HK$)* *(Note 2)*
Exercise price at HK$0.20:					
– Other Employees	1,250,000	Nil	(450,000)	800,000	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
– Other Employees	2,400,000	Nil	Nil	2,400,000	Nil
	7,650,000	Nil	(450,000)	7,200,000	

REPORT OF THE DIRECTORS

Notes:

1. During the financial year ended 31 March 2007, 450,000 share options were lapsed upon the resignation of the relevant employees 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.

3. No share option was granted and exercised during the financial year ended 31 March 2007.

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 2007, 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
Mr. Chung Yuk Man	35,190,000	Beneficial owner	7.77%

Save as disclosed above, as at 31 March 2007, 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.

REPORT OF THE DIRECTORS

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 no 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 95.0 per cent.
- five largest suppliers in aggregate: Approximately 98.6 per cent.

SALES

- the largest customer: Approximately 57.3 per cent.
- five largest customers in aggregate: Approximately 89.6 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-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

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

The Audit Committee of the Board provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises 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 Holdings 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 12 to 16 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 2007

INDEPENDENT AUDITORS' REPORT

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 of Soluteck Holdings Limited (the "Company") set out on pages 29 to 65, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 (Practising)

TANG Wai Hung
Practising Certificate Number: P03525

Hong Kong
14 June 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Note	**2007** **HK$'000**	2006 HK$'000
Revenue	6	**63,808**	34,068
Cost of sales		**(46,913)**	(18,393)
Gross profit		**16,895**	15,675
Other revenue	6	**85**	78
Selling expenses		**(2,851)**	(3,298)
Administrative expenses		**(10,670)**	(13,913)
Operating profit (loss)	7	**3,459**	(1,458)
Finance costs	8	**(389)**	(391)
Profit (loss) before taxation		**3,070**	(1,849)
Income tax expenses	9	**(992)**	(796)
Profit (loss) for the year		**2,078**	(2,645)
Attributable to:			
Equity holders of the Company		**2,078**	(2,645)
Dividend	10	**–**	–
Basic earnings (loss) per share	12	**0.46 cents**	(0.58 cents)

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	15	**375**	444
Investment securities	16	**–**	–
		375	444
Current assets			
Inventories	18	**9,229**	16,532
Accounts receivable	19	**33,278**	15,264
Other receivable, deposits and prepayments		**1,314**	5,636
Bank balances and cash	21	**1,148**	3,799
		44,969	41,231
Current liabilities			
Accounts payable	20	**1,715**	1,986
Other payables and accruals		**2,037**	3,003
Receipt in advance		**682**	3,022
Taxation payable		**–**	10
Bank overdrafts		**2,148**	3,356
Short-term bank loans, secured		**4,546**	–
		11,128	11,377
Net current assets		**33,841**	29,854
Total assets less current liabilities		**34,216**	30,298
Non-current liabilities			
Deferred tax liabilities	22	**1,035**	608
Net assets		**33,181**	29,690
Share capital	23	**45,261**	45,261
Reserves	24	**(12,080)**	(15,571)
Shareholders' funds		**33,181**	29,690

On behalf of the Board

Hou Hsiao Bing
Director

Hou Hsiao Wen
Director

BALANCE SHEET

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment in subsidiaries	17	**45,931**	46,586
Current assets			
Other receivable, deposits and prepayments		**126**	126
Bank balances and cash		**–**	21
		126	147
Current liabilities			
Other payables and accruals		**947**	1,137
Net current liabilities		**(821)**	(990)
Net assets		**45,110**	45,596
Share capital	23	**45,261**	45,261
Reserves	24	**(151)**	335
Shareholders' funds		**45,110**	45,596

On behalf of the Board

Hou Hsiao Bing
Director

Hou Hsiao Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

	Equity attributable to equity holders of the Company					
	Share capital	**Share premium**	**Reserve arising from reorganization**	**Exchange reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	45,261	1,194	(24,317)	9	9,440	31,587
Exchange differences arising on translation of foreign operations	–	–	–	748	–	748
Loss for the year	–	–	–	–	(2,645)	(2,645)
At 31 March 2006 and At 1 April 2006	45,261	1,194	(24,317)	757	6,795	29,690
Exchange differences arising on translation of foreign operations	–	–	–	1,413	–	1,413
Profit for the year	–	–	–	–	2,078	2,078
At 31 March 2007	**45,261**	**1,194**	**(24,317)**	**2,170**	**8,873**	**33,181**

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**3,070**	(1,849)
Adjustment for:		
Depreciation	**193**	481
Provision for bad and doubtful debts	**–**	900
Provision for slow moving and obsolete inventories	**–**	1,000
Interest income	**(85)**	(78)
Interest expenses	**389**	391
Operating cash flows before movements in working capital	**3,567**	845
Decrease (increase) in inventories	**7,303**	(3,203)
(Increase) decrease in accounts receivable	**(18,014)**	3,870
Decrease in other receivables, deposits and prepayments	**4,322**	1,204
Decrease in accounts payable	**(271)**	(2,546)
(Decrease) increase in other payables and accruals	**(966)**	395
(Decrease) increase in receipt in advance	**(2,340)**	672
Cash (used in) generated from operations	**(6,399)**	1,237
Interest expenses	**(389)**	(391)
Overseas tax refund	**171**	
Overseas taxation paid	**(760)**	(1,011)
NET CASH USED IN OPERATING ACTIVITIES	**(7,377)**	(165)
INVESTING ACTIVITIES		
Interest received	**85**	78
Purchase of property, plant and equipment	**(110)**	(72)
Decrease in pledged bank deposits	**–**	5,107
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(25)**	5,113
FINANCING ACTIVITIES		
New bank loan drawn down	**4,546**	2,293
Repayment of amounts borrowed	**–**	(7,099)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**4,546**	(4,806)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,856)**	142
CASH AND CASH EQUIVALENTS AT 1 APRIL	**443**	(447)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,413**	748
CASH AND CASH EQUIVALENTS AT 31 MARCH	**(1,000)**	443
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by		
Bank balances and cash	**1,148**	3,799
Bank overdrafts	**(2,148)**	(3,356)
	(1,000)	443

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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.

The financial statements on pages 29 to 65 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("Listing Rules").

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 April 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2006 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in both the Group's and Company's accounting policies.

In addition, the Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements. Details of new or amended HKFRSs that have been issued but not yet effective were summarized as follows:

Amendment to HKAS 1	"Presentation of Financial Statements" – Capital Disclosures[1]
HKFRS 7	"Financial Instruments: Disclosures"[1]
HKFRS 8	"Operating Segments"[7]
HK(IFRIC) Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies"[2]
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2"[3]
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives"[4]
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment"[5]
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions"[6]
HK(IFRIC) Interpretation 12	"Service Concession Arrangements"[8]

2. ADOPTION OF NEW OR AMENDED HKFRSS *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 March 2006
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2009
[8] Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below. It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(A) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2007. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) EMPLOYMENT BENEFITS *(Continued)*

Pension obligations (Continued)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) CONTINGENT LIABILITIES AND CONTINGENT ASSETS *(Continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 property, plant and equipment (Note 15).

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 revenue 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) FINANCIAL INSTRUMENTS *(Continued)*

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.

Other financial liabilities

Other financial liabilities including trade and other payables 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(P) INTANGIBLE ASSETS

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.

(Q) RELATED PARTIES

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Company or Group;
- has an interest in the Company that gives it significant influence over the Company or Group; or
- has joint control over the Company or Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company or Group, or of any entity that is a related party of the Company or Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in Note 3, 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.

(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.

5. 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(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 2007 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 during the year.

(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.

6. 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	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**52,521**	17,321
Rendering of services	**11,287**	16,747
	63,808	34,068
Other revenue		
Interest income	**85**	78
Total revenue	**63,893**	34,146

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Sales of goods 2007 *HK$'000*	Rendering of services 2007 *HK$'000*	The Group 2007 *HK$'000*
Revenue	52,521	11,287	63,808
Segment results	6,764	5,611	12,375
Other revenue			85
Unallocated costs			(9,001)
Operating profit			3,459
Finance costs			(389)
Profit before taxation			3,070
Income tax expenses			(992)
Profit for the year			2,078
Segment assets	35,171	7,967	43,138
Unallocated assets			2,206
Total assets			45,344
Segment liabilities	1,715	814	2,529
Unallocated liabilities			9,634
			12,163
Capital expenditure	–	21	21
Unallocated capital expenditure			89
			110
Depreciation	–	44	44
Unallocated depreciation			149
			193
Other non-cash expenses			–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS *(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
			11,985
Capital expenditure	–	35	35
Unallocated capital expenditure			–
			35
Depreciation	–	94	94
Unallocated depreciation			387
			481
Other non-cash expenses			2,166

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

7. OPERATING PROFIT (LOSS)

Operating profit (loss) is stated after crediting and charging the following:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Crediting		
Net foreign exchange gains	**129**	233
Charging		
Auditors' remuneration:		
– Current year	**226**	222
– Under provision for previous year	**–**	94
Cost of inventories	**43,248**	13,526
Depreciation	**193**	481
Operating leases for land and building	**1,333**	1,180
Provision for bad and doubtful debts	**–**	900
Provision for slow moving and obsolete inventories	**–**	1,000
Bad debts written off	**10**	266
Research and development costs	**325**	439
Staff costs (including directors' emoluments and research and development costs) *(Note 13)*	**8,554**	9,298

8. FINANCE COSTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**389**	391

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

9. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the year. (2006: 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	
	2007	2006
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**–**	–
– Overseas taxation	**763**	741
– Over provision in prior years	**(171)**	–
Deferred taxation *(Note 22)*	**400**	55
Income tax expenses	**992**	796

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Profit (loss) before taxation	**3,070**	(1,849)
Calculated at a rate of income tax of 17.5%	**537**	(324)
Effect of difference rate of income tax in other countries	**(211)**	152
Income not subject to taxation	**(8)**	–
Expenses not deductible for taxation purposes	**2**	329
Tax losses not recognized	**703**	876
Over provision in prior years	**(171)**	–
Others	**140**	(237)
	992	796

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

10. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2007 and 2006 nor has any dividend been proposed since the balance sheet date.

11. 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$486,000 (2006: HK$573,000).

12. BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share are based on the Group's profit attributable to shareholders of approximately HK$2,078,000 (2006: loss of HK$2,645,000) and 452,612,072 (2006: 452,612,072) ordinary hares in issue during the year.

No diluted earnings (loss) per share for the years 31 March 2007 and 2006 is presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	HK$'000	*HK$'000*
Wages and salaries	**7,966**	8,648
Termination benefits	**22**	100
Pension costs – defined contribution plans	**566**	550
	8,554	9,298

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the five (2006: five) directors of the Company during the year were as follows:

2007	**Fees**	**Salaries and other emoluments**	**Contribution to retirement benefits scheme**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Executive Directors				
Hou Hsiao Bing	**–**	**810**	**12**	**822**
Hou Hsiao Wen	**–**	**540**	**12**	**552**
Independent Non-Executive Directors				
Ho Wai Wing, Raymond	**–**	**60**	**–**	**60**
Lui, Ming Rosita	**–**	**60**	**–**	**60**
Tam Kam Biu, William	**–**	**60**	**–**	**60**
	–	**1,530**	**24**	**1,554**

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

14. 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 (2006: two) directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining three (2006: three) individual during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**1,276**	1,485

The emoluments fell with the following bands:

	Number of individuals	
	2007	2006
Emoluments bands		
Nil – HK$1,000,000	**3**	3

During the year ended 31 March 2007, 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 (2006: HK$Nil).

15. 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 and At 1 April 2006	84	4,873	340	5,297
Additions	–	110	–	110
Disposals	–	(455)	–	(455)
Exchange adjustment	4	72	–	76
At 31 March 2007	**88**	**4,600**	**340**	**5,028**
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 and At 1 April 2006	76	4,437	340	4,853
Charge for the year	9	184	–	193
Eliminated on disposals	–	(455)	–	(455)
Exchange adjustment	3	59	–	62
At 31 March 2007	**88**	**4,225**	**340**	**4,653**
Net book values				
At 31 March 2007	**–**	**375**	**–**	**375**
At 31 March 2006	8	436	–	444

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

16. INVESTMENT SECURITIES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted, at cost	**190**	190
Less: Provision for diminution in value	**(190)**	(190)
	–	–

17. INVESTMENTS IN SUBSIDIARIES

	2007	2006
	HK$'000	*HK$'000*
Unlisted investments, at cost	**27,826**	27,826
Amounts due from subsidiaries	**18,105**	18,760
	45,931	46,586

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

The following is a list of subsidiaries as at 31 March 2007:

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

17. 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)*				
Soluteck Investments Limited	Hong Kong, limited liability company	Investment holdings 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
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 holdings in Hong Kong	100 ordinary shares of US$1 each	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

17. 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)*				
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$1,300,000	100
信興通(北京)信息技術有限公司	PRC, limited liability company	Provision of hardware and software technical support services for electronic banking systems and other systems in the PRC	Registered capital of US$150,000	100

17. 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)*				
一創信興(上海)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

18. INVENTORIES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Merchandize for re-sale	**7,450**	14,577
Spare parts	**3,779**	3,955
	11,229	18,532
Less: Provision for slow moving and obsolete inventories	**(2,000)**	(2,000)
	9,229	16,532

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

19. ACCOUNTS RECEIVABLE

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Accounts receivable	**34,978**	16,964
Less: Provision for bad and doubtful debt	**(1,700)**	(1,700)
	33,278	15,264

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 2007, the aging analysis of the accounts receivable was as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current to 60 days	**21,453**	6,048
61 – 90 days	**786**	3,005
Over 90 days	**11,039**	6,211
	33,278	15,264

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

20. ACCOUNTS PAYABLE

	2007	2006
	HK$'000	*HK$'000*
Accounts payable	**1,715**	1,986

20. ACCOUNTS PAYABLE *(Continued)*

At 31 March 2007, the aging analysis of the accounts payable was as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current to 60 days	**1,320**	299
61 – 90 days	**241**	8
Over 90 days	**154**	1,679
	1,715	1,986

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

21. BANK BALANCES AND CASH

Included in the balance was approximately HK$256,000 (2006: HK$2,215,000), 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.

22. 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	
	2007	2006
	HK$'000	*HK$'000*
At 1 April	**608**	539
Exchange adjustment	**27**	14
Deferred taxation charged to income statement *(Note 9)*	**400**	55
At 31 March	**1,035**	608

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$4,760,000 (2006: HK$4,056,000) relating to tax losses of approximately HK$27,190,000 (2006: HK$23,175,000) as at 31 March 2007. The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

22. DEFERRED TAXATION *(Continued)*

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	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 April	**–**	115	**2,698**	2,576	**2,698**	2,691
Exchange adjustment	**–**	3	**118**	71	**118**	74
Charged (credited) to income statement	**–**	(118)	**(538)**	51	**(538)**	(67)
At 31 March	**–**	–	**2,278**	2,698	**2,278**	2,698

DEFERRED TAX ASSETS

	Provision		Tax losses		Other temporary difference		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 April	**–**	–	**–**	–	**2,090**	2,152	**2,090**	2,152
Exchange adjustment	**–**	–	**–**	–	**91**	60	**91**	60
Charged (credited) to income statement	**–**	–	**–**	–	**(938)**	(122)	**(938)**	(122)
At 31 March	**–**	–	**–**	–	**1,243**	2,090	**1,243**	2,090

	2007	2006
	HK$'000	*HK$'000*
Deferred tax assets	**1,243**	2,090
Deferred tax liabilities	**(2,278)**	(2,698)
At 31 March	**(1,035)**	(608)

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

23. SHARE CAPITAL

	Authorized Ordinary shares of HK$0.1 each	
	No. of shares	*HK$'000*
At 31 March 2006 and 2007	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 2006 and 2007	452,612,072	45,261

SHARE OPTIONS

(a) Under a share option scheme approved and adopted by the shareholders on 13 December 2000 (the "Share Option Scheme"), the 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 450,000 (2006: 5,150,000) options were lapsed upon resignation of the relevant employees of the Group. As at 31 March 2007, options to subscribe for 7,200,000 (2006: 7,650,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

24. 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 2005	1,194	(24,317)	9	9,440	(13,674)
Exchange differences arising on translation of foreign operations	–	–	748	–	748
Loss for the year	–	–	–	(2,645)	(2,645)
At 31 March 2006 and At 1 April 2006	1,194	(24,317)	757	6,795	(15,571)
Exchange differences arising on translation of foreign operations	–	–	1,413	–	1,413
Profit for the year	–	–	–	2,078	2,078
At 31 March 2007	**1,194**	**(24,317)**	**2,170**	**8,873**	**(12,080)**

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

24. RESERVES *(Continued)*

(B) THE COMPANY

	Share premium HK$'000	Deficit HK$'000	Total HK$'000
At 1 April 2005	1,194	(286)	908
Loss for the year	–	(573)	(573)
At 31 March 2006 and At 1 April 2006	1,194	(859)	335
Loss for the year	–	(486)	(486)
At 31 March 2007	**1,194**	**(1,345)**	**(151)**

25. BANKING FACILITIES

As at 31 March 2007, the Group's banking facilities of HK$7,146,000 (2006: HK$9,000,000) are secured and supported by the following:

(a) corporate guarantees granted by the Company and several subsidiaries of the Group of HK$15,000,000 (2006: HK$15,000,000).

(b) Short term bank loan of approximately HK$4,546,000 (2006: HK$Nil) are secured by personal guarantee given by a director, Mr. Hou Hsiao Wen.

(c) As at 31 March 2007, the aforesaid banking facilities were utilized to the extent of approximately HK$6,694,000.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

26. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDING

At 31 March 2007, the Group had future aggregate minimum lease payments under operating leases as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Not later than one year	**474**	646
Later than one year and not later than five years	**282**	275
	756	921

The Company did not have significant lease commitment as at 31 March 2007.

27. CAPITAL COMMITMENTS

The Group and the Company did not have significant capital commitment as at 31 March 2007.

28. 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 are as follows:

(A) TRANSACTION WITH CONNECTED OR RELATED PARTIES

		The Group	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Rental paid to Directors	*(i)*	**69**	205
Rental paid to the related parties	*(ii)*	**397**	306

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$279,072 (2006: HK$188,400) for the Group's use for the year ended 31 March 2007. 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$118,367 (2006: HK$117,797) for the Group's use. Dynatek is owned by Mr. Hou Hsiao Bing, the Chairman of the Group. Mr. Chung Lok Fai was a former Director of the Company. Ms. Chung Po Chu and Ms. Tsou Lo Nien are the present and previous shareholders of the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

28. RELATED PARTY TRANSACTIONS *(Continued)*

(B) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	**3,064**	4,064
Post-employment benefits	**36**	72
	3,100	4,136

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 14 June 2007.

FIVE YEAR FINANCIAL SUMMARY

	2007	2006	2005	2004	2003 Continuing operations	2003 Discontinuing operations
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results:						
Revenue	**63,808**	34,068	66,986	103,062	110,696	7,947
Profit/(Loss) attributable to shareholders	**2,078**	(2,645)	(11,886)	(437)	10,138	(1,370)
Assets and liabilities						
Total assets	**45,344**	41,675	50,600	62,837	74,434	–
Total liabilities	**(12,163)**	(11,985)	(19,013)	(17,114)	(23,748)	–
Net assets	**33,181**	29,690	31,587	45,723	50,686	–