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This announcement, 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 (“GEM”) of the Stock Exchange (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 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.



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

(Incorporated in the Cayman Islands with limited liability)

**2002 INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2002**

CHARACTERISTICS OF GEM

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.

HIGHLIGHTS

- The net profit of the Group during the six months ended 30 September, 2002 was approximately HK\$2 million, representing an increase of approximately 121 per cent. as compared with the corresponding period in 2001.
- Earnings per Share during the six months ended 30 September, 2002 was approximately HK0.49 cents.
- The turnover of the Group during the six months ended 30 September, 2002 was approximately HK\$59 million, representing a decrease of approximately 36 per cent. as compared with the corresponding period in 2001.
- Despite the worldwide economic downturn that affected the information technology business, the Directors believe that the Group is well-prepared to capture additional business opportunities in the PRC and to face the challenges ahead.
- As a result of the PRC's accession to the World Trade Organisation, the Group will focus on devoting additional marketing efforts on future business opportunities.

INTERIM RESULTS (UNAUDITED)

The board ("Board") of Directors announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September, 2002 (the "period") as follows:–

CONSOLIDATED INCOME STATEMENT

		From 1 July, 2002 to 30 September, 2002 (unaudited) HK\$'000	From 1 April, 2002 to 30 September, 2002 (unaudited) HK\$'000	From 1 July, 2001 to 30 September, 2001 (unaudited) HK\$'000	From 1 April, 2001 to 30 September, 2001 (unaudited) HK\$'000
	<i>Notes</i>				
Turnover	3	33,878	58,822	49,240	91,341
Cost of sales		<u>(25,107)</u>	<u>(40,328)</u>	<u>(37,894)</u>	<u>(66,356)</u>
Gross profit		8,771	18,494	11,346	24,985
Other income		92	169	178	491
Selling expenses		(2,105)	(4,524)	(3,618)	(6,972)
Administrative expenses		<u>(5,275)</u>	<u>(11,489)</u>	<u>(8,078)</u>	<u>(16,387)</u>
Profit/(loss) from operations	5	1,483	2,650	(172)	2,117
Finance costs		(32)	(88)	(19)	(19)
Share of results of an Associated Company		–	–	(3)	(165)
Profit/(loss) before taxation		1,451	2,562	(194)	1,933
Taxation	4	<u>(345)</u>	<u>(350)</u>	<u>(299)</u>	<u>(930)</u>
Net Profit/(loss) attributable to shareholders		<u>1,106</u>	<u>2,212</u>	<u>(493)</u>	<u>1,003</u>
Earnings/(loss) per share	6	<u>HK0.24 cents</u>	<u>HK0.49 cents</u>	<u>HK(0.11 cents)</u>	<u>HK0.22 cents</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 September, 2002 (unaudited) <i>HK\$'000</i>	As at 31 March, 2002 (audited) <i>HK\$'000</i>
Intangible assets	8	505	404
Fixed assets	7	1,312	1,626
Current assets			
Inventories	12	13,769	7,629
Accounts receivable	9	32,596	40,205
Bills receivable		–	7,274
Other receivables, deposits and prepayments		5,931	3,840
Pledge bank deposits		7,000	7,000
Bank balances and cash	11	29,248	32,792
		<u>88,544</u>	<u>98,740</u>
Current liabilities			
Accounts payable	10	21,981	23,745
Other payables and accrued charges		4,922	4,432
Receipt in advance		11,614	20,622
Taxation		532	383
Bank loans, secured		4,862	5,084
		<u>43,911</u>	<u>54,266</u>
Net current assets		<u>44,633</u>	<u>44,474</u>
		<u>46,450</u>	<u>46,504</u>
Financed by:			
Share capital		45,261	45,261
Reserves		1,098	(1,111)
Proposed final dividend		–	2,263
Shareholders' funds		46,359	46,413
Deferred taxation		91	91
		<u>46,450</u>	<u>46,504</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Reserve arising from reorganisation* <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April, 2001	410	2,228	(24,317)	(2)	13,997	(7,684)
Exchange difference	-	-	-	13	-	13
Profit for the period	-	-	-	-	1,003	1,003
	<u>410</u>	<u>2,228</u>	<u>(24,317)</u>	<u>11</u>	<u>15,000</u>	<u>(6,668)</u>
At 30 September, 2001	<u>410</u>	<u>2,228</u>	<u>(24,317)</u>	<u>11</u>	<u>15,000</u>	<u>(6,668)</u>
At 1 April, 2002	1,194	2,228	(24,317)	-	19,784	(1,111)
Exchange difference	-	-	-	(3)	-	(3)
Profit for the period	-	-	-	-	2,212	2,212
	<u>1,194</u>	<u>2,228</u>	<u>(24,317)</u>	<u>(3)</u>	<u>21,996</u>	<u>1,098</u>
At 30 September, 2002	<u>1,194</u>	<u>2,228</u>	<u>(24,317)</u>	<u>(3)</u>	<u>21,996</u>	<u>1,098</u>

* The reserve arising from Reorganisation (as defined on page 6 of this announcement) 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.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	From 1 July, 2002 to 30 September, 2002 <i>HK\$'000</i>	From 1 April, 2002 to 30 September, 2002 <i>HK\$'000</i>	From 1 July, 2001 to 30 September, 2001 <i>HK\$'000</i>	From 1 April, 2001 to 30 September, 2001 <i>HK\$'000</i>
Exchange differences arising on the translation of the accounts of the subsidiaries not recognised in the profit and loss account	(10)	(3)	13	13
Profit/(loss) for the period	<u>1,106</u>	<u>2,212</u>	<u>(493)</u>	<u>1,003</u>
Total recognised gains/(loss)	<u>1,096</u>	<u>2,209</u>	<u>(480)</u>	<u>1,016</u>

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September,	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(680)	18,708
Returns on investments and servicing of finance		
Interest received	169	491
Interest paid	(88)	(19)
Dividends paid	(2,263)	–
Net cash (outflow)/inflow from returns on investments and servicing of finance	(2,182)	472
Taxation		
Overseas taxation paid	(201)	(141)
Total taxation paid	(201)	(141)
Investing activities		
Purchase of fixed assets	(156)	(802)
Payment for software development costs	(103)	–
Decrease in pledged bank deposits	–	2,000
Net cash (outflow)/inflow from investing activities	(259)	1,198
Net cash (outflow)/inflow before financing	(3,322)	20,237
Financing		
Repayment of amounts borrowed	(222)	–
Net cash outflow from financing	(222)	–
(Decrease)/Increase in cash and cash equivalents	(3,544)	20,237
Cash and cash equivalents at the beginning of the period	32,792	22,521
Cash and cash equivalents at the end of the period	29,248	42,758
Analysis of balances of cash and cash equivalents		
Bank balances and cash	29,248	42,758

1. Group reorganisation

- (a) The Company was incorporated in the Cayman Islands on 10 August, 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.
- (b) On 13 December, 2000, pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the shares (the “Shares”) of the Company on GEM, the Company acquired the entire issued share capital of Soluteck (BVI) Holdings Limited (“Soluteck (BVI)”) through a share swap and became the holding company of the Group. Details of the Reorganisation are set forth in the prospectus (the “Prospectus”) of the Company dated 22 December, 2000.
- (c) The Shares have been listed on GEM since 3 January, 2001.
- (d) The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statements of Standard Accounting Practice (“SSAPs”) 2.127 “Accounting for group reconstructions”, except for Task Consultants Limited (“Task Consultants”) which was acquired by the Group on 1 September, 2000 and was accounted for using acquisition accounting.

2. Basis of preparation

The unaudited consolidated accounts include the accounts of all members of the Group made up to 30 September. The Reorganisation referred to in Note 1 above has been accounted for using merger accounting, except for Task Consultants which was acquired by the Group on 1 September, 2000 and was accounted for using acquisition accounting, by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

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

3. Revenue, turnover and segment information

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

	From 1 July, 2002 to 30 September, 2002 HK\$'000	From 1 April, 2002 to 30 September, 2002 HK\$'000	From 1 July, 2001 to 30 September, 2001 HK\$'000	From 1 April, 2001 to 30 September, 2001 HK\$'000
Turnover				
Sale of goods	25,932	41,872	42,805	74,374
Rendering of services	7,946	16,950	6,435	16,967
	33,878	58,822	49,240	91,341
Other revenue				
Interest income	92	169	178	491
Total revenue	33,970	58,991	49,418	91,832

Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets (note 8) and fixed assets (note 7).

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 per cent. of the consolidated turnover and less than 10 per cent. of the profit from the operation of the Group are attributable to markets outside the People's Republic of China (the "PRC").

3. Revenue, turnover and segment information (continued)

Primary reporting format – business segments

	Sales of goods From 1 April, 2002 to 30 September, 2002 (unaudited) HK\$'000	Rendering of service From 1 April, 2002 to 30 September, 2002 (unaudited) HK\$'000	Group From 1 April, 2002 to 30 September, 2002 (unaudited) HK\$'000
Turnover	41,872	16,950	58,822
Segment results	837	12,964	13,801
Other revenue			169
Unallocated cost			(11,320)
Profit from operation			2,650
Finance costs			(88)
Share of results of an associated company			–
Profit before taxation			2,562
Taxation			(350)
Profit attributable to shareholders			2,212
Segment assets	36,031	12,932	48,963
Associated company			–
Unallocated assets			41,398
Total assets			90,361
Segment liabilities	19,365	12,918	32,283
Unallocated liabilities			11,719
Total liabilities			44,002
Capital expenditure	–	163	163
Unallocated capital expenditure			96
			259
Depreciation	–	169	169
Unallocated depreciation			301
			470

3. Revenue, turnover and segment information (continued)

Primary reporting format - business segments

	Sales of goods From 1 April, 2001 to 30 September, 2001 (unaudited) HK\$'000	Rendering of service From 1 April, 2001 to 30 September, 2001 (unaudited) HK\$'000	Group From 1 April, 2001 to 30 September, 2001 (unaudited) HK\$'000
Turnover	74,374	16,967	91,341
Segment results	6,848	10,969	17,817
Other revenue			491
Unallocated cost			(16,191)
Profit from operation			2,117
Finance costs			(19)
Share of results of an associated company			(165)
Profit before taxation			1,933
Taxation			(930)
Profit attributable to shareholders			1,003
Segment assets	30,854	12,568	43,422
Associated company			–
Unallocated assets			53,776
Total assets			97,198
Segment liabilities	25,792	23,877	49,669
Unallocated liabilities			9,197
Total liabilities			58,866
Capital expenditure	–	623	623
Unallocated capital expenditure			179
			802
Depreciation	–	196	196
Unallocated depreciation			389
			585

4. Taxation

		From 1 July, 2002 to 30 September, 2002 <i>HK\$'000</i>	From 1 April, 2002 to 30 September, 2002 <i>HK\$'000</i>	From 1 July, 2001 to 30 September, 2001 <i>HK\$'000</i>	From 1 April, 2001 to 30 September, 2001 <i>HK\$'000</i>
	<i>Notes</i>				
Hong Kong profits tax	<i>(a)</i>				
– current		(250)	(390)	(147)	(705)
– over provision in prior year		120	390	–	–
Overseas taxation	<i>(b)</i>	(215)	(350)	(152)	(225)
		<u>(345)</u>	<u>(350)</u>	<u>(299)</u>	<u>(930)</u>

Notes:

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

5. Profit/(loss) from operations

The Group's profit/(loss) from operations is arrived at after charging:–

	From 1 July, 2002 to 30 September, 2002 <i>HK\$'000</i>	From 1 April, 2002 to 30 September, 2002 <i>HK\$'000</i>	From 1 July, 2001 to 30 September, 2001 <i>HK\$'000</i>	From 1 April, 2001 to 30 September, 2001 <i>HK\$'000</i>
Cost of inventories sold	22,042	35,340	35,454	59,483
Depreciation	234	470	306	585
Amortisation of intangible assets	2	2	–	–
	<u>22,042</u>	<u>35,340</u>	<u>35,454</u>	<u>59,483</u>

6. Earnings/(loss) per Share

The calculation of the basic earnings/(loss) per Share for the three months and six months ended 30 September, 2002 is based on the unaudited consolidated net profit/(loss) attributable to shareholders of approximately HK\$1,106,000 and HK\$2,212,000 (2001: (HK\$493,000) and HK\$1,003,000) and the weighted averaged number of 452,612,072 and 452,612,072 Shares (2001: 450,000,000 and 450,000,000 Shares) in issue throughout the relevant accounting periods, respectively.

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

7. Fixed assets

During the period, the Group spent approximately HK\$156,000 (six months ended 30 September, 2001: HK\$802,000) on the acquisition of fixed assets.

8. Intangible assets

Software development costs

	As at 30 September, 2002 (unaudited) HK\$'000	As at 31 March, 2002 (audited) HK\$'000
At the beginning of the period	404	–
Addition	103	404
Amortisation	(2)	–
	<u>505</u>	<u>404</u>
At the end of the period	<u>505</u>	<u>404</u>

9. Accounts receivables

The majority of the Group's turnover is on credit terms ranging from sixty to ninety days. As at 30 September, 2002, the ageing analysis of the accounts receivable was as follows:–

	As at 30 September, 2002 (unaudited) HK\$'000	As at 31 March, 2002 (audited) HK\$'000
Current	8,668	8,567
30 – 60 days	3,180	6,146
61 – 90 days	4,895	1,333
Over 90 days	15,853	24,159
	<u>32,596</u>	<u>40,205</u>

10. Accounts payable

As at 30 September, 2002, the ageing analysis of the accounts payable was as follows:–

	As at 30 September, 2002 (unaudited) HK\$'000	As at 31 March, 2002 (audited) HK\$'000
Current	11,685	6,001
30 – 60 days	67	1,995
61 – 90 days	483	10,603
Over 90 days	9,746	5,146
	<u>21,981</u>	<u>23,745</u>

11. Bank balances and cash

Included in the balance is approximately HK\$10,671,000 (31 March, 2002: HK\$15,294,000), representing Renminbi deposits 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.

12. Inventories

	As at 30 September, 2002 (unaudited) <i>HK\$'000</i>	As at 31 March, 2002 (audited) <i>HK\$'000</i>
Merchandise	7,516	5,055
Spare parts	6,253	2,574
	<u>13,769</u>	<u>7,629</u>

13. Commitments

(a) Capital commitments for office equipment, furniture and fixture

	As at 30 September, 2002 (unaudited) <i>HK\$'000</i>	As at 31 March, 2002 (audited) <i>HK\$'000</i>
Contracted but not provided for	<u>33</u>	<u>33</u>

(b) Commitments under operating leases – land and building

At 30 September 2002, the Group had future aggregate minimum lease payments under operating leases as follows:

	As at 30 September, 2002 (unaudited) <i>HK\$'000</i>	As at 31 March, 2002 (audited) <i>HK\$'000</i>
Within one year	1,142	1,234
In the second to fifth year inclusive	<u>574</u>	<u>951</u>
	<u>1,716</u>	<u>2,185</u>

MANAGEMENT DISCUSSIONS AND ANALYSIS

Review of operations

For the six months ended 30 September, 2002, the net profit of the Group was approximately HK\$2 million, representing an increase of approximately 121 per cent. as compared with the corresponding period in 2001, while earnings per share increased to approximately HK0.49 cents owing to an increase in gross profit margin and tight control of operating expenses. During the period under review, the Group made good progress in promoting its professional services and recorded a 31 per cent. gross profit ratio, as compared to 27 per cent. in the corresponding period in last year, although there was a decrease in the Group's turnover of approximately 36 per cent. to HK\$59 million, as compared with the corresponding period in 2001.

Implementation of self-service automatic teller machine ("ATM") systems

For the period under review, the implementation of self-service ATM systems remained to be the Group's core business and accounted for approximately 85 per cent. (six months ended 30 September, 2001: 84 per cent.) of the Group's turnover, including the income derived from the provision of technical consultancy and support services.

The actual sales amount of the Group's ATM systems decreased by approximately 35 per cent., as compared to the corresponding period in 2001. This was mainly due to keen competition in the market of the PRC among different suppliers of ATM systems.

As an authorised value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited ("NCR") and related applications hardware and software for commercial banks and postal saving bureaus in the PRC, the respect and commendation bestowed on the Group by NCR serves as an evidence of the Group's success in implementing banking information technology solutions. Furthermore, as a specialist responsible for the design and installation of hardware and software and the provision of maintenance services for self-service ATM systems using different communications protocols, the Group possessed an extensive customer base which included major commercial banks and State Post Bureaus in the PRC as well as prominent banks in Hong Kong and Macau. As commercial banks in the PRC continue to develop their branch networks, the Group expects a continuous rise in the demand for self-service ATM systems.

Implementation of electronic postal automation systems

For the six months ended 30 September 2002, the implementation of electronic postal automation systems accounted for approximately 4 per cent. of the Group's turnover (six months ended 30 September, 2001 : 6 per cent.) and amounted to approximately HK\$2 million.

The decrease in demand for postal equipment such as Pitney Bowes products did not create a severe impact on this sector of the Group's business as the demand for software middleware continued to rise. As a result, the Group entered into contracts for the development of a Bank Securities Clearing System for securities institutions and a Postal Logistic System for postal bureaus in the PRC. The Group will continue to explore the PRC market and to strengthen marketing efforts to achieve a higher market penetration.

Development of software for banking and postal applications

For the six months ended 30 September 2002, the business of e-banking application software developed by the Group for commercial and financial institutions accounted for approximately 11 per cent. of the Group's turnover, as compared with approximately 8 per cent. in the corresponding period in 2001. Apart from providing customers with localisation and customisation services for ATM-related support software, the Group's in-house research and development teams in Beijing, Shanghai and Hong Kong are also engaged in the development of the Group's proprietary software. The Group already provided more than 20 bank branches with inter-bank ATM card software and entered into a contract with a prominent bank in Hong Kong for the provision of banking software to the bank's branches in Shanghai, the PRC.

For the six months under review, the Group developed a series of e-banking software systems used by a number of commercial banks in Hong Kong and in the PRC, including Liu Chong Hing's eBanking Infra-structure, Standard Chartered Bank's Cash Management System r13, China Post (Shanghai)'s Integrated Application Platform, Fortis Bank (Hong Kong)'s eBanking Platform, Seng Heng Bank's Master Maestro System. The Group will continue to develop e-banking application software and to further improve its e-banking facilities available to existing and future customers.

Provision of technical consultancy and support services

For the six months ended 30 September 2002, the provision of technical consultancy and support services, which were already included in the above-mentioned businesses, continued to create a stable source of income for the Group, and accounted for approximately 29 per cent. of the Group's turnover during the six months ended 30 September 2002, as compared with approximately 19 per cent. in the corresponding period in 2001. The increasing number of ATMs sold and installed, and the subsequent maintenance contracts entered into by the Group made a decent contribution to the Group's profit. Furthermore, the Group started the provision of maintenance services to the financial institution possessing the largest number of ATMs in the PRC, namely Industrial and Commercial Bank of China. As the Group's operational subsidiaries in Beijing, Shanghai, Chengdu and Guangzhou continued to provide customers with comprehensive banking and postal system integration, pre-sale and after-sale support, maintenance and enhancement services and technical support, service centers were separately established in other major cities of the PRC with a view to expand and enhance the Group's business at great speed.

Interest income

As a result of recent decrease in interest rate, the interest income of the Group declined by approximately 66 per cent. during the six months ended 30 September, 2002, as compared with the corresponding period in last year.

Gross profit

During the six months ended 30 September, 2002, the Group managed to improve its gross profit margin by promoting its maintenance and technical support services. The gross profit margin increased to approximately 31 per cent. (six months ended 30 September, 2001: 27 per cent.), albeit that there was a decrease in the amount of gross profit, as compared to the same for the period from 1 April, 2001 to 30 September, 2001.

Selling expenses

Selling expenses incurred by the Group for the six months ended 30 September, 2002 amounted to approximately HK\$5 million, representing a decrease of approximately 35 per cent., as compared with the corresponding period in last year due to the successful control of the operating expenses by the Group.

Administrative expenses

Administrative expenses incurred by the Group for the six months ended 30 September, 2002, amounted to approximately HK\$11 million, representing a decrease of approximately 30 per cent., as compared with the corresponding period in last year due to the tight control of the operating expenses by the Group.

Depreciation expenses decreased by approximately 20 per cent. as compared to the corresponding period in last year mainly because some fixed assets have been fully depreciated.

Finance costs

The finance costs of the Group for the six months ended 30 September, 2002 increased slightly to HK\$88,000 (six months ended 30 September, 2001: HK\$19,000).

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow. As at 30 September, 2002, the Group had cash and bank balances (including pledge bank deposits) amounting to a total of approximately HK\$36 million (31 March, 2002: HK\$40 million) and had outstanding short-term bank loan of approximately HK\$5 million (31 March, 2002: HK\$5 million) which represented the total borrowings of the Group as at that date. This short-term loan was repayable within 1 year and at interest rate of approximately 5 per cent. over the base rate announced by People's Bank of China.

With these resources and the proceeds from the new issue of shares in January 2001, the Board believes that the Group has adequate capital resources to finance its business objectives as stated in the Prospectus.

Gearing ratio

As at 30 September, 2002, the gearing ratio of the Group, based on total liabilities over total assets was approximately 49 per cent. (31 March, 2002: approximately 54 per cent.).

Banking facilities

As at 30 September, 2002, the Group's banking facilities of approximately HK\$45 million (31 March, 2002: HK\$45 million) are secured by the following:–

- (a) pledged deposits of HK\$7 million (31 March, 2002: HK\$7 million);
- (b) corporate guarantees by the Company and its subsidiaries of approximately HK\$47 million (31 March, 2002: HK\$47 million); and
- (c) personal guarantee by Mr. Tam Wing Chit, Tom, a Director, of HK\$400,000 (31 March, 2002: HK\$400,000).

Treasury policies and capital structure

The Group's overall treasury and funding policies are prudent, with a focus on risk management, and those transactions which are directly related to the underlying business of the Group. Assets which are denominated in currencies other than Hong Kong and United States dollars, in particular, Renminbi assets, are hedged with the appropriate level of borrowings in Renminbi and bank deposits in Hong Kong and United States dollars. When necessary, forward exchange contracts will be used to hedge against foreign currency exposures. As at 30 September 2002, the Group had no exposure under foreign exchange contracts.

Contingent liabilities

As at 30 September, 2002, the Group did not have any significant contingent liabilities.

Exposure to foreign exchange risk

In its ordinary course of business, the Group has no significant exposure to foreign exchange fluctuations, as most of its purchases from third party suppliers are settled in United States ("US") dollar which is pegged to the Hong Kong dollar exchange rate, and the Group's revenue from sales of goods and services rendered in Hong Kong, Macau and the PRC are collected primarily in US dollar.

Although the Group received renminbi income from sales in the PRC, the renminbi income was used to meet working capital commitments in the PRC.

Employees

As at 30 September, 2002, the Group employed 127 and 49 staff in the PRC and Hong Kong, respectively. The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

Share options may be granted to Directors and employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions of the Share Option Schemes approved by a resolution in writing passed by all shareholders of the Company on 13 December, 2000.

Significant investments held and material acquisitions and disposals of subsidiaries

There was no significant investments and material acquisitions and disposals of subsidiaries during the period under review.

Business prospects

The continuous growth of the PRC economy helps provide the regional economy with positive development, albeit the global economic downturn. The Group's core business is expecting to make progress with the PRC's banking and finance industries gradually adopting an "Open Door" policy.

While remaining optimistic on the continuous growth in the PRC market, the Directors believe that opportunities will be abundant for information technology solution providers, particularly in the implementation of self-service ATM systems in the PRC as PRC commercial banks and postal saving bureaus will continue to expand and upgrade existing services to fend off foreign competition and foreign banks will endeavor to collaborate with experienced and well-equipped local partners to penetrate the PRC market.

While continuing to focus on the promotion of ATM services including maintenance and software provision to assure stable income, the Group will further expand its business through acquisition and liaising with partners. In addition to the continuous promotion of software for banking and postal applications, the Group will continue to explore market opportunities for e-banking and the provision of corporate e-banking application solutions to banks and financial institutions.

Well positioned to capture the enormous opportunities because of rich market experience, technological competitive edge and superior service and product quality, the Board believes that by pursuing the existing growth strategies a solid foundation will be formed for the Group to explore genuine business prospects in the coming years. The Group is fully prepared for the opportunities ahead and becoming the ultimate information technology solutionist of the banking and postal industries.

Future plans and developments

For the coming months, the Group will continue to focus a significant amount of its efforts and resources on the following areas:

- (1) continue to implement and upgrade the self-service ATM related systems for commercial banks and postal savings bureaus in the PRC ;
- (2) continue to provide hardware and software technical support and consultancy services to existing and future customers in respect of ATM systems in the PRC through the Group's subsidiaries and service centers ;
- (3) continue to research and develop software for banking and postal applications and further improve its e-banking facilities available to existing and future customers ;
- (4) continue to boost marketing efforts in the PRC to bring in new customers and enhance revenue on a continuous basis; and
- (5) continue to keep abreast of all latest developments in the industry so as to consolidate existing activities and be prepared to diversify into new areas for the ultimate objective of enhancing shareholders' value.

COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

The following is a progress report of the business objectives of the Group up to 30 September, 2002 as set out in the Prospectus:–

Business objectives as stated in the Prospectus

Sales and revenue

1. Expand the revenue base of the Group by expanding its sales and distribution networks in the PRC.
2. Expand the revenue base of the Group by offering “one-stop” technology solutions to banks and financial institutions in Hong Kong on a comprehensive e-banking platform.
3. Subject to the successful expansion of business into Taiwan, to implement trade exhibitions in Taiwan to increase the Group’s corporate image.

Actual business progress in respect of the period from 1 April, 2002 to 30 September, 2002

The Group continued to promote the sales of electronic banking systems, other banking equipment and the provision of hardware and software technical support services. Up to 30 September, 2002, the Group has established a total of 17 service centres in Guangzhou, Shanghai, Beijing, Chengdu, Shenyang, Qingdao, Zhengzhou, Wuhan, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Haikou, Fuzhou, Wuxi and Tianjin.

Leveraging on the strength in its good business relationship with reputable financial institutions and postal bureaus in Hong Kong, Macau and the PRC, the Group continued to provide customers with tailor-made technology solutions to satisfy their increasing needs. The Group entered into contracts to provide a Bank Securities Clearing System for securities institutions and a Postal Logistic System for postal bureaus based on the ebanking platform – Bank 24 in the PRC.

The Group has decided that it is not the time for its expansion in Taiwan. However, in spite of the sluggish global economy, the Group will not hesitate to participate in trade exhibitions on the island once the appropriate opportunity arises.

Research and development

1. Continue the localisation of software application by converting and repackaging an English language application into Chinese language.
2. Continue the enhancement of e-commerce software applications, such as the electronic bill presentment and payment system, the Internet security software and WAP interface for banks and financial institutions.
3. Continue the development of Customer Relationship Management System.

During the period under review, the Group has successfully localised its software application by converting and repackaging an English language application into Chinese language.

During the period under review, the Group has completed the enhancement of e-commerce software applications such as the Internet security software and WAP interface for banks and financial institutions. The enhancement of the electronic bill presentment and payment system is not yet complete. The Group will accelerate its efforts to continue the enhancement of such software applications.

As the current market condition is not favourable for the Group to continue the development of the Customers Relationship Management System, the Group has suspended the maneuver and instead developed the Postal Logistic System for postal bureaus and the Bank Securities Clearing System for securities institutions in the PRC.

Resources employment

1. Set up two additional customer service centres in the PRC to increase market coverage.
2. Recruit additional staff to support sales and marketing and software development.

During the period under review, the Group has established two additional customer service centres in Wuxi and Tianjin, the PRC to increase market coverage.

During the period under review, the Group recruit additional staff to support sales and marketing and software development. However, in keeping with the Group's tight control on expenditure, the Group focused more on enhancing its in-house training, team-building and upgrading its existing staff.

As such, the Group's team of dedicated professionals is committed to serving existing and prospective clients.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company issued the Prospectus in connection with a placing of an aggregate of 60,000,000 Shares (the “Placing”). The net proceeds from the Placing amounted to approximately HK\$17.9 million, of which the Directors have applied, as at 30 September, 2002, in the following manner:–

	From 29 December, 2000 to 31 March, 2001 <i>HK\$ million</i>	From 1 April, 2001 to 30 September, 2001 <i>HK\$ million</i>	From 1 October, 2001 to 31 March, 2002 <i>HK\$ million</i>	From 1 April, 2002 to 30 September, 2002 <i>HK\$ million</i>
For the research and development of proprietary software for e-banking business	1.0	1.0	1.0	0.8
For the expansion of distribution and service networks including the expansion of the existing PRC Subsidiaries, recruitment of additional staff and purchase of additional office equipment	1.0	0.6	0.3	0.3
For establishing additional customer services centres in the PRC as well as recruitment of additional staff and purchase of additional office equipment	0.2	0.2	0.2	0.2
For establishing a research and development centre	–	0.8	0.2	0.2
For investing in application hosting service businesses through Supreme Tech Development Limited	–	0.3	–	–
	<u>2.2</u>	<u>2.9</u>	<u>1.7</u>	<u>1.5</u>

There was a shortfall of HK\$1.7 million in investing in application hosting service business (“ASP business”) as compared with that stated in the Prospectus. The principal reason for such delay in investment was that the Directors believe that, giving the prevailing economic condition, it would not be in the interest of the Group to deploy its management resources to engage in the ASP business. The Company will continue to consider such investment opportunities in the future. The remaining net proceeds of approximately HK\$9.6 million (31 March, 2002: HK\$11.1 million) were placed on short term deposits with banks in Hong Kong for future use as identified by the Group’s business plans.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period from 1 April, 2002 to 30 September, 2002 (2001: Nil).

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

(i) Shares

As at 30 September, 2002, the interests of the Directors and the chief executive of the Company in the share capital of the Company pursuant to section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:—

Name of Director	Number of shares				Total interests
	Personal interests	Family interests	Corporate interests	Other interests	
Ms. Chung Yuk Hung, Yvonne	35,190,000 (Note 1)	—	—	—	35,190,000 (Note 1)
Mr. Chung Yuk Man, Kevin	35,190,000 (Note 2)	—	—	—	35,190,000 (Note 2)
Mr. Hou Hsiao Wen, Eddie	33,160,000 (Note 3)	—	—	—	33,160,000 (Note 3)
Mr. Hou Hsiao Bing	98,460,000 (Note 4)	—	—	—	98,460,000 (Note 4)
Mr. Tam Wing Chit, Tom ("Mr. Tam")	11,118,018 (Note 5)	—	—	—	11,118,018 (Note 5)

Notes:

1. Innovative Tech Worldwide Inc. ("ITW"), a company incorporated in the British Virgin Islands, was previously the registered shareholder of 262,500,000 shares of HK\$0.10 each of the Company. On 10 July, 2002, ITW transferred the 262,500,000 shares of HK\$0.10 each of the Company to various persons as directed by the shareholders of ITW pursuant to a distribution in specie ("Distribution"). Under the Distribution, 35,190,000 shares were transferred to Ms. Chung Yuk Hung, Yvonne on 10 July, 2002, representing approximately 7.77 per cent. of the Shares in issue.
2. Under the Distribution as stated in Note 1, 35,190,000 shares were transferred to Mr. Chung Yuk Man, Kevin on 10 July, 2002, representing approximately 7.77 per cent. of the Shares in issue.
3. Under the Distribution as stated in Note 1, 32,790,000 shares were transferred to Mr. Hou Hsiao Wen, Eddie on 10 July, 2002. In addition to his acquisition of 370,000 shares in August, 2002, Mr. Hou Hsiao Wen, Eddie's shareholding increased to 33,160,000, representing approximately 7.33 per cent. of the Shares in issue.
4. Under the Distribution, 98,460,000 shares were transferred to Mr. Hou Hsiao Bing on 10 July, 2002, representing approximately 21.75 per cent. of the Shares in issue.

5. Mr. Tam's shareholding in the Company as at 31 March, 2002 (being the date of the Group's previous annual report) was 11,768,018 shares. Following his disposal of 650,000 shares in May 2002, Mr. Tam's shareholding in the Company has been decreased to 11,118,018.

(ii) Directors' rights to acquire Shares

On 13 December, 2000, the shareholders of the Company approved and adopted a share option scheme (the "Share Option Scheme"). Under the Share Option Scheme, the Directors of the Company may, at their discretion, grant to any employees of the Group, including executive Directors of the Group, options to subscribe for the Shares. The subscription price for options granted under the Share Option Scheme after the listing of the Shares on GEM is determined by the Directors and will not be less than the higher of the closing price of the Shares on GEM on the date of grant of the options or the average of the closing price of the Shares on GEM for the five trading days immediately preceding the date of grant of the options. As regards the options granted before the listing of the Shares on GEM ("Pre-IPO Share Options"), the subscription price is to be determined by Directors and shall not be less than the nominal value of the Shares. The maximum number of shares in which options may be granted under the Share Option Scheme may not exceed 30 per cent. of the ordinary share capital of the Company in issue from time to time. The maximum option term is ten years from the respective grant dates. Options may be exercised at any time during a period, generally three years but not later than ten years, to be determined and notified to each grantee.

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

Name of Director	Date of grant	Exercise price HK\$	Number of share options outstanding as at 30.9.2002	Expiry date
Mr. Chung Lok Fai (<i>Note 3</i>)	18/12/2000	0.4	2,000,000	17/12/2010
Ms. Chung Yuk Hung, Yvonne	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Chung Yuk Man, Kevin	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Hou Hsiao Wen, Eddie	18/12/2000	0.4	2,000,000	17/12/2010
Mr. Hou Hsiao Bing	18/12/2000	0.4	2,000,000	17/12/2010

Notes:

1. None of the above outstanding options was exercised during the financial period.
2. 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.

- Mr. Chung Lok Fai resigned as a Director on 5 August, 2002, but remained as a director of Truth Honour Electronic Limited, a subsidiary of the Company. As a result, the share options are still valid.

Save as disclosed above, at no time during the period ended 30 September, 2002, was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Save as disclosed above, neither the Directors nor the chief executive, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations (as defined by the SDI Ordinance) as at 30 September, 2002.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September, 2002, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses the following persons as having an interest of 10 per cent. or more of the issued Shares:—

Name	<i>Notes</i>	Number of Shares	Approximate percentage of issued Shares
Mr. Chung Lok Fai	1	80,370,000	17.76 per cent.
Ms. Tsou Lo Nien	2	80,370,000	17.76 per cent.
Mr. Hou Hsiao Bing	3	98,460,000	21.75 per cent.

Notes:—

- Mr. Chung Lok Fai is the spouse of Ms. Tsou Lo Nien. Accordingly, Mr. Chung Lok Fai is deemed, by virtue of the SDI Ordinance, to be interested in all the Shares in which Ms. Tsou Lo Nien is interested. Together with the 45,125,000 Shares registered in his own name, Mr. Chung Lok Fai is deemed, by virtue of the SDI Ordinance, to be interested in 80,370,000 Shares, representing approximately 17.76 per cent. of the Shares in issue.
- Ms. Tsou Lo Nien is the spouse of Mr. Chung Lok Fai. Accordingly, Ms. Tsou Lo Nien is deemed, by virtue of the SDI Ordinance, to be interested in all the Shares in which Mr. Chung Lok Fai is interested. Together with the 35,245,000 Shares registered in her own name, Ms. Tsou Lo Nien is deemed, by virtue of the SDI Ordinance, to be interested in 80,370,000 Shares, representing approximately 17.76 per cent. of the Shares in issue.
- Mr. Hou Hsiao Bing is an executive Director.
- Assuming the Pre-IPO Share Options are not exercised.

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

SPONSOR'S INTEREST

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

As at 30 September, 2002, neither DBS Asia, its directors, employees nor their associates had any interest in any securities of the Company or any of its associated corporation.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

Save as the Pre-IPO Share Options granted under the Share Option Scheme, no other share options have been granted thereunder.

A summary of the principal terms of the Pre-IPO Share Options granted under the Share Option Scheme was disclosed in the Prospectus and the movements thereof are set out below:–

MOVEMENT OF SHARE OPTIONS

Pre-IPO Share Options	As at 1 April, 2002	Number of Options			As at 30 September, 2002	No. of new shares arising therefrom
		Granted	Exercised	Cancelled		
Exercise price: HK\$0.20						
– Director of a subsidiary:						
Mr. Lam Shut Chun	500,000	Nil	Nil	Nil	500,000	Nil
– Other employees	8,050,000	Nil	Nil	(450,000)	7,600,000	Nil
Exercise price: HK\$0.40						
– Executive Directors						
Mr. Chung Lok Fai (<i>Note 2</i>)	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Mr. Hou Hsiao Wen, Eddie	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Mr. Hou Hsiao Bing	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Ms. Chung Yuk Hung, Yvonne	2,000,000	Nil	Nil	Nil	2,000,000	Nil
Mr. Chung Yuk Man, Kevin	2,000,000	Nil	Nil	Nil	2,000,000	Nil
– Other employees	500,000	Nil	Nil	Nil	500,000	Nil
	<u>19,050,000</u>	<u>Nil</u>	<u>Nil</u>	<u>(450,000)</u>	<u>18,600,000</u>	<u>Nil</u>

Notes:

1. During the six months ended 30 September, 2002, 450,000 share options were lapsed upon the resignation of the relevant employees of the Group.
2. Mr. Chung Lok Fai resigned as a Director on 5 August, 2002, but remained as a director of Truth Honour Electronic Limited, a subsidiary of the Company. As a result, the share options are still valid.

BOARD PRACTICES AND PROCEDURES

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

AUDIT COMMITTEE OF THE BOARD

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

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

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

COMPETING INTERESTS

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

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

Hong Kong, 11 November, 2002

This announcement will remain on the website of the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited with the domain same of www.hkgem.com on the “Latest Company Announcements” page for not less than seven days from the day of its posting.