



SOLUTECK HOLDINGS LIMITED
— 創科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH, 2001

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

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

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

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

This announcement, for which the directors of Soluteck Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to Soluteck Holdings Limited. The directors of Soluteck Holdings Limited having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 3 January, 2001
- Turnover for the year ended 31 March, 2001 was approximately HK\$303 million, representing a substantial increase of 43% against the previous year
- Net profit attributable to shareholders for the year ended 31 March, 2001 was approximately HK\$24 million
- Established a reputable client base, including the headquarters and certain principal commercial branches of various commercial banks and the postal savings bureaus of the State Postal Bureaus in the PRC

LETTER FROM THE CHAIRMAN

INTRODUCTION

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 Company for the year ended 31 March, 2001. During this first year of listing of the shares (the “Shares”) of the Company on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited, the Group recorded a substantial increase in its turnover to approximately HK\$303 million, representing a surge of approximately 43 per cent., as compared with the turnover for the year ended 31 March, 2000 of approximately HK\$213 million. The net profit attributable to shareholders for the year amounted to approximately HK\$24 million with an earnings per share of approximately HK5.94 cents.

REVIEW OF BUSINESS OPERATIONS AND PROSPECTS

General

The listing of the Shares on GEM represented a milestone in the development of the Group since its establishment in 1993. During the year ended 31 March, 2001, the Group recorded a turnover of approximately HK\$303 million, representing a substantial increase of approximately 43 per cent. over the turnover in the year ended 31 March, 2000. This substantial growth in the business of the Group was principally attributable to the growth in the business of the Group in the PRC as a result of successful marketing strategies.

During the year ended 31 March, 2001, the Group established its position as a “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 in the PRC 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 very rapid pace. I anticipate that this development will continue and will facilitate the Group’s plans to increase its market share in Hong Kong and Macau.

Banking sector

Since the establishment of its business in 1993, the Group has built a solid customer base which includes the headquarters and certain principal branches of various commercial banks in the PRC, such as The Bank of China, Bank of Communications, The Industrial and Commercial Bank of China, China Construction Bank, Shanghai Pudong Development Bank and Minsheng Bank Limited, and the postal savings bureaus of the State Postal Bureaus in the

PRC. With such a reputable customer base, our strategy is to provide our customers with the latest technology solutions to satisfy their needs. This has been, and will continue to be, one of the competitive advantages of the Group in the PRC market.

In addition, the Group has established strong business relationships with NCR (Hong Kong) Limited and Pitney Bowes Asian Operations. They are pioneers in the self-service automatic teller machine (“ATM”) systems and postal automatic solutions industries, respectively, providing the Group with access to the latest technology so that the Group can provide reliable technology solutions to its customers.

Notwithstanding the fact that the PRC economy experienced rapid development in the previous decade, my view is that information technology applications in the banking and postal sectors are still not sufficient to cope with the increasing demand to support nation-wide comprehensive payment and fund transfer systems with ATM systems and point-of-sale networks and terminals. The unsophisticated branch networks of the PRC banks together with the lack of widely used inter-bank card products and banking service systems have prompted the PRC government to take the initiative to improve the banking system in the PRC. This initiative resulted in the “Gold Card Project”, which aims to establish inter-bank electronic payment systems and general banking and credit card systems across the country.

I believe that the “Golden Card Project” creates ample business opportunities for the Group as commercial banks in the PRC require advanced technology and the supporting ATM infrastructure to facilitate real-time fund transfers and settlement of inter-bank transactions.

Postal sector

Apart from the increasing demand for information technology in the banking sector in the PRC, the State Post Bureau of the PRC also implemented an ATM system under the “Green Card Project” to establish a network between its branches and sub-branches to provide saving and deposit-taking services.

In addition, I consider that electronic postal automation systems are not widely used in the PRC. I expect that with the continuous economic developments in the PRC, there will be increasing demand for electronic postal automation systems, such as mailing finishing systems, volume mailing handling systems and franking machines, to satisfy the growing mailing requirements in the country.

Looking forward: Business opportunities with the accession of the PRC to the World Trade Organisation (“WTO”)

In anticipation of the PRC’s accession into WTO, domestic commercial banks and postal savings bureaus in the PRC will have to offer additional services, upgrade their computer systems and expand their branch networks in order to compete with foreign banks and financial institutions. This is expected to stimulate the demand for ATM systems and related hardware and software. Looking forward, this will be a principal driving factor for the future business development of the Group.

Building on the Group’s experience and hardware and software design and installation capacity, I genuinely believe that the Group is ideally positioned in this growing market. Following completion of the acquisition of Task Consultants Limited in September 2000, the Group’s capability in localising and customizing of software applications and the development of e-banking application solutions has been further strengthened. This will allow the Group to capture additional market opportunities and accelerate its business growth.

DIVIDEND

In order to reserve additional financial resources for future developments of the Group, the Board has resolved not to recommend the payment of final dividend for the year ended 31 March, 2001.

APPRECIATION

As at 31 March, 2001, the Group employed 121 and 51 staff in the PRC and Hong Kong, respectively. We have not encountered any difficulties in recruiting and retaining experienced personnel. We treasure the harmonious relationships with our staff and would like to take this opportunity to express our gratitude to the management and the 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, business associates and customers for their continuous support.

Chung Lok Fai
Chairman

Hong Kong, 18 June, 2001

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Set forth below is a progress report of the business objectives as set out in the prospectus of the Company dated 22 December, 2000:–

Business objectives as stated in the prospectus

Actual business progress in respect of the period from the latest practicable date to 31 March, 2001

Sales and Revenue

- | | |
|---|---|
| 1. Conduct aggressive marketing programs to expand the revenue source of the Group | The sales of the Group for the year ended 31 March, 2001 was approximately HK\$303 million, representing a substantial increase of approximately 43 per cent. as compared with the previous year. |
| 2. Increase sales of self-service ATM systems and electronic postal automation systems through the PRC subsidiaries | The sales of the Group in the PRC during the year ended 31 March, 2001 was approximately HK\$296 million of which approximately 85 per cent. and approximately 2 per cent., were income derived from sales of self-service ATM systems and electronic postal automation systems respectively. |
| 3. Promote BANK24 aggressively and other system components to medium-sized banks and financial institutions in HK | Collaborated with strategic partners to promote Bank24 and a few contracts are under negotiation |

Research and Development

- | | |
|--|--|
| 1. Continue the enhancement of existing system software for operation and management of ATM network | Successfully developed an ATM Smart Card Software System for the postal bureau in Shanghai |
| 2. Continue the development of electronic banking software to facilitate e-banking transactions between banks and financial institutions | BANK24 provides a modular open system platform supporting various modes of communications and is currently used by a number of commercial banks in the PRC and Hong Kong |
| 3. Undergo final development stage of e-Cash management system to support accounts and cash transaction management | Final development stage of e-Cash management system was completed and the Group actively promotes the e-Cash management system to its customers |

- | | | |
|-----|---|---|
| 4. | Jointly develop with Pitney Bowes application software for the electronic postal automation systems | Plan to cooperate with postal bureau to develop the application software for the electronic postal system. |
| 5. | Develop a browser based version on existing e-Retail banking system | The browser based version of the e-Retail banking system was launched in May 2001 |
| 6. | Develop a web-enabled application on existing e-Loan management system | The system is still under development and is expected to launch in June 2002 |
| 7. | Further develop a e-Trade finance system | The e-Trade finance system was successfully launched in February 2001 |
| 8. | Collaborate with ACW to develop a Chinese version of the Datawarehouse and Business Intelligence System | Collaborate with ACW to promote Datawarehouse and Business Intelligence System and Customer Relationship Management System in Hong Kong and the PRC. The Group is currently undergoing a further study of the market potential of these systems |
| 9. | Develop software applications to facilitate application hosting services | The Group currently provides application hosting technology services to its customers |
| 10. | Develop with a software developer to enhance further development on an Internet banking software | The relevant Internet banking software was launched in late December 2000 |
| 11. | Develop mobile banking solution | The Group successfully launched its Mobile Banking Solution in March 2001 with business and transaction components |

Marketing

- | | | |
|----|--|--|
| 1. | Promote Group's products and services through a series of marketing and promotion programs | The Group held a series of conferences in the PRC in March 2001 for the major customers of the Group |
| 2. | Promote Group's corporate image through advertising on professional journals | The Group advertised on "Financial Computer of China" magazine on a regular basis |

Resources Employment

1. Set up two customer service centers in the PRC

The Group established two customer service centers in Zhengzhou and Shenyang in the PRC in January 2001 and March 2001, respectively
2. Recruit additional qualified staff to strengthen the Group's capability in sales and marketing, research and development, business development and general administration

The Group recruited 30 additional staff during the year ended 31 March, 2001. A total of 172 professional staff are devoted to improve the services provided by the Group
3. Continue implementation of training seminars for existing and new staff on software development and industry updates

Training seminar was held in March 2001 in Kunming, Yunnan Province, the PRC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

INTRODUCTION

The Group provides implementation and upgrading of self-service ATM systems and electronic postal automation systems. This includes the provision of hardware and software technical support and consultancy services in respect of self-service ATM systems and electronic postal automation systems, as well as the development and implementation of e-banking applications software for commercial banks and financial institutions in Hong Kong, Macau and the PRC.

Implementation of self-service ATM systems

During the year ended 31 March, 2001, the implementation of self-service ATM systems remained the core business of the Group and accounted for approximately 85 per cent. of the total turnover of the Group. Being a banking solutions technology provider, the Group also distributed and installed cash management systems, the turnover of which accounted for approximately 9 per cent. of the total turnover of the Group during the year ended 31 March, 2001.

The Group has been appointed as an authorised value-added reseller of NCR self-service ATM systems and related applications hardware and software for commercial banks and postal savings bureaus in the PRC since 1993. Acting as a value-added reseller of NCR self-service ATM systems, the Group is responsible for the design, installation and provision of maintenance services for self-service ATM systems using different communications protocols. Between 1996 and 2000, the Group received "The Best ATM Reseller" award from NCR every year. The accreditation demonstrates the Group's success in implementing banking information technology solutions in the PRC.

With extensive experience in the industry, the Group has established a reputable customer base including principal commercial banks and the States Post Bureau in the PRC as well as various prominent banks in Hong Kong and Macau. With the development of the branch network of these banks in the PRC, the Group anticipates that the demand for self-service ATM systems will increase substantially.

With its in-house research and development capability, the Group also develops application software to facilitate the operations of self-service ATM systems in addition to its core business. During the year ended 31 March, 2001, the Group successfully developed an ATM Smart Card Software System for the postal bureau in Shanghai. Since 1996, the Group has developed different proprietary software, such as its ATM Networking Software System, ATM Networking Monitoring Software System and ATM Goldcard Software Module, which are compatible with self-service ATM systems sourced from NCR.

Implementation of electronic postal automation systems

The income generated from the implementation of electronic postal automation systems accounted for approximately 2 per cent. of the total turnover of the Group during the year under review.

In view of the low utilisation rate of electronic postal automation systems, including mailing finishing systems, volume mailing handling systems and franking machines, in the PRC as compared with Hong Kong, Malaysia and other Asian countries, the Group will continue to explore the PRC market and to devote additional marketing efforts in promoting electronic postal automation systems in postal bureaus as well as commercial organisations in the PRC.

During the year ended 31 March, 2001, the Group sourced inserter machines, postal meter/franking machines, address printers and cutters from Pitney Bowes. In April 2000, the Group received “The Top Performance Award for Production Mail and Mailing Products” accreditation from Pitney Bowes. The award affirms the Group’s successes in this sector, and consolidates its position in distributing and implementing electronic postal automation systems in the PRC.

Provision of technical consultancy and support services

The provision of technical consultancy and support services contributed to provide a stable income source to the Group and accounted for approximately 13 per cent. of the total turnover of the Group for the year ended 31 March, 2001. The Group strengthened its research and development capabilities in applications software with the formation of Goldlink Information Technology Ltd. in the PRC in August 2000. The Group also set up three subsidiaries in Chengdu, Shanghai and Guangzhou and two in Beijing, to cater for banking and postal systems integration and support services to customers in the PRC.

The Group collaborates with ACW Consulting Pty Ltd. to promote Datawarehouse and Business Intelligence System and Customer Relationship Management System in Hong Kong and the PRC. The Group is currently studying the possibilities and the market potential of these services.

Development of e-banking software

The Group has strengthened its research and development team following completion of its acquisition of Task Consultants Limited in September 2000. Currently, the Group’s in-house research and development team consists of 32 experienced engineers based in Beijing, Shanghai and Hong Kong to provide localisation and customisation services for its ATM related supporting software as well as the development of the Group’s proprietary software.

Leveraging advanced on-line technologies and anticipating the growing trend towards e-banking and e-commerce, the Group has developed a series of e-banking software systems, such as BANK24, e-Loan Management System, e-Trade Finance System, e-Cash Management System, e-Retail Banking System, Self-service Banking System, Point-of-sales Solution, Phone Banking System, Utility Payment Solution, Internet Banking System and Inter-bank Transactions Switching System.

BANK24 is a revolutionary multi-channel e-banking solution which provides a modular open system platform supporting various modes of communications. It is currently being used by a number of commercial banks in Hong Kong and the PRC.

In view of the high penetration of mobile phones and the popularity of the internet, the Group successfully launched its Mobile Banking Solution in March 2001. The Mobile Banking Solution consists of a short message system gateway for mobile phone operators with business and transaction components.

Prospects

International Data Corporation expects system implementation to continue as the fastest growing segment in the information technology services market in the PRC from 1999 to 2004.

The Directors are very optimistic with regard to prospects for the implementation of self-service ATM systems in the PRC. In anticipation of the PRC's accession into the World Trade Organisation, commercial banks and postal saving bureaus in the PRC are expected to continue with the expansion and upgrading of their existing services in order to compete with foreign banks. At the same time, foreign banks may need experienced local partners to provide comprehensive information technology solutions for them to serve the untapped PRC market. The Directors have confidence in the continuous business growth in its core business as well as the implementation of self-service ATM systems in the PRC.

In addition to the PRC market, the Group intends to provide other means of delivering its information technology solutions to banks and financial institutions in Hong Kong with the provision of applications hosting services using a corporate e-banking applications platform. It is expected that the provision of corporate e-banking applications solutions on a business-to-business platform over the internet will further strengthen the Group's relationship with the banking and financial sector and will create a stable income stream for the Group.

With innovative vision and extensive experience in providing banking and postal information technology solutions in the PRC, the Group has accumulated a reputable customer base. The Group plans to build on its existing customer base to enhance the development of its core business and the software development business. In addition, it will continue to upgrade and diversify its existing software, such as BANK24, and to focus on the development of various complementary application software that can provide a wide range of banking services via different communication channels.

Currently, the Group has five subsidiaries in the PRC providing comprehensive technical support and consultancy services to customers. The Group will establish an additional subsidiary in Fuxin to expand its distribution and services network and provide further customisation and localisation services in respect of related supporting software for self-service ATM systems to fulfil the rapidly growing demand for information technology solutions in the PRC.

The Group is also committed to enhance its research and development capabilities. In addition to the existing two research and development centres located in Beijing and Hong Kong, the Group will set up a new research and development centre in Shenzhen and intends to work closely with local universities on the joint research and development of new technologies.

With these strategies in place, the Group is well-prepared for the opportunities ahead to become the ultimate information technology solutionist for the banking and postal industry.

Liquidity and financial resources

The Group raised net proceeds of approximately HK\$17.9 million from the placing of Shares and listing of the Shares on GEM on 3 January, 2001. A detailed analysis of the use of proceeds of approximately HK\$2.2 million by the Group as at 31 March, 2001 is as follows:

	From 29th December, 2000 to 31st March 2001 (HK\$ million)
For the research and development of proprietary software for e-banking business	1.0
For the expansion of distribution and service networks including the expansion of the existing PRC subsidiaries, recruitment of additional staff and purchase of additional office equipment	1.0
For establishing additional customer services centres in the PRC as well as recruitment of additional staff and purchase of additional office equipment	<u>0.2</u>
	<u><u>2.2</u></u>

The remaining net proceeds of HK\$15.7 million have been placed with licensed banks in Hong Kong for future use as identified by the Group's business plans as stated in the prospectus. The Directors do not envisage any circumstances which may lead to any material alternation as to the proposed use of the net proceeds.

The Group generally finances its operations with internally generated cash flow. As at 31 March, 2001, the Group had cash and bank balances amounting to a total of approximately HK\$32 million. The Group had no bank borrowings as at 31 March, 2001. With the above resources and the proceeds from the placing of the Shares, the Directors consider that the Group has adequate capital resources to finance its business activities.

Audit committee

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

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risks evaluation. The Committee comprises two independent non-executive Directors, namely Ms. Lui Ming, Rosita and Mr. Ho Wai Wing, Raymond. Two Meetings were held during the current financial year.

Purchase, sale or redemption of shares of the Company

The Company has not redeemed any of its Shares during the year ended 31 March, 2001. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the year ended 31 March, 2001.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH, 2001

		Group	
		2001	2000
	Note	HK\$'000	HK\$'000
Turnover	2	303,391	212,774
Cost of sales		(238,407)	(170,543)
Gross profit		64,984	42,231
Other revenue	2	2,699	3,859
Selling expenses		(9,275)	(5,217)
Administrative expenses		(28,802)	(13,226)
Profit from operation	3	29,606	27,647
Finance costs	4	(94)	(122)
Share of result of an associated company	9	–	–
Profit before taxation		29,512	27,525
Taxation	5	(5,419)	(4,534)
Profit attributable to shareholders	6	24,093	22,991
Dividends to the then shareholders	7	30,000	59,986
Basic earnings per share	8	5.94 cents	5.90 cents

Notes :–

1. Group reorganisation and basis of preparation

- (a) The Company was incorporated in the Cayman Islands on 10 August, 2000 as an exempted Company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.
- (b) On 13 December, 2000, pursuant to a Group Reorganisation (“Reorganisation”) in preparation for the listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued share capital of Soluteck (BVI) Holdings Limited (“Soluteck (BVI)”) through a share swap and became the holding Company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 22 December, 2000.
- (c) The Company’s shares were listed on the Stock Exchange on 3 January, 2001.

(d) The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.127 “Accounting for group reconstructions”, except for Task Consultants Limited (“Task Consultants”) which was acquired by the Group on 1 September, 2000 and was accounted for using acquisition accounting. The consolidated accounts of the Group for the year ended 31 March, 2001, including the comparative figures, are prepared as if the company had been the holding company of the Group from the beginning of the earliest period presented.

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

No balance sheet of the Company as at 31 March, 2000 is presented in the accounts as the Company was not yet incorporated on that date.

2. Revenue and turnover

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover		
Sales of goods	263,697	180,755
Rendering of services	39,694	32,019
	303,391	212,774
Other revenue		
Interest income	2,699	3,859
	306,090	216,633

3. Profit from operation

Profit from operation is stated after charging the following:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Auditors' remuneration	609	235
Bad debts written-off	–	7
Cost of inventories	213,222	145,056
Depreciation	920	1,022
Net exchange loss	41	91
Loss on disposal of fixed assets	34	–
Operating leases for land and building	1,641	786
Research and development costs	1,389	1,373
Retirement benefit costs	264	22
Staff cost (including Directors emoluments)	24,103	7,725

4. Finance costs

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loan	94	–
Interest on other loan	–	122
	<u>94</u>	<u>122</u>

Other loan was advanced from an independent third party and was repaid in June 1999.

5. Taxation

		Group	
		2001	2000
	Note	HK\$'000	HK\$'000
Hong Kong profits tax			
– current	(a)	5,419	4,554
– over provision in prior years		(319)	(33)
Overseas taxation	(b)	319	41
Deferred taxation	(c)	–	(28)
		<u>5,419</u>	<u>4,534</u>

Notes:

- (a) Hong Kong profits tax has been provided for at the rate of 16% on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the year.
- (b) Overseas taxation represented tax charge on the assessable profits of subsidiaries operating in the PRC calculated at the applicable rates.
- (c) There was no material unprovided deferred taxation assets/liabilities for the year (2000: Nil).

6. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$1,678,000.

7. Dividends

No dividend has been paid or declared by the Company since its date of incorporation.

Dividends were paid by the subsidiaries of the Group to their then shareholders prior to the Reorganisation as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Dividend paid		
– cash	30,000	34,500
– non-cash (<i>note a</i>)	–	25,486
	<u>30,000</u>	<u>59,986</u>

Notes:

- (a) During the year ended 31 March, 2000, the payment of dividends amounting to HK\$25,486,000 by the Company's subsidiaries was satisfied by the assignment of all the Group's properties, with net book value of HK\$25,486,000 at the time of declaration, to their then shareholders.

The dividend rates and the number of share ranking for the dividends are not presented as such information, for the purpose of this report, is not considered meaningful.

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholder of HK\$24,093,000 (2000: HK\$22,991,000) and the weighted average of 405,287,671 shares in issue during the year (2000: 390,000,000 share deemed to be issued on 1st April 1999, after taking into consideration of the 2,000,000 shares issued arising from the reorganisation and the capitalisation issue and the capitalisation issue of 388,000,000 shares are deemed to have been in issue throughout the accounting years presented).

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

9. Investment in associated company

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	<u>–</u>	<u>–</u>
Unlisted shares, at cost	<u>HK\$1</u>	<u>–</u>

The following is the details of the associated company as at 31 March, 2001:

Company	Place of incorporation and business	Principal activities	Particulars of issued shares held	Attributable equity interest %
Supreme Tech Development Limited	Hong Kong	Provision of the application hosting services for the banking and financial sector in Hong Kong	2 ordinary shares of HK\$1 each	50%

9. Reserves

(a) Group

	Share premium HK\$'000	Capital reserve HK\$'000	Reserve arising from Reorganisation HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 1999 (notes)	27,626	–	(24,317)	(11)	56,899	60,197
Exchange difference	–	–	–	7	–	7
Profit for the year	–	–	–	–	22,991	22,991
Dividend to the then shareholders	–	–	–	–	(59,986)	(59,986)
At 31 March, 2000	<u>27,626</u>	<u>–</u>	<u>(24,317)</u>	<u>(4)</u>	<u>19,904</u>	<u>23,209</u>
Company and subsidiaries At 31 March, 2000	<u>27,626</u>	<u>–</u>	<u>(24,317)</u>	<u>(4)</u>	<u>19,904</u>	<u>23,209</u>
At 1st April 2000	27,626	–	(24,317)	(4)	19,904	23,209
Placing of shares	18,000	–	–	–	–	18,000
Placing and listing expenses	(6,416)	–	–	–	–	(6,416)
Capitalisation issue	(38,800)	–	–	–	–	(38,800)
Acquisition of a subsidiary	–	2,228	–	–	–	2,228
Exchange difference	–	–	–	2	–	2
Profit for the year	–	–	–	–	24,093	24,093
Dividend to the then shareholders	–	–	–	–	(30,000)	(30,000)
At 31 March, 2001	<u>410</u>	<u>2,228</u>	<u>(24,317)</u>	<u>(2)</u>	<u>13,997</u>	<u>(7,684)</u>
Company and subsidiaries At 31 March, 2001	<u>410</u>	<u>2,228</u>	<u>(24,317)</u>	<u>(2)</u>	<u>13,997</u>	<u>(7,684)</u>

Notes:

- (i) The reserve arising from Reorganisation of HK\$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in subsidiaries by the Company in exchange thereof, and has been debited to the reserve arising from Reorganisation account of the Group.
- (ii) The share premium of HK\$27,626,000 represents the difference between the consolidated shareholders' fund of the subsidiaries and the nominal value of the Company's shares issued.
- (iii) The reserve arising from Reorganisation and share premium of the Group are deemed to have been in issue throughout the accounting periods presented in the consolidated balance sheet.

(b) Company

	Share premium	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 10 August, 2000 (date of incorporation)	–	–	–
Placing of shares	18,000	–	18,000
Placing and listing expenses	(6,416)	–	(6,416)
Capitalisation issue	(38,800)	–	(38,800)
Amount arising from Reorganisation (<i>note</i>)	27,626	–	27,626
Loss for the year	–	(1,678)	(1,678)
	<u> </u>	<u> </u>	<u> </u>
At 31 March, 2001	<u>410</u>	<u>(1,678)</u>	<u>(1,268)</u>

Note:

The amount arising from Reorganisation of HK\$27,626,000 of the Company represents the difference between the consolidated shareholders' fund of the subsidiaries and the nominal value of the Company's shares issued, pursuant to the Reorganisation completed on 13 December, 2000 and has been credited to the share premium account of the Company.

This announcement will remain on the Company's website and on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting.

* *For identification only*