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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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this 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 HOLDINGS LIMITED

一創科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(stock code: 8111)

RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2005

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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.

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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 only*

LETTER FROM THE CHAIRMAN

ANNUAL RESULTS HIGHLIGHTS

The net loss of the Group for the financial year ended 31 March 2005 was approximately HK\$11.9 million, (net loss of the Group for the financial year ended 31 March 2004 was approximately HK\$0.4 million).

The turnover of the Group for the financial year ended 31 March 2005 was approximately HK\$67.0 million, representing a decrease of approximately 35.0 per cent. as compared to the financial year ended 31 March 2004.

Gross profit margin of the Group was approximately 19.8 per cent. in the financial year ended 31 March 2005, compared to approximately 23.8 per cent. in the financial year ended 31 March 2004.

Loss per share for the financial year ended 31 March 2005 was approximately HK2.63 cents (loss per share for the financial year ended 31 March 2004 was approximately HK0.10 cents).

The Directors do not recommend the payment of a dividend for the financial year ended 31 March 2005 (dividend per Share for the financial year ended 31 March 2004 was HK\$0.005 per share).

BUSINESS REVIEW

For the Group itself, the year under review is not only a year full of challenges and turbulence, but it also marked a big change for the Group. Against the non-stopping and fierce vendor competition in the market of the People's Republic of China (the "PRC" or "China"), the Group has experienced extensive but painful restructurings on its business operations and structures and has its business strategies refined during the year under review, aiming to strengthen its competitiveness and improve its operating capability and efficiency. In light of the aforesaid conditions faced by the Group, the Group will continue to strive to perfect its strategies and structures sought to reduce expenses, preserves resources and maximize profitability whenever possible.

Already as an established and leading Total Solution Providers for the finance sector in the PRC with a strong presence and clientele of reputable postal bureaus, banking and financial institutions established in China yet, apart from committing to its core business of providing implementation and upgrading of self-service automatic teller machine ("ATM") systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the PRC, the Group has also continued to dedicate more resources and efforts to the provision of technical and value-added services during the year, in order to re-position itself as a more service-oriented operations, and to provide the Group with a steady and recurrent cash-based income. On the other hand, the Group's service network in China has been strategically rebuilt. By the establishment of 一創信興(上海)計算機技術有限公司, and the opening up of new ATM service

centers in Nan Chang, Yantai, Sanming, Suzhou, Dalian and Zhuhai, which has created the network to cover a total of 29 strategic cities and locations in China, a more effective channel for reaching out and fostering relationships with existing and new clients has been set up. On top of that, contracts were secured continuously with a number of financial institutions and postal bureaus for the provision of system maintenance and enhancement services and new contracts were signed with Commercial Bank, The Bank of Communications, Shanghai Pudong Development Bank and several postal bureaus during the year. It should be an encouraging result of the Group's effort put on improving the existing maintenance service quality caused by the expansion of the service business segment, the increasing in the provision of value-added services delivered to our customers, the exploration of new business opportunity in corporate outsourcing technical service sector, and the corporate restructuring in its sales and management teams undergone during the year under review.

BUSINESS PROSPECTS

The Group still adheres its belief in China, being a market with exciting prospects. Foreseeing the development in future years, the Group will, by further taking advantage on its existing prestige as an authorized value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited ("NCR") and related applications software for commercial banks in China, together with the non-stopping efforts to be put on the enhancement of closer customer relationships, broadening business relationship and the exploration of new business opportunity in corporate outsourcing technical service sector, the Group is to fully committed itself to be one of the leading Total Solution Providers for the banking sector in China, offering a full range of banking and financial system solutions, from the supply of hardware to software development, banking applications to value-added complementary services. It will also keep on boosting its marketing effort in the PRC to bring in new customers and, will further expand its operations, so as to further expand market share and enhance shareholder's value.

With China's entry into the World Trade Organisation ("WTO") and being opened up to the global economic theater for years, practitioners in the industry generally expected the shaping of financial infrastructure in the PRC to align with international standards. They believe that foreign financial institutions will play an important role in the restructuring of China's financial sector, bringing with them international best practice, knowledge, expertise, systems and technologies. In turn, China will benefit in several ways – by developing a greater attention to customer service and a sound banking system. On the other hand, the executing of initial public offerings by several major banks in the PRC these years will undoubtedly spur significant reforms in the banks in the PRC, and will further help promoting the transfer of modern banking practices into China, which may lead to the greater demand for banking services, more rapid financial liberalisation, greater banking competition, and product innovation.

According to the development of China's entry into the WTO, practitioners in the industry commonly acknowledged that China's banks would be confronting with international competition by 2006. To succeed in this new competitive environment, there is a strong need for China's banks to benchmark themselves against the best domestic and international banks, so as to gear up and gird themselves for the challenges that will be posed by their sophisticated foreign competitors. The Group, with its

competitive strengths in China remains, on top of its carrying of keeping abreast of all latest developments in the industry in order to consolidate existing activities and be prepared to diversify into new areas, will surely be one of the vital players and to make considerable contribution in the aforesaid evolution in China's financial infrastructure.

DIVIDEND

The Board does not recommend the payment of a dividend for the financial year ended 31 March 2005 (2004: HK\$0.005 per share).

APPRECIATION

CHANGE IN THE BOARD DIRECTORSHIP

Following persons were resigned during the year due to personal reasons:

- Ms. Chung Yuk Hung, a past executive director who was resigned on 10 January 2005; and
- Mr. Chung Yuk Man, a past executive director who was resigned on 1 April 2005.

The Board would like to take this opportunity to thank for the afore-mentioned persons for their valuable contributions made to the Group during the year.

The Board would also like to extend a warm welcome to Mr. Tam Kam Biu, William ("William"), who joined our Board as an Independent Non-executive Director in September 2004, William's more than 10 years of experience in financial aspects and information technology industry would prove to be of immense value to the Group.

EMPLOYEES

As at 31 March 2005, the Group employed 15 and 106 staff in Hong Kong and the PRC, respectively. We treasure the harmonious relationship with our staff and would like to take this opportunity to express our gratitude to the management and staff of the Group for their dedicated performance which is instrumental to the future development of the Group. We would also like to take this opportunity to thank our shareholders (the "Shareholders"), suppliers and customers for their continuous support to the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Review of operations

The Group recorded a turnover of approximately HK\$67.0 million (2004: HK\$103.1 million), representing a decrease of approximately 35.0 per cent. compared with the previous year. Loss attributable to shareholders amounted to approximately HK\$11.9 million (2004: loss attributable to shareholders of approximately HK\$0.4 million), attributable to a loss per share of approximately HK2.63 cents (2004: loss per share of approximately HK0.10 cents).

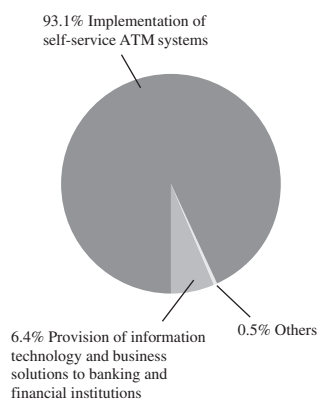
The drop in the Group's turnover was largely attributable to the Group's policy to undertake projects of higher profitability and fierce competition among suppliers of ATM systems in the People's Republic of China (the "PRC" or "China"). The Group's gross profit margin was approximately 19.8 per cent. in the financial year ended 31 March 2005 (2004: 23.8 per cent.). The management believes that the drop of the Group's gross profit margin was mainly due to the decrease in the amount of service revenue and the keen competition among different suppliers of ATM systems in the PRC.

Revenue and turnover

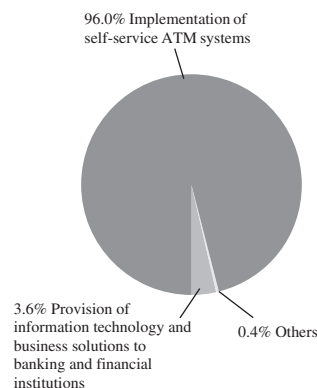
The Group is principally engaged in the sale of self-service ATM systems and other banking equipment, and the provision of hardware and software technical support services. Revenues recognized during the financial year are as follows:

	Financial year ended	
	31 March	
	2005	2004
	HK\$'000	HK\$'000
Turnover		
Sales of goods	48,736	82,726
Rendering of services	18,250	20,336
	<hr/>	<hr/>
	66,986	103,062
Other revenue		
Interest income	253	557
	<hr/>	<hr/>
	67,239	103,619
	<hr/> <hr/>	<hr/> <hr/>

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



**Analysis of turnover by industry nature
for the financial year ended 31 March, 2004**



Implementation of self-service ATM systems

During the financial year ended 31 March 2005, implementation of self-service ATM systems remained the Group's core business and accounted for approximately 93.1 per cent. (2004: 96.0 per cent.) of the Group's total turnover, including the income derived from the provision of technical consultancy and support services.

The turnover generated from the implementation of self-service ATM systems amounted to approximately HK\$62.4 million, representing a decrease of approximately 36.9 per cent. compared with the previous financial year. Such decrease was mainly a result of the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC remained.

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

New contracts had been signed with the Bank of Communication, Commercial Bank, Shanghai Pudong Development Bank and postal bureaus during the financial year ended 31 March 2005. By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Kunming, Hangzhou, Jinan, Chuanzhou, Guangzhou, Shanghai, Beijing, Chengdu, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Fuzhou, Wuxi, Tianjin, and Shenzhen, and new ATM service centers opened up in Nan Chang, Yantai, Sanming, Suzhou, Dalian and Zhuhai during the year, the network of ATM services was strategically recreated and the Group has ATM service centers to cover a total of 29 strategic cities and locations currently.

Provision of information technology and business solutions

The provision of information technology and business solutions accounted for approximately 6.4 per cent of the Group's turnover for the financial year ended 31 March 2005 (2004: 3.6 per cent). With China's fast economic growth, the Group believes that the economic activities will be fueled which in turn will create demand from banking and financial institutions in China for the Group's information technology and business solutions. The Group is already succeeded in developing software applications for converging banking business platforms and other state-of-the-art application software for banking and financial institutions and postal bureaus.

Others

Others include the implementation of electronic postal automation systems and the like and accounted for approximately 0.5 per cent. (2004: 0.4 per cent.) of the total turnover of the Group for the financial year ended 31 March 2005. Since the development of electronic postal automation systems that include mailing finishing systems, volume mailing handling systems and franking machines are still greatly hindered by market competition and acceptance, the Group at this stage would not put any effort in any new development of this business stream and the aforesaid sales recorded is just from existing clients.

Provision of technical consultancy and support services

The provision of technical consultancy and support services, which were already included in the above-mentioned businesses, contributed to a stable and recurrent source of income for the Group and accounted for approximately 27.2 per cent. (2004: 19.7 per cent.) of the total turnover of the Group for the financial year ended 31 March 2005. Actual income derived from the provision of technical consultancy and support services decreased by approximately 10.3 per cent. mainly because of the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC.

Interest income

As a result of the decline in interest rate and bank balance for the period under review, the bank interest income of the Group declined by approximately 40.7 per cent. to approximately HK\$83,000 during the financial year ended 31 March 2005. However, during the year, an interest income of approximately HK\$170,000 was received from a business partner on the outstanding current account balance. Therefore, the total interest income is approximately HK\$253,000.

Gross profit

The Group's gross profit margin was approximately 19.8 per cent. in the financial year ended 31 March 2005 (2004: 23.8 per cent.). Such a decline was predominantly attributable to the decrease in the amount of revenue derived from the rendering of service and the keen competition among suppliers of ATM systems in the PRC.

Selling expenses

Selling expenses incurred by the Group for the financial year ended 31 March 2005 amounted to approximately HK\$5.1 million (2004: HK\$5.8 million), representing a decrease of approximately 11.3 per cent..

Administrative expenses

Administrative expenses incurred by the Group for the financial year ended 31 March 2005 amounted to approximately HK\$19.1 million (2004: HK\$18.5 million), representing a slight increase of approximately 3.5 per cent..

Staff costs (including Directors emoluments) which were included in both selling expenses and administrative expenses decreased by approximately 17.1 per cent. to approximately HK\$13.7 million (2004: HK\$16.6 million) mainly because of the decrease in the number of employees from 151 to 121.

A general provision for slow moving and obsolete inventories of HK\$1.0 million (2004: Nil) has been provided for during the year under review.

Amortisation of intangible assets increased to HK\$665,000 (2004: HK\$157,000) during the financial year ended 31 March 2005 mainly because the intangible assets brought forward from last year of HK\$665,000 had been fully written off.

Loss on disposal of fixed assets of HK\$328,000 (2004: Nil) was attributable to the fixed assets written off upon the removal of office premises during the year.

Depreciation expenses increased by approximately 53.2 per cent. to HK\$616,000 (2004: HK\$402,000) as compared to that of last financial year mainly because of the addition of fixed assets during the year.

Finance costs

The finance costs of the Group for the financial year ended 31 March 2005 increased to HK\$503,000 (2004: HK\$365,000). Such an increase was mainly attributable to the increase in the use of banking facilities.

Taxation

The Group's taxation charge for the financial year ended 31 March 2005 decreased to approximately HK\$698,000 (2004: HK\$970,000) primarily due to an increase in operating loss during the current financial year.

Liquidity, financial resources and treasury policies

The Group generally finances its operations with internally generated cash flow. As at 31 March 2005, the Group had cash and bank balances amounting to a total of approximately HK\$8.6 million (2004: HK\$14.6 million) and had outstanding bank overdraft of approximately HK\$3.9 million (2004: HK\$1.7 million) and outstanding short-term bank loan of approximately HK\$4.8 million (2004: HK\$4.7 million) which represented the total borrowings of the Group as at that date. The bank overdraft was at 0.75% per annum over Hong Kong Dollar prime rate while the short-term loan was repayable within 1 year and at interest rate of approximately 5 per cent. over the base rate announced by the People's Bank of China.

Current Ratio

As at 31 March 2005, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 2.7 (2004: 3.6).

Gearing ratio

As at 31 March 2005, the gearing ratio of the Group, based on total liabilities over total assets was approximately 37.6 per cent. (2004: approximately 27.2 per cent.)

Directors' opinion on sufficiency of working capital

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

Banking facilities

Although the Group has consistently been in a liquid position, credit facilities have nevertheless been put in place for contingency purposes. As at 31 March 2005, the Group's banking facilities of approximately HK\$28.0 million (2004: HK\$28.4 million) are secured by the following:–

- (a) pledged deposits of approximately HK\$5.1 million (2004: HK\$8.5 million); and
- (b) corporate guarantees granted by the Company and several subsidiaries of the Group of approximately HK\$32.0 million (2004: HK\$31.0 million).

Charges on assets

As at 31 March 2005, the Group had an approximately HK\$28.0 million (2004: HK\$28.4 million) banking facilities with banks in Hong Kong, which were secured by a pledge of the Group's deposits of approximately HK\$5.1 million (2004: HK\$8.5 million) at the banks.

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

Contingent liabilities

As at 31 March 2005, the Group did not have any significant contingent liabilities.

Exposure to foreign exchange risk

The Group is exposed to foreign currency risk as most of its payable to hardware suppliers and accounts receivable from the PRC sales are denominated in Renminbi. Fluctuation of exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

Employees

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

Share options may be granted to Directors and employees of the Group to subscribe for shares in the Company. Particulars of the scheme are set out in the relevant sections of this report.

Significant investments held and material acquisitions and disposals of subsidiaries

The Group has a new subsidiary named 一創信興(上海)計算機技術有限公司 incorporated in Shanghai on 3 March 2005 with registered capital US\$200,000 for the expansion of its business in service segment.

Apart from the aforesaid, there were no significant acquisitions and disposals of investments by the Group during the year under review.

Purchase, sale or redemption of Shares

The Company has not redeemed any of its Shares during the financial year ended 31 March 2005. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year ended 31 March 2005.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 14 to the financial statements.

An analysis of the Group's performance for the financial year by business and geographical segments is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

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

No interim dividend have been paid or declared by the Company during the financial year. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2005 (2004: HK\$0.005 per Share).

RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out in note 22 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2005 amounted to HK\$0.9 million (2004: HK\$4.0 million). Under Section 34 of the Companies Law (2000 Revision) of the Cayman Islands, the share premium is available for distribution to Shareholders subject to the provisions of the articles of association of the Company, and no distribution may be paid to Shareholders out of the share premium unless the Company shall be able to pay its debt as they fall due in the ordinary course of business.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its Shares during the financial year. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year.

DIRECTORS

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

Mr. Hou Hsiao Bing (*Chairman*)

Mr. Hou Hsiao Wen

Ms. Chung Yuk Hung (resigned on 10 January 2005)

Mr. Chung Yuk Man (resigned on 1 April 2005)

Mr. Ho Wai Wing, Raymond*

Ms. Lui Ming, Rosita*

Mr. Tam Kam Bui, William* (appointed on 28 September 2004)

* *Independent non-executive Directors*

In accordance with Articles 108(A) and 112 of the Company's Articles of Association, Mr. Hou Hsiao Bing and Mr. Tam Kam Bui, William retire as Director by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr. Hou Hsiao Bing is an executive Director while Mr. Tam Kam Bui, William is an independent non-executive Directors who was appointed for a term of two years expired on 27 September 2006.

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following connected transactions which are required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules:–

		Financial year ended	
		31 March	
		2005	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental paid to Directors	(1)	127	325
Rental paid to the related companies	(2)	<u>406</u>	<u>617</u>

- (1) The Group leased an office premise from Mr. Hou Hsiao Wen (an executive Director of the Company) and Ms. Chung Yuk Hung (a former executive Director resigned on 10 January 2005), in Beijing of the PRC for the Group's use.
- (2) The Group leased office premises from San Yee Investment Limited ("San Yee") and Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK\$301,200 (2004: HK\$558,000) and from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of HK\$104,700 (2004: HK\$58,800) for the Group's use. San Yee is owned by Mr. Chung Lok Fai and his wife, Ms. Tsou Lo Nien. Dynatek is owned by Mr. Hou Chung and Ms. Chung Po Chu. Mr. Chung Lok Fai was a former Director and shareholder of the Company. Mr. Hou Chung, Ms. Chung Po Chu and Ms. Tsou Lo Nien are shareholders of the Company.

In the opinion of the Directors, the above connected transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements. The independent non-executive Directors confirm that they have reviewed the lease agreements between the Group and certain connected persons, and that the connected transactions have been carried out in accordance with their respective terms.

Save as disclosed in the section headed “Directors’ service contracts” and the above, there is no other connected transactions.

The above transactions are also related party transactions as disclosed in the note 27 to the financial statements.

DIRECTORS’ INTEREST IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 March 2005, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:–

Name	Name of company	Capacity	Number and class of securities (Note 1)	Percentage shareholding in the same class of securities
Mr. Hou Hsiao Bing (Executive Director)	The Company	Beneficial owner	76,460,000 ordinary shares (L)	16.89%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 2)	0.44%
Mr. Chung Yuk Man (Executive Director, resigned on 1 April 2005)	The Company	Beneficial owner	35,190,000 ordinary shares (L)	7.77%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 2)	0.44%
	Truth Honour Electronic Limited (Note 3)	Beneficial interest	200,000 non-voting deferred shares of HK\$1 each (L)	6.67%
Mr. Hou Hsiao Wen (Executive Director)	The Company	Beneficial owner	33,160,000 ordinary shares (L)	7.33%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 2)	0.44%

Notes:–

1. The letter “L” represents the Director’s interests in the shares and underlying shares of the Company or its associated corporations.
2. These shares were the respective number of shares which would be allotted and issued upon exercise in full of the options granted to each of the Company’s Executive Directors namely Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, and the former Executive Directors Ms. Chung Yuk Hung and Mr. Chung Yuk Man pursuant to the share option scheme of the Company adopted on 13 December 2000. The exercise period and the exercise price of these options are set out in the section headed “Share Option Scheme” below.
3. Truth Honour Electronic Limited is a subsidiary of the Company and is thus an associated corporation of the Company.

SHARE OPTION SCHEME

1. Pre-IPO Share Options

On 13 December 2000, the shareholders of the Company approved and adopted a share option scheme (the “Share Option Scheme”). Under the Share Option Scheme, the Directors may, at their discretion, grant to any employees of the Group, including executive Directors, options to subscribe for the Shares.

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

Pursuant to the Pre-IPO Share Options granted under the above Share Option Scheme, certain Directors have interests in options to subscribe for Shares as set forth below. The options have a duration of 10 years from 18 December 2000, which is the date on which the offer of grant was made, and therefore will be exercisable during the period from the aforesaid date to 17 December 2010. Pursuant to the offer letters in respect of the grant of the Pre-IPO Share Options, the grantees can only exercise the options to the extent of an aggregate total of 25 per cent., 50 per cent., 75 per cent. and 100 per cent. of the Pre-IPO Share Options in each of the first to fourth anniversaries of the commencement of the trading of the shares on GEM, respectively.

Pre-IPO Share Options	Outstanding at 1.4.2004	Number of Options		Outstanding at 31.3.2005	Closing price per share immediately before the date of grant (HK\$) <i>(Note 2)</i>
		Granted during the year	Lapsed during the year		
Exercise price at HK\$0.20:					
– Director of a subsidiary:					
LAM Shut Chun	500,000	Nil	(500,000)	Nil	Nil
– Other Employees	5,100,000	Nil	(2,700,000)	2,400,000	Nil
Exercise price at HK\$0.40:					
– Executive Directors					
HOU Hsiao Bing	2,000,000	Nil	Nil	2,000,000	Nil
CHUNG Yuk Hung	2,000,000	Nil	Nil	2,000,000	Nil
CHUNG Yuk Man	2,000,000	Nil	Nil	2,000,000	Nil
HOU Hsiao Wen	2,000,000	Nil	Nil	2,000,000	Nil
– Other Employees	2,400,000	Nil	Nil	2,400,000	Nil
	<u>16,000,000</u>	<u>Nil</u>	<u>(3,200,000)</u>	<u>12,800,000</u>	<u>Nil</u>

Notes:–

1. During the financial year ended 31 March 2005, 3,200,000 share options were lapsed upon the resignation of the relevant employees of the Group.
2. As the shares of the Company were listed in the GEM of the Stock Exchange of Hong Kong Limited not earlier than the date of 3 January 2001, no closing price per share of the Pre-IPO Share Options could be calculated.

The share options are not recognised in the financial statements until they are exercised. No share option was granted and exercised during the year ended 31 March 2005.

2. *New Share Option Scheme adopted as at 30 July 2004*

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

Apart from the foregoing, at no time during the year was the Company, or its subsidiaries a party to any arrangements to enable the Company's Directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 31 March 2005, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:–

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

Save as disclosed above, as at 31 March 2005, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

The Company and subsidiaries incorporated/operate in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the Pension Scheme.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contribution upon their retirement at the age of 65 years old, death or total incapacity.

The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The employer's contributions vest fully with the employees when contributed to the MPF Scheme, except for the portion of voluntary contributions made by the employer, which will be refunded to the Group when the employees cease employment prior to vesting fully in the contributions, in accordance with the rules of the MPF Scheme.

The subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes, organised by relevant local government authorities. The subsidiaries are required to make contributions to the retirement schemes, at a rate of 11.0 per cent. to 22.5 per cent. of the basic salary of their employees and there is no other future obligations to the Group towards the employees' retirement benefits.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

- the largest supplier : Approximately 96.3 per cent.
- five largest suppliers in aggregate : Approximately 97.6 per cent.

Sales

- the largest customer : Approximately 43.6 per cent.
- five largest customers in aggregate : Approximately 95.0 per cent.

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

BOARD PRACTICES AND PROCEDURES

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

PRE-EMPTIVE RIGHTS

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

DISCLOSURE OF TRADING BALANCE ARISING FROM SALES TRANSACTIONS CONDUCTED BY THE GROUP IN ITS ORDINARY COURSE OF BUSINESS

The following disclosure is made in accordance with the requirements under Rules 17.15 and 17.22 of the GEM Listing Rules:–

As at 24 January 2005, Zhejiang Postal Bureau, a customer of the Group and a third party independent of any of the Directors, the chief executive of the Group, the substantial shareholders (within the meaning of the GEM Listing Rules) of the Company, the management shareholders (within the meaning of the GEM Listing Rules) of the Company and their respective associates (within the meaning of the GEM Listing Rules) (the “Independent Third Party”), has a trading balance with a subsidiary of the Company (together with the Company, the “Group”) of approximately RMB10.6 million (equivalent to approximately HK\$10.0 million). Such trading balance is resulted from sales to Zhejiang Postal Bureau by the Group in its ordinary course of business and on normal commercial terms.

The trading balance with the above customer of the Group as at 24 January 2005 represents more than 8 per cent. of the total assets (within the meaning of note 2 to Rule 17.14 of the GEM Listing Rules) of the Group of approximately HK\$62.8 million as at 31 March 2004.

The above-mentioned trading balance is unsecured and repayable in accordance with the credit terms as agreed with the relevant customers. As at 31 March 2005, Zhejiang Postal Bureau settled approximately RMB9.7 million (equivalent to approximately HK\$9.1 million) in accordance with the relevant terms of the sales transactions. As at 31 March 2005, the trading balance with Zhejiang Postal Bureau was approximately RMB0.9 million (equivalent to HK\$0.9 million). No collateral is required to be made by Zhejiang Postal Bureau and no interest is charged on the aforesaid balance.

The Directors confirm that apart from the amount disclosed herein, the Group does not make any advancement to any entity that are required to be disclosed under Rules 17.15 and 17.22 of the GEM Listing Rules.

AUDIT COMMITTEE

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

The Audit Committee of the Board provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive Directors, namely Ms. Lui Ming, Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William. Four Meetings were held during the current financial year. This report has been reviewed and approved by the Audit Committee of the Board.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDITORS

The financial statements have been audited by Albert Lam & Co. who was appointed as auditors of the Company on 1 March 2005 to fill the causal vacancy following the resignation of PricewaterhouseCoopers on 1 March 2005. In accordance with the articles of association of the Company, Albert Lam & Co. will retire in the forthcoming annual general meeting and the Board will propose in the forthcoming annual general meeting to re-appoint Albert Lam & Co. as auditors to hold office until the conclusion of the annual general meeting which to be held after the forthcoming annual general meeting.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2005

	<i>Note</i>	2005 HK\$'000	2004 HK\$'000
Turnover	3	66,986	103,062
Cost of sales		(53,703)	(78,490)
Gross profit		13,283	24,572
Other revenue	3	253	557
Selling expenses		(5,118)	(5,773)
Administrative expenses		(19,103)	(18,458)
Operating (loss)/profit	4	(10,685)	898
Finance costs	5	(503)	(365)
(Loss)/profit before taxation		(11,188)	533
Taxation	6	(698)	(970)
Loss attributable to shareholders	7	(11,886)	(437)
Dividends	8	–	2,263
Basic loss per share	9	(2.63 cents)	(0.10 cents)

CONSOLIDATED BALANCE SHEET

As at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Intangible assets	12	–	665
Fixed assets	13	839	1,267
Investment securities	15	–	–
		<u>839</u>	<u>1,932</u>
Current assets			
Inventories	16	14,329	7,638
Accounts receivable	17	20,034	25,200
Other receivables, deposits and prepayments		6,840	13,495
Pledged bank deposits	24	5,107	8,500
Bank balances and cash	19	3,451	6,072
		<u>49,761</u>	<u>60,905</u>
Current liabilities			
Accounts payable	18	4,532	3,356
Other payables and accruals		2,608	3,675
Receipt in advance		2,350	3,041
Taxation payable		280	234
Bank overdrafts		3,898	1,717
Short-term bank loans, secured		4,806	4,709
		<u>18,474</u>	<u>16,732</u>
Net current assets		<u>31,287</u>	<u>44,173</u>
Total assets less current liabilities		<u>32,126</u>	<u>46,105</u>
Non-current liabilities			
Deferred tax liabilities	20	539	382
Net assets		<u>31,587</u>	<u>45,723</u>
Share capital	21	45,261	45,261
Reserves	22(a)	(13,674)	(1,801)
Proposed final dividend	22(a)	–	2,263
Shareholders' funds		<u>31,587</u>	<u>45,723</u>

BALANCE SHEET*As at 31 March 2005*

	<i>Note</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Non-current assets			
Investments in subsidiaries	<i>14</i>	<u>47,134</u>	<u>50,322</u>
Current assets			
Other receivables, deposits and prepayments		126	153
Bank balances and cash		<u>53</u>	<u>159</u>
		<u>179</u>	<u>312</u>
Current liabilities			
Other payables and accruals		<u>1,144</u>	<u>1,352</u>
Net current liabilities		<u>(965)</u>	<u>(1,040)</u>
Net assets		<u>46,169</u>	<u>49,282</u>
Share capital	<i>21</i>	45,261	45,261
Reserves	<i>22(b)</i>	908	1,758
Proposed final dividend	<i>22(b)</i>	<u>–</u>	<u>2,263</u>
Shareholders' funds		<u>46,169</u>	<u>49,282</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2005

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Total equity as at 1 April	45,723	50,686
Exchange differences arising on translation of the financial statements of foreign subsidiaries	13	–
Loss for the year	(11,886)	(437)
Dividends	(2,263)	(4,526)
Total equity as at 31 March	<u>31,587</u>	<u>45,723</u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Operating activities			
Net cash outflow from operations	23(a)	(4,781)	(12,743)
Interest paid		(503)	(365)
Hong Kong profits tax refund		–	850
Overseas taxation paid		(495)	(511)
		<u> </u>	<u> </u>
Net cash outflow from operating activities		----- (5,779)	----- (12,769)
Investing activities			
Purchase of fixed assets		(516)	(322)
Sale of fixed assets		–	16
Interest received		253	557
Decrease/(increase) in pledged bank deposits		3,393	(1,500)
		<u> </u>	<u> </u>
Net cash inflow/(outflow) from investing activities		----- 3,130	----- (1,249)
Financing activities			
New bank loan drawn down	23(b)	15,172	4,701
Repayment of amounts borrowed	23(b)	(15,075)	(3,761)
Dividends paid		(2,263)	(4,526)
		<u> </u>	<u> </u>
Net cash outflow from financing activities		----- (2,166)	----- (3,586)
Net decrease in cash and cash equivalents		(4,815)	(17,604)
Cash and cash equivalents at 1 April		4,355	21,959
Effect of foreign exchange rate changes		13	–
		<u> </u>	<u> </u>
Cash and cash equivalents at 31 March		<u> </u> (447)	<u> </u> 4,355
Analysis of balances of cash and cash equivalents			
Bank balances and cash		3,451	6,072
Bank overdrafts		(3,898)	(1,717)
		<u> </u>	<u> </u>
		<u> </u> (447)	<u> </u> 4,355

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:–

(a) Basis of preparation

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2005. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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

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

In the Company’s balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are presented. These new HKFRSs may result in changes in the future as to how the results and financial position are present.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sale of goods	48,736	82,726
Rendering of services	18,250	20,336
	<u>66,986</u>	<u>103,062</u>
	----- 66,986 -----	-----103,062-----
Other revenue		
Interest Income	253	557
	<u>253</u>	<u>557</u>
	----- 253 -----	-----557-----
Total revenue	67,239	103,619
	<u><u>67,239</u></u>	<u><u>103,619</u></u>

Primary reporting format – business segments

The Group is organized into two main business segments:–

- i. Sales of goods – sale of self-service ATM systems and other systems
- ii. Rendering of services – provision of hardware and software technical support services

Primary reporting format – business segments

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

Primary reporting format – business segments

	Sale of goods 2004 <i>HK\$'000</i>	Rendering of services 2004 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Turnover	<u>82,726</u>	<u>20,336</u>	<u>103,062</u>
Segment results	<u>4,682</u>	<u>11,250</u>	15,932
Other revenue			557
Unallocated costs			<u>(15,591)</u>
Operating profit			898
Finance costs			<u>(365)</u>
Profit before taxation			533
Taxation			<u>(970)</u>
Loss attributable to shareholders			<u>(437)</u>
Segment assets	24,109	11,663	35,772
Unallocated assets			<u>27,065</u>
Total assets			<u>62,837</u>
Segment liabilities	3,356	3,575	6,931
Unallocated liabilities			<u>10,183</u>
Total liabilities			<u>17,114</u>
Capital expenditure	–	31	31
Unallocated capital expenditure			<u>291</u>
			<u>322</u>
Depreciation	–	138	138
Unallocated depreciation			<u>264</u>
			<u>402</u>
Other non-cash expenses			<u>279</u>

4. OPERATING (LOSS)/PROFIT

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

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Write-back of over provision of deferred income	<u>–</u>	<u>2,937</u>
Charging		
Auditors' remuneration	171	419
Amortisation of intangible assets	665	157
Cost of inventories	44,484	72,270
Depreciation	616	402
Loss on disposal of fixed assets	328	–
Net exchange loss	11	50
Operating leases for land and building	1,259	1,597
Provision for bad and doubtful debts	446	100
Provision for slow moving and obsolete inventories	1,000	–
Bad debts written off	281	22
Research and development costs	1,689	2,908
Staff costs (including directors' emoluments) (<i>Note 10</i>)	<u>13,731</u>	<u>16,573</u>

5. FINANCE COSTS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	<u>503</u>	<u>365</u>

6. TAXATION

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the year (2004: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the subsidiaries of the Group operate.

The amount of taxation charged to the consolidated income statement represents:–

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
– Hong Kong profits tax	–	–
– Overseas taxation	451	588
– Under provision in prior years	90	–
Deferred taxation (<i>Note 20</i>)	157	382
	<hr/>	<hr/>
Taxation charge	698	970
	<hr/> <hr/>	<hr/> <hr/>

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:–

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit before taxation	(11,188)	533
	<hr/>	<hr/>
Calculated at a taxation rate of 17.5%	(1,958)	93
Effect of difference taxation rates in other countries	(346)	(54)
Income not subject to taxation	(12)	(1,843)
Expenses not deductible for taxation purposes	406	1,585
Tax losses not recognized	2,371	1,096
Under provision in prior years	90	–
Others	147	93
	<hr/>	<hr/>
Taxation charge	698	970
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK\$850,000 (2004: Profit of HK\$2,504,000).

8. DIVIDENDS

	Group	
	2005	2004
	HK\$'000	HK\$'000
No dividend proposed for the year (2004: Final dividend of HK\$0.005 proposed per ordinary share)	<u> -</u>	<u> 2,263</u>

At a meeting held on 17 June 2004, the directors declared a final dividend of 0.5 cents per ordinary share. This proposed dividend has not been reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2005.

9. BASIC LOSS PER SHARE

The calculation of basic loss per share are based on the Group's loss attributable to shareholders of HK\$11,886,000 (2004: loss of HK\$437,000) and 452,612,072 (2004: 452,612,072) ordinary shares in issue during the year.

No diluted loss per share for the years ended 31 March 2005 and 2004 is presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

10. STAFF COSTS (including directors' emoluments)

	2005	2004
	HK\$'000	HK\$'000
Wages and salaries	12,449	15,466
Termination benefits	693	483
Pension costs – defined contribution plans	589	624
	<u> </u>	<u> </u>
	13,731	16,573
	<u> </u>	<u> </u>

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments of the directors of the Company during the year are as follows:–

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Independent non-executive directors		
Fees	150	120
Basic salaries, allowances and benefits in kind	–	–
Executive directors		
Fees	–	–
Basic salaries, allowances and benefits in kind	2,649	5,295
Termination benefits	237	–
Contribution to pensions schemes	46	48
	<u>3,082</u>	<u>5,463</u>

The four executive directors (2004: four executive directors) received individual emoluments for the year ended 31 March 2005 of HK\$755,677 (2004: HK\$1,392,260), HK\$770,240 (2004: HK\$1,347,130), HK\$704,000 (2004: HK\$1,302,000) and HK\$702,000 (2004: HK\$1,302,000) respectively.

Please also refer to Note 21 for details of options granted to executive Directors.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2004: four) directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining one (2004: one) individual during the year are as follows:–

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	<u>603</u>	<u>1,080</u>

The emoluments fell with the following bands:–

	Number of individuals	
	2005	2004
Emoluments bands:		
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	<u>–</u>	<u>1</u>

During the year ended 31 March 2005, no emoluments have been paid by the Group to the Directors and the highest paid individuals other than the Directors above as bonus, as inducement to join the Group or as compensation for loss of office (2004: Nil).

12. INTANGIBLE ASSETS

Software development costs

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At 1 April	665	822
Amortisation	(665)	(157)
At 31 March	–	665

13. FIXED ASSETS

	Group			
	Leasehold improvements	Office equipment, furniture and fixtures	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
At 1 April 2004	980	5,900	340	7,220
Additions	305	211	–	516
Disposals	(399)	(47)	–	(446)
Reclassification	(30)	30	–	–
At 31 March 2005	856	6,094	340	7,290
Accumulated depreciation				
At 1 April 2004	843	4,770	340	5,953
Charge for the year	112	504	–	616
Disposals	(111)	(7)	–	(118)
Reclassification	(19)	19	–	–
At 31 March 2005	825	5,286	340	6,451
Net book value				
At 31 March 2005	31	808	–	839
At 31 March 2004	137	1,130	–	1,267

14. INVESTMENTS IN SUBSIDIARIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted investments, at cost	27,826	27,826
Amounts due from subsidiaries	19,308	22,496
	47,134	50,322

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

The following is a list of subsidiaries as at 31 March 2005:–

Name of company	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particular of issued share capital/ Registered capital	Interest held %
Subsidiary held directly:				
Solutech (BVI) Holdings Limited	British Virgin Islands (“BVI”), limited liability company	Investment holding in Hong Kong	1,000 ordinary shares of US\$1 each	100
Subsidiary held indirectly:				
Soluteck Investments Limited (Formerly known as Mason Electronics Limited)	Hong Kong, limited liability company	Investment holding in the PRC	2 ordinary shares of HK\$1 each and 500,000 non-voting deferred shares of HK\$1 each	100
Soluteck Technology Limited	Hong Kong, limited liability company	Inactive	1,000,000 ordinary shares of HK\$1 each	100
Truth Honour Electronic Limited	Hong Kong, limited liability company	Sale of electronic banking systems and other systems and provision of related hardware and software technical support services in Hong Kong	2 ordinary shares of HK\$1 each and 3,000,000 non-voting deferred shares of HK\$1 each	100
Truth Honour Electronic (GFTZ) Limited	PRC, limited liability company	Sale of electronic banking systems and other systems and provision of related hardware and software technical support services in the PRC	Registered capital of US\$200,000	100
Truth Honour (BVI) Holdings Limited	BVI, limited liability company	Investment holdings in Hong Kong	100 ordinary shares of US\$1 each	100

Name of company	Place of incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particular of issued share capital/ Registered capital	Interest held %
Subsidiary held indirectly:				
北京金聯通信息技術有限公司	PRC, limited liability company	Inactive	Registered capital of US\$150,000	100
一創信興(上海)計算機技術有限公司	PRC, limited liability company	Provision of technical support of computer communication systems, technical development of network communication, development and design of system software, sales of self-produced products and provision of related technical and consultation services	Registered capital of US\$200,000	100
信興通(北京)信息技術有限公司	PRC, limited liability company	Provision of hardware and software technical support services for electronic banking systems and other systems in the PRC	Registered capital of US\$150,000	100
上海新峰創電子技術有限公司	PRC, limited liability company	Sale of electronic banking systems and other systems and provision of related hardware and software technical support services in the PRC	Registered capital of US\$200,000	100
信興電子技術(成都)有限公司	PRC, limited liability company	Inactive	Registered capital of US\$150,000	100

15. INVESTMENT IN SECURITIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Unlisted, at cost	190	190
Less: Provision for diminution in value	(190)	(190)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

16. INVENTORIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Merchandise for re-sale	11,470	3,451
Spare parts	3,859	4,187
	<hr/>	<hr/>
	15,329	7,638
Less: Provision for slow moving and obsolete inventories	(1,000)	–
	<hr/>	<hr/>
	14,329	7,638
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2005 and 2004, all inventories were stated at cost.

17. ACCOUNTS RECEIVABLE

The majority of the Group's turnover is on credit terms ranging from sixty to ninety days. At 31 March 2005, the ageing analysis of the accounts receivable was as follows:–

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current to 60 days	10,338	18,787
61 – 90 days	2,931	1,158
Over 90 days	6,765	5,255
	<hr/>	<hr/>
	20,034	25,200
	<hr/> <hr/>	<hr/> <hr/>

18. ACCOUNTS PAYABLE

At 31 March 2005, the ageing analysis of the accounts payable was as follows:–

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current to 60 days	3,254	2,307
61 – 90 days	10	–
Over 90 days	1,268	1,049
	<hr/>	<hr/>
	4,532	3,356
	<hr/> <hr/>	<hr/> <hr/>

19. BANK BALANCES AND CASH

Included in the balance was approximately HK\$1,168,000 (2004: HK\$3,578,000), representing bank deposits denominated in Renminbi placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

20. DEFERRED TAXATION

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

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
At 1 April	382	–
Deferred taxation charged to income statement (<i>Note 6</i>)	157	382
	<hr/>	<hr/>
At 31 March	539	382
	<hr/> <hr/>	<hr/> <hr/>

Deferred income tax assets are recognized for tax loss carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized deferred tax assets of approximately HK\$3,886,000 (2004: HK\$1,503,000) relating to tax losses of approximately HK\$21,445,000 (2004: HK\$8,590,000) as at 31 March 2005. The tax losses have no expiry date.

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

Deferred tax liabilities

	Accelerated tax depreciation		Other temporary difference		Total	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	57	55	1,496	–	1,553	55
Charged to income statement	58	2	1,080	1,496	1,138	1,498
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	115	57	2,576	1,496	2,691	1,553
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Deferred tax assets

	Provision		Tax losses		Other temporary difference		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	-	55	57	-	1,114	-	1,171	55
Charged/(credited) to income statement	-	(55)	(57)	57	1,038	1,114	981	1,116
At 31 March	-	-	-	57	2,152	1,114	2,152	1,171
							2005	2004
							<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets							2,152	1,171
Deferred tax liabilities							(2,691)	(1,553)
							(539)	(382)

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

21. SHARE CAPITAL

	Authorized	
	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 March 2004 and 2005	<u>1,000,000,000</u>	<u>100,000</u>

	Issued and fully paid	
	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 March 2004 and 2005	<u>452,612,072</u>	<u>45,261</u>

Share options

- (a) Under a share option scheme approved and adopted by the shareholders on 13 December 2000 (the “Share Option Scheme”), the Director of the Company may, at their discretion, invite full-time employees including executive directors to take up options to subscribe for shares in the Company representing up to a maximum of 30% of the shares in issue from time to time (excluding shares issued up on the exercise of options granted under the share option scheme).
- (b) On 13 December 2000, Pre-IPO share options (the “Pre-IPO share options”) were granted to certain Directors of the Company and employees of the Group, respectively under the Share Option Scheme to subscribe for the shares of the Company. The exercise prices of these share options range from HK\$0.2 to HK\$0.4 per share. All options are only exercisable to the extent of an aggregate total of 25 per cent., 50 per cent., 75 per cent. and 100 per cent. of the Pre-IPO Share Options in each of the first to fourth anniversaries of the commencement of the trading of the shares of the Company on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, respectively. These options have a life of 10 years from the date on which the grant was made.
- (c) During the year, no options were granted or exercised under the Share Option Scheme, and 3,200,000 (2004:1,900,000) options were lapsed upon resignation of the relevant employees of the Group. As at 31 March 2005, options to subscribe for 12,800,000 (2004:16,000,000) shares of the Company were outstanding.
- (d) The Company has adopted a new share option scheme (“New Scheme”) and terminated the Share Option Scheme by shareholders’ resolutions passed at its Annual General Meeting held on 30 July 2004. The New Scheme became effective on 30 July 2004. Upon the termination of the Share Option Scheme on 30 July 2004, no further options may be offered under the Share Option Scheme but the Share Option Scheme would in all respects remain in force to the extent necessary to give effect to the exercise of the outstanding Pre-IPO Share Options granted under it prior to its termination. The outstanding Pre-IPO Share Options will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme. No option shares have been granted under the New Scheme to any person since its adoption.

22. RESERVES

(a) Group

	Share premium <i>HK\$'000</i>	Reserve arising from reorganisation <i>HK\$'000</i> <i>(Note i)</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	1,194	(24,317)	(4)	28,552	5,425
Loss for the year	-	-	-	(437)	(437)
2003 final dividend	-	-	-	(4,526)	(4,526)
	<u>1,194</u>	<u>(24,317)</u>	<u>(4)</u>	<u>23,589</u>	<u>462</u>
At 31 March 2004	<u>1,194</u>	<u>(24,317)</u>	<u>(4)</u>	<u>23,589</u>	<u>462</u>
2004 final dividend proposed	-	-	-	(2,263)	(2,263)
	<u>1,194</u>	<u>(24,317)</u>	<u>(4)</u>	<u>21,326</u>	<u>(1,801)</u>
At 31 March 2004	<u>1,194</u>	<u>(24,317)</u>	<u>(4)</u>	<u>21,326</u>	<u>(1,801)</u>
At 1 April 2004	1,194	(24,317)	(4)	21,326	(1,801)
Exchange difference	-	-	13	-	13
Loss for the year	-	-	-	(11,886)	(11,886)
	<u>1,194</u>	<u>(24,317)</u>	<u>9</u>	<u>9,440</u>	<u>(13,674)</u>
At 31 March 2005	<u>1,194</u>	<u>(24,317)</u>	<u>9</u>	<u>9,440</u>	<u>(13,674)</u>

Note:-

- (i) The reserve arising from reorganization 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 these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.

(b) Company

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2003	1,194	4,849	6,043
Profit for the year	–	2,504	2,504
2003 final dividend	–	(4,526)	(4,526)
At 31 March 2004	1,194	2,827	4,021
2004 final dividend proposed	–	(2,263)	(2,263)
At 31 March 2004	<u>1,194</u>	<u>564</u>	<u>1,758</u>
At 1 April 2004	1,194	564	1,758
Loss for the year	–	(850)	(850)
At 31 March 2005	<u>1,194</u>	<u>(286)</u>	<u>908</u>

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to net cash outflow from operations

	Group	
	2005 HK\$'000	2004 HK\$'000
Operating (loss)/profit	(11,188)	533
Depreciation	616	402
Amortisation of intangible assets	665	157
Loss on disposal of fixed assets	328	–
Provision for doubtful debts	446	–
Provision for slow moving and obsolete inventories	1,000	–
Interest income	(253)	(557)
Interest expenses	503	365
Operating (loss)/profit before working capital changes	(7,883)	900
(Increase)/decrease in inventories	(7,691)	2,824
Decrease/(increase) in accounts receivable	4,720	(5,271)
Decrease/(increase) in other receivables, deposits and prepayments	6,655	(1,446)
Increase/(decrease) in accounts payable	1,176	(3,274)
Decrease in other payables and accruals	(1,067)	(2,209)
Decrease in receipt in advance	(691)	(4,267)
Net cash outflow from operations	<u>(4,781)</u>	<u>(12,743)</u>

(b) Analysis of changes in financing during the year (bank loans)

	Bank loans	
	2005	2004
	HK\$'000	HK\$'000
Balance at the beginning of the year	4,709	3,769
Payment of amounts borrowed	(15,075)	(3,761)
New bank loans drawn down	15,172	4,701
	<u>4,806</u>	<u>4,709</u>
Balance at the end of the year	<u>4,806</u>	<u>4,709</u>

24. BANKING FACILITIES

As at 31 March 2005, the Group's banking facilities of approximately HK\$28,000,000 (2004: HK\$28,400,000) are secured and supported by the following:-

- (a) pledged deposits of approximately HK\$5,107,000 (2004: HK\$8,500,000); and
- (b) corporate guarantees granted by the Company and several subsidiaries of the Group of approximately HK\$32,000,000 (2004: HK\$31,000,000).

25. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDING

At 31 March 2005, the Group had future aggregate minimum lease payments under operating leases as follows:-

	Group	
	2005	2004
	HK\$'000	HK\$'000
Not later than one year	852	726
Later than one year and not later than five years	250	478
	<u>1,102</u>	<u>1,204</u>

26. CAPITAL COMMITMENTS

During the year, the Group has the following capital commitment:-

	Group	
	2005	2004
	HK\$'000	HK\$'000
Contracted but not provided for Establishment of a subsidiary	<u>1,560</u>	<u>-</u>

27. RELATED PARTY TRANSACTIONS

During the year, the Group undertook the following material transactions with its related companies during the course of its business at terms of underlying agreements:-

		Group	
		2005	2004
	Note	HK\$'000	HK\$'000
Rental paid to Directors	(a)	127	325
Rental paid to the related companies	(b)	<u>406</u>	<u>617</u>

Note:-

- (a) The Group leased an office premise from Mr. Hou Hsiao Wen, Eddie and Ms. Chung Yuk Hung, Yvonne (a former executive director of the Company resigned on 10 January 2005), both are executive Directors of the Company, in Beijing of the PRC for the Group's use.
- (b) The Group leased office premises from San Yee Investment Limited ("San Yee") and Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK\$301,200 (2004: HK\$558,000), and from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of HK\$104,700 (2004: HK\$58,800), respectively. San Yee is owned by Mr. Chung Lok Fai and his wife, Ms. Tsou Lo Nien. Dynatek is owned by Mr. Hou Chung and Ms. Chung Po Chu. Mr. Chung Lok Fai was a former Director and a shareholder of the Company. Mr. Hou Chung, Ms. Chung Po Chu and Ms. Tsou Lo Nien are shareholders of the Company.

28. COMPARATIVE FIGURES

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

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of Directors on 17 June 2005.

On behalf of the Board
Hou Hsiao Bing
Chairman

Hong Kong, 17 June 2005

As of the date hereof, the executive directors are Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen. The independent non-executive directors are Ms. Lui Ming, Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tom Kam Bui, William.

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 at least 7 days from the date of its posting.