

The Stock Exchange of Hong Kong Limited (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 (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)

THIRD QUARTERLY REPORT 2002
FOR THE PERIOD FROM 1 APRIL, 2002 TO 31 DECEMBER, 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.

* For identification purpose only

HIGHLIGHTS

- The net profit attributable to shareholders of the Company for the nine months ended 31 December, 2002 was approximately HK\$11 million, representing an increase of approximately 56 per cent. as compared to the corresponding period in 2001.
- The turnover of the Group for the nine months ended 31 December, 2002 was approximately HK\$104 million, representing a decrease of approximately 39 per cent. as compared to the corresponding period in 2001.
- The Board does not recommend the payment of quarterly dividend for the nine months ended 31 December, 2002.

The board (the “Board”) of Directors is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the nine months ended 31 December, 2002.

CHAIRMAN’S STATEMENT

Business Review

Despite the global recession in the information technology business, the nine months ended 31 December, 2002 continued to be profitable for the Group. The Group recorded a net profit attributable to shareholders of the Company of approximately HK\$11 million, representing an increase of approximately 56 per cent. as compared to the corresponding period in 2001.

During the nine months ended 31 December, 2002, the Group recorded a significant increase in gross profit margin, albeit a decline of turnover by approximately 39 per cent. to approximately HK\$104 million, as compared to the corresponding period in 2001. Owing to the increase in gross profit margin and effective cost control, net profit attributable to shareholders of the Company increased by approximately 56 per cent. to approximately HK\$11 million with earnings per share increasing from approximately HK1.56 cents to approximately HK2.43 cents, as compared to the corresponding period in 2001. The decrease in turnover was principally attributable to keen competition among different suppliers of automatic teller machine (“ATM”) systems in the People’s Republic of China (“PRC”). However, the Group managed to improve its gross profit margin by promoting its technical services, which contributed to approximately 32 per cent. of the Group’s turnover for the nine months ended 31 December, 2002, as compared to merely 18 per cent. for the corresponding period in 2001.

During the nine months ended 31 December, 2002, the implementation and up-grading of self-service ATM systems together with the provision of system hardware and software, technical support and consultancy services remained the Group’s core business. Sales derived from this sector accounted for approximately 85 per cent. (2001: 89 per cent.) of the Group’s total turnover, with a gross profit margin of approximately 25 per cent. (2001: 16 per cent.). As an authorised value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited and related application hardware and software for commercial banks and postal saving bureaus in the PRC, together with its specialisation in the design, installation and provision of maintenance services for ATM systems using different communication protocols, the Group’s extensive customer base includes prominent banks and saving bureaus in the PRC.

For the nine months ended 31 December, 2002, the Group's electronic postal automation systems accounted for approximately 4 per cent. of the Group's total turnover (2001: 4 per cent.). Actual sales derived from this sector decreased by approximately 36 per cent. as compared to the corresponding period in 2001.

As the demand for software and middleware for the development of banking and postal applications continued to rise, the Group endeavored to continue to expand its dominance in the PRC market by entering into more contracts on ATM-related software development with its customers.

For the nine months ended 31 December, 2002, the Group's business in developing software for banking and postal applications accounted for approximately 11 per cent. of the Group's total turnover, as compared to approximately 7 per cent. for the corresponding period in 2001. Apart from providing customers with localised and customised services for ATM-related support software, the Group's in-house research and development teams were also engaged in developing proprietary software for the Group. As a notable number of prominent banks in Hong Kong and the PRC have been using software products developed by the Group, the Group will continue its efforts to achieve further improvement.

During the period under review, the provision of technical consultancy and support services, which have already been included in the above-mentioned business, continued to create a stable source of income for the Group and accounted for approximately 32 per cent. of the Group's total turnover during the nine months ended 31 December, 2002, as compared to approximately 18 per cent. for the corresponding period in 2001. In addition to the profit generated by maintenance contracts entered into by the Group with the Industrial and Commercial Bank of China and other financial institutions, comprehensive system integration, pre-sale and after-sale support, maintenance and enhancement services provided by the Group's operational subsidiaries in Beijing, Shanghai, Chengdu and Guangzhou had been effective in speeding up the expansion of the Group's business.

During the period under review, the Group had successfully controlled its operating expenses with its selling and administrative expenses decreasing by approximately 38 per cent. and 26 per cent., respectively.

Business Prospects

Optimistic about the continuous growth of the PRC economy, the Directors foresee tremendous growth of its business in the coming quarters. While continuing to focus on the promotion of ATM services, the Group will further expand its business by way of acquisition and/or partnership. The Group will also continue to increase its investment in enhancing its research and development capability, and will further pursue opportunities in collaborating with banking services related partners in the PRC on technology research and development. Committed to providing high quality hardware, software, technology support and consultancy services, the Group will continue to provide comprehensive system integration, pre-sale and after-sale support, maintenance and enhancement services to its local customers.

By pursuing existing growth strategies, the Group has built up a solid foundation on the basis of its rich market experience, technological competitive edge, superior services and high quality. Being fully prepared for the opportunities ahead, the Board believes that the Group will further advance its status as the supreme information technology solutionist of the banking and postal industries.

RESULTS

The following is the unaudited consolidated results of the Group for the periods of three months and nine months ended 31 December, 2002 together with the comparative unaudited consolidated results of the Group for the corresponding periods in 2001:–

		From 1 October, 2002 to 31 December, 2002	From 1 April, 2002 to 31 December, 2002	From 1 October, 2001 to 31 December, 2001	From 1 April, 2001 to 31 December, 2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	44,971	103,793	77,894	169,235
Cost of sales		<u>(27,504)</u>	<u>(67,832)</u>	<u>(61,978)</u>	<u>(128,334)</u>
Gross profit		17,467	35,961	15,916	40,901
Other income	3	83	252	105	596
Selling expenses		(1,393)	(5,917)	(2,644)	(9,616)
Administrative expenses		<u>(6,425)</u>	<u>(17,914)</u>	<u>(7,730)</u>	<u>(24,117)</u>
Profit from operations	4	9,732	12,382	5,647	7,764
Finance costs		(58)	(146)	(24)	(43)
Share of results of an associated company		<u>-</u>	<u>-</u>	<u>-</u>	<u>(165)</u>
Profit before taxation		9,674	12,236	5,623	7,556
Taxation (charge)/credit	5	<u>(883)</u>	<u>(1,233)</u>	<u>408</u>	<u>(522)</u>
Net profit attributable to shareholders		<u>8,791</u>	<u>11,003</u>	<u>6,031</u>	<u>7,034</u>
Earnings per share	6	<u>HK1.94 cents</u>	<u>HK2.43 cents</u>	<u>HK1.34 cents</u>	<u>HK1.56 cents</u>

Notes:–

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 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 31 December. 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. Turnover and revenue

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 October, 2002 to 31 December, 2002 <i>HK\$'000</i>	From 1 April, 2002 to 31 December, 2002 <i>HK\$'000</i>	From 1 October, 2001 to 31 December, 2001 <i>HK\$'000</i>	From 1 April, 2001 to 31 December, 2001 <i>HK\$'000</i>
Turnover				
Sale of goods	28,732	70,604	63,748	138,122
Rendering of services	16,239	33,189	14,146	31,113
	<u>44,971</u>	<u>103,793</u>	77,894	169,235
Other revenue				
Interest income	83	252	105	596
Total revenue	<u><u>45,054</u></u>	<u><u>104,045</u></u>	<u><u>77,999</u></u>	<u><u>169,831</u></u>

4. Profit from operations

The Group's profit from operations is arrived at after charging:

	From 1 October, 2002 to 31 December, 2002 HK\$'000	From 1 April, 2002 to 31 December, 2002 HK\$'000	From 1 October, 2001 to 31 December, 2001 HK\$'000	From 1 April, 2001 to 31 December, 2001 HK\$'000
Cost of inventories sold	24,757	60,097	51,015	110,498
Depreciation	227	697	309	894
Amortisation of intangible assets	25	27	-	-

5. Taxation

	Notes	From 1 October, 2002 to 31 December, 2002 HK\$'000	From 1 April, 2002 to 31 December, 2002 HK\$'000	From 1 October, 2001 to 31 December, 2001 HK\$'000	From 1 April, 2001 to 31 December, 2001 HK\$'000
Hong Kong profits tax	(a)				
- current		(455)	(845)	(154)	(882)
- over provision in prior year		-	390	634	634
Overseas taxation	(b)	(428)	(778)	(72)	(274)
		<u>(883)</u>	<u>(1,233)</u>	<u>408</u>	<u>(522)</u>

Notes:—

- 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.
- Overseas taxation represented tax charge on the assessable profits of subsidiaries operating in the PRC calculated at the applicable rates.
- There was no material unprovided deferred taxation assets/liabilities for the period (2001: Nil).

6. Earnings per Share

The calculation of the basic earnings per Share for the three months and nine months ended 31 December, 2002 is based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$8,791,000 and HK\$11,003,000 (2001: HK\$6,031,000 and HK\$7,034,000) and the weighted averaged number of 452,612,072 and 452,612,072 (2001: 450,113,569 and 450,037,993) ordinary 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. Subsequent events

On 10 January, 2003, Soluteck (BVI), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the “Agreement”) with Mr. Fang Jun (“Mr. Fang”) to sell its entire interest in Task Consultants for a consideration of HK\$5.8 million. Please refer to the sub-paragraph headed “Disposal of a subsidiary” under the paragraph headed “Events subsequent to the period under review” in this announcement and the announcement dated 10 January, 2003 for details of the disposal.

For the nine months ended 31 December, 2002, the unaudited turnover and loss attributable to shareholders of Task Consultants amounted to approximately HK\$7.7 million (2001: HK\$11.1 million) and approximately HK\$1.5 million (2001: profit of HK\$0.7 million), respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. As at 31 December, 2002, the Group had cash and bank balances amounting to a total of approximately HK\$42 million (2001: HK\$42 million) and had outstanding short-term bank loan of approximately HK\$4 million (2001: HK\$5 million) which represented the Group’s total borrowings as at that date. This short-term loan was repayable within 1 year and at an 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.

MOVEMENT OF RESERVE

During the period under review, apart from the exchange fluctuation reserve of approximately HK\$675 (2001: HK\$1,620), there is no other movement to and from reserve.

QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the period from 1 April, 2002 to 31 December, 2002 (2001: Nil).

EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

Disposal of a subsidiary

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

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

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

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

Resignation of an executive director

The Board also announces that with effect on 10 January, 2003, Mr. Tam Wing Chit, Tom (“Mr. Tam”), who has been responsible for overseeing the development of the e-banking application software and application hosting service businesses of the Company has resigned as an executive Director for personal reasons.

The Board wishes to express thanks and appreciation to Mr. Tam for his invaluable contribution and unfailing support to the Company during his tenure of services. The Board confirms that the resignation of Mr. Tam will not have any significant impact on the operations of the Group.

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

(i) Shares

As at 31 December, 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	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. On 10 July, 2002, ITW transferred the 262,500,000 Shares to various persons as directed by the shareholders of ITW pursuant to a distribution in specie ("Distribution"). Under the Distribution, 35,190,000 Shares were transferred to Ms. Chung Yuk Hung, Yvonne on 10 July, 2002, representing approximately 7.77 per cent. of the Shares in issue.
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 Shares.

(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 31.12.2002	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.
3. 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 31 December, 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 31 December, 2002.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December, 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:—

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

Save as disclosed above, the Company had not been notified of any other interests representing 10 per cent. or more of the Company's issued share capital as at 31 December, 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 the GEM Listing Rules for the period from 3 January, 2001 to 31 March, 2003.

As at 31 December, 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 were disclosed in the Prospectus and the movements thereof are set forth below:—

MOVEMENT OF SHARE OPTIONS

Pre-IPO Share Options	As at 1 April, 2002	Number of options			As at 31 December, 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	(800,000)	7,250,000	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>(800,000)</u>	<u>18,250,000</u>	<u>Nil</u>

Notes:–

1. During the nine months ended 31 December, 2002, 800,000 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.

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 nine meetings since its establishment. This announcement 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 31 December, 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, 10 February, 2003

This announcement will remain on the “Latest Company Announcements” page of the GEM website with the domain name of www.hkgem.com for at least seven days from the day of its posting.