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**SOLUTECK HOLDINGS LIMITED**

**— 創科技集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

*(Stock Code: 8111)*

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER, 2005**

### **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE**

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

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

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*\* For identification purpose only*

## **HIGHLIGHTS**

- The net loss of the Group during the nine months ended 31 December, 2005 was approximately HK\$2.5 million, as compared with net loss of approximately HK\$7.0 million for the same period in last year.
- Loss per Share during the nine months ended 31 December, 2005 was approximately HK0.56 cents.
- The turnover of the Group during the nine months ended 31 December, 2005 was approximately HK\$24.8 million, representing a decrease of approximately 57.6 per cent. as compared with the corresponding period in 2004.

The board (the “Board”) of Directors announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the nine months ended 31 December, 2005.

## **CHAIRMAN’S STATEMENT**

### **Financial Performance**

The Group recorded a loss attributable to shareholders of approximately HK\$2.5 million for the nine months ended 31 December, 2005, compared with the loss attributable to shareholders of approximately HK\$7.0 million for the corresponding period in last year. Loss per share during the nine months ended 31 December, 2005 was approximately HK0.56 cents, as compared with loss per share of approximately HK1.56 cents for the corresponding period in last year.

Turnover in the nine months ended 31 December, 2005 was approximately HK\$24.8 million, an approximately 57.6 per cent. decrease as compared with the corresponding period in last year. The management believes that such a decrease was mainly attributable to the keen competition among different suppliers of self-service automatic teller machines (“ATM”) in the People’s Republic of China (“PRC” or “China”).

During the nine months ended 31 December, 2005, the Group managed to improve its gross profit margin by promoting its maintenance and technical support services. The gross profit margin increased to approximately 47.2 per cent. (nine months ended 31 December, 2004: 20.7 per cent.), albeit there was a decrease in the amount of gross profit, as compared to the same period in last year.

During the period under review, the Group’s selling and administrative expenses decreased by approximately 41.8 per cent. and 25.0 per cent. to approximately HK\$2.2 million and HK\$10.9 million respectively compared to the corresponding period in last year. This should be a result of the Group’s policy on cost control.

## **Business Review**

The Group specializes in the provision of implementation and upgrading of self-service ATM systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the PRC.

### **Implementation of self-service ATM systems**

Implementation of self-service ATM systems remained the Group's core business and accounted for approximately 95.4 per cent. of the Group's total turnover during the nine months ended 31 December, 2005, as compared with approximately 94.0 per cent. for the same period in last year.

Turnover generated from the implementation of self-service ATM systems amounted to approximately HK\$23.7 million, representing a decrease of approximately 57.0 per cent. as compared with the corresponding period in last year, which was greatly resulted from the keen competition in the PRC.

### **Provision of information technology and business solutions**

The provision of information technology and business solutions accounted for approximately 3.5 per cent. of the Group's turnover for the nine months ended 31 December, 2005, as compared with approximately 3.8 per cent. for the corresponding period in last year. The Group will continue to focus on the development of software applications for converging banking business platforms and other state-of-the-art application software for banking and financial institutions and postal bureaus.

### **Other businesses**

The income generated from other businesses including the implementation of electronic postal automation systems, etc. for the nine months ended 31 December, 2005 amounted to approximately 1.1 per cent. of the total turnover of the Group, as compared with approximately 2.2 per cent. of the total turnover of the Group for the corresponding period in last year. Since the development of electronic postal automation systems that include mailing finishing systems, volume mailing handling systems and franking machines are still greatly hindered by market competition and acceptance, the Group at this stage would not put any effort in any new development of this business stream.

### **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 49.2 per cent. of the total turnover of the Group for the nine months ended 31 December, 2005, compared with approximately 26.7 per cent. for the corresponding period in last year.

## **Business Outlook**

Being 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, and having its strong presence and a solid clientele in China, the Group, as 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, will further capitalize and enhance its professional strengths, fast responses and dedicated services. In order to take advantage on the phenomenal growth which the financial enterprises including banks and postal bureaus in China have been experiencing, it will put more effort on increasing in the offering of its maintenance services to a broader range of self-service products in the PRC, and will boost its marketing effort in the PRC aiming to bring in more new orders and clients and broaden business relationship, also will continuously intensify its internal cost control management in order to increase capital utilization efficiency, so as to further consolidate the Group’s existing activities. Together with its carrying on updating itself on all latest developments in the industry and preparing to review and expand its operation according to the needs of the market, the Group will of no doubt uplift its competitiveness in the banking and finance sector of China, which will facilitate the expansion of the Group’s market share in China and ultimately the shareholder’s value.

**Hou Hsiao Bing**

*Chairman*

**Soluteck Holdings Limited**

Hong Kong, 13 February, 2006

## RESULTS

The following is the unaudited consolidated results of the Group for the periods of three months and nine months ended 31 December, 2005 together with the comparative unaudited consolidated results of the Group for the corresponding periods in 2004:—

		From 1 October, 2005 to 31 December, 2005 <i>HK\$'000</i>	From 1 April, 2005 to 31 December, 2005 <i>HK\$'000</i>	From 1 October, 2004 to 31 December, 2004 <i>HK\$'000</i>	From 1 April, 2004 to 31 December, 2004 <i>HK\$'000</i>
	<i>Notes</i>				
Turnover	2	8,055	24,840	19,788	58,624
Cost of sales		<u>(4,144)</u>	<u>(13,111)</u>	<u>(16,733)</u>	<u>(46,461)</u>
Gross profit		3,911	11,729	3,055	12,163
Other revenue	2	20	66	28	68
Selling expenses		(677)	(2,220)	(1,291)	(3,813)
Administrative expenses		<u>(3,250)</u>	<u>(10,913)</u>	<u>(5,430)</u>	<u>(14,551)</u>
Profit/(Loss) from operations	3	4	(1,338)	(3,638)	(6,133)
Finance costs	4	<u>(77)</u>	<u>(321)</u>	<u>(160)</u>	<u>(320)</u>
Loss before taxation		(73)	(1,659)	(3,798)	(6,453)
Taxation	5	<u>(467)</u>	<u>(874)</u>	<u>(289)</u>	<u>(590)</u>
Loss attributable to shareholders		<u><u>(540)</u></u>	<u><u>(2,533)</u></u>	<u><u>(4,087)</u></u>	<u><u>(7,043)</u></u>
Basic loss per share	6	<u><u>HK(0.12) cents</u></u>	<u><u>HK(0.56) cents</u></u>	<u><u>HK(0.90) cents</u></u>	<u><u>HK(1.56) cents</u></u>

*Notes:*

### 1. Basis of preparation and accounting policies

- (i) Adoption of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (together as “New HKFRSs”).

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of New HKFRSs which are effective for accounting periods beginning on or after 1 January, 2005. The Group has adopted a number of New HKFRSs, for the first time, in the preparation of the financial statements for the period from 1 April, 2005 onward.

The comparative unaudited consolidated results for 2004 have been restated in accordance with the relevant requirements of the New HKFRSs, if applicable.

Except for the following, the adoption of the New HKFRSs did not result in substantial changes to the Group's accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the annual financial statements as of and for the year ended 31 March, 2005.

The adoption of Hong Kong Financial Reporting Standard 2 – Share-based Payments (“HKFRS 2”) has resulted in a change in accounting policy for employee share options. Under HKFRS 2 the Group is required to determine the fair value of all share-based payments to employees as remuneration and recognise an expense in the profit and loss account. This treatment results in a reduction in profit or increase in loss as such items have not been recognised as expenses under the previous accounting policy. Under the specific transitional provisions of HKFRS 2, this treatment applies to equity-settled share-based payment transactions where shares, share options or other equity instruments were granted after 7 November, 2002 and had not yet vested by 1 January, 2005 and to liabilities arising from share-based payment transactions existing on 1 January, 2005.

The Directors consider that the share options granted to certain employees of the Group represent share-based payment. However, as no options have been granted since 7 November, 2002, the provision of HKFRS 2 are not applicable to the Group's outstanding options.

- (ii) The unaudited consolidated results has been prepared under the historical cost convention, as modified by revaluation of financial assets which are classified as financial assets at fair value through profit or loss, if applicable.

The preparation of the unaudited consolidated results in conformity with the New HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated results include provision for bad and doubtful debts, provision for slow moving and obsolete inventories, provision for taxation and provision for assets impairment.

## 2. Turnover and revenue

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

	<b>From 1 October, 2005 to 31 December, 2005 HK\$'000</b>	<b>From 1 April, 2005 to 31 December, 2005 HK\$'000</b>	From 1 October, 2004 to 31 December, 2004 HK\$'000	From 1 April, 2004 to 31 December, 2004 HK\$'000
Turnover				
Sale of goods	4,439	12,620	14,320	42,971
Rendering of services	3,616	12,220	5,468	15,653
	<u>8,055</u>	<u>24,840</u>	19,788	58,624
Other revenue				
Interest income	20	66	28	68
Total revenue	<u><u>8,075</u></u>	<u><u>24,906</u></u>	<u><u>19,816</u></u>	<u><u>58,692</u></u>

### 3. Profit/(Loss) from operations

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

	From 1 October, 2005 to 31 December, 2005 <i>HK\$'000</i>	From 1 April, 2005 to 31 December, 2005 <i>HK\$'000</i>	From 1 October, 2004 to 31 December, 2004 <i>HK\$'000</i>	From 1 April, 2004 to 31 December, 2004 <i>HK\$'000</i>
Cost of inventories	2,800	9,267	13,546	39,486
Depreciation	111	377	171	481
Amortisation of intangible assets	-	-	44	131
Provision for slow moving and obsolete inventories	-	1,000	-	1,000
Provision for bad and doubtful debts	-	900	600	600
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 4. Finance costs

	From 1 October, 2005 to 31 December, 2005 <i>HK\$'000</i>	From 1 April, 2005 to 31 December, 2005 <i>HK\$'000</i>	From 1 October, 2004 to 31 December, 2004 <i>HK\$'000</i>	From 1 April, 2004 to 31 December, 2004 <i>HK\$'000</i>
Interest on bank loans and overdrafts	<u>          77</u>	<u>          321</u>	<u>          160</u>	<u>          320</u>

### 5. Taxation

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the nine months ended 31 December, 2005 (nine months ended 31 December, 2004: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit 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 profit and loss account represents:-

	From 1 October, 2005 to 31 December, 2005 <i>HK\$'000</i>	From 1 April, 2005 to 31 December, 2005 <i>HK\$'000</i>	From 1 October, 2004 to 31 December, 2004 <i>HK\$'000</i>	From 1 April, 2004 to 31 December, 2004 <i>HK\$'000</i>
Current taxation:				
– Hong Kong profits tax	-	-	-	-
– Overseas taxation	467	874	289	590
Deferred taxation	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Taxation charge	<u>          467</u>	<u>          874</u>	<u>          289</u>	<u>          590</u>

## **6. Loss per Share**

The calculation of the basic loss per Share for the three months and nine months ended 31 December, 2005 is based on the unaudited consolidated net loss attributable to shareholders of approximately HK\$540,000 and HK\$2,533,000 (2004: loss of approximately HK\$4,087,000 and HK\$7,043,000) and the 452,612,072 and 452,612,072 ordinary shares (2004: 452,612,072 and 452,612,072 ordinary shares) in issue throughout the relevant accounting periods, respectively.

No diluted loss per share for the nine months ended 31 December, 2005 and 2004 are presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flow. As at 31 December, 2005, the Group had cash and bank balances (including pledged bank deposits) amounting to a total of approximately HK\$7.1 million (31 March, 2005: HK\$8.6 million) and outstanding bank overdraft and short-term bank loan of approximately HK\$3.6 million and HK\$Nil (31 March, 2005: HK\$3.9 million and HK\$4.8 million) respectively, 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 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, that is, fully committed to be one of the leading total Solution Providers for the finance sector in China.



## RESERVES

	Share premium HK\$'000	Reserve arising from reorganisation* HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April, 2004	1,194	(24,317)	(4)	23,589	462
Exchange difference	–	–	(81)	–	(81)
Loss for the period	–	–	–	(7,043)	(7,043)
2004 final dividend	–	–	–	(2,263)	(2,263)
	<u>1,194</u>	<u>(24,317)</u>	<u>(85)</u>	<u>14,283</u>	<u>(8,925)</u>
At 31 December, 2004	<u>1,194</u>	<u>(24,317)</u>	<u>(85)</u>	<u>14,283</u>	<u>(8,925)</u>
At 1 April, 2005	1,194	(24,317)	9	9,440	(13,674)
Exchange difference	–	–	550	–	550
Loss for the period	–	–	–	(2,533)	(2,533)
	<u>1,194</u>	<u>(24,317)</u>	<u>559</u>	<u>6,907</u>	<u>(15,657)</u>
At 31 December, 2005	<u>1,194</u>	<u>(24,317)</u>	<u>559</u>	<u>6,907</u>	<u>(15,657)</u>

\* *The reserve arising from reorganisation of HK\$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.*

## QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the period from 1 April, 2005 to 31 December, 2005 (2004: Nil).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December, 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. Hou Hsiao Wen, Eddie (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:—

- The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporations.
- 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 namely 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.
- Truth Honour Electronic Limited is a subsidiary of the Company and is thus an associated corporation of the Company.

## **SHARE OPTION SCHEMES**

### **1. Pre-IPO Share Options**

On 13 December, 2000, the shareholders of the Company approved and adopted a share option scheme (the “Share Option Scheme”). Under the Share Option Scheme, the Directors may, at their discretion, grant to any employees of the Group, including executive Directors, options to subscribe for the Shares. 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 1.4.2005	Number of Options		Outstanding at 31.12.2005	Closing price per share immediately Options before the date of grant (HK\$) (Note 2)
		Granted during the period	Lapsed during the period		
Exercise price at HK\$0.20:					
– Other Employees	2,400,000	Nil	(1,150,000)	1,250,000	Nil
Exercise price at HK\$0.40:					
– Executive Directors					
HOU Hsiao Bing	2,000,000	Nil	Nil	2,000,000	Nil
HOU Hsiao Wen, Eddie	2,000,000	Nil	Nil	2,000,000	Nil
– Former Executive Directors					
CHUNG Yuk Hung, Yvonne	2,000,000	Nil	(2,000,000)	Nil	Nil
CHUNG Yuk Man, Kevin	2,000,000	Nil	(2,000,000)	Nil	Nil
– Other Employees	2,400,000	Nil	Nil	2,400,000	Nil
	<u>12,800,000</u>	<u>Nil</u>	<u>(5,150,000)</u>	<u>7,650,000</u>	

Notes:–

1. During the nine months ended 31 December, 2005, 5,150,000 share options were lapsed upon the resignation of the relevant employees and executive directors 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 nine months ended 31 December, 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.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December, 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	35,190,000	Beneficial owner	7.77%
Mr. Chung Yuk Man	35,190,000	Beneficial owner	7.77%

Save as disclosed above, as at 31 December, 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.

## BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the Quarterly Period.

## **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 primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures and risk evaluation of the Group and to provide advise and comments thereon. The Committee comprises three independent non-executive Directors, namely Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William. The draft of this report has been reviewed and approved by the Audit Committee of the Board.

## **COMPETING INTERESTS**

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, 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 compete or may compete with the business of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company had not redeemed any of its Shares during the nine months ended 31 December, 2005. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the nine months ended 31 December, 2005.

## **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 exacting 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 during the period under review.

## **CORPORATE GOVERNANCE**

Unless otherwise disclosed herein, the Company has complied with the Code throughout the nine months ended 31 December, 2005 except the followings:

### **Distinctive roles of Chairman and Chief Executive Officer**

#### *Code Provisions*

Under the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

#### *Deviation and its Reasons*

Mr. Hou Hsiao Bing is both the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group's business. Mr. Hou has been both Chairman and Chief Executive Officer of the Company since 5 August, 2002. The management considered that there is no imminent need to change the arrangement for there are only 2 directors in the board of Directors are executive directors.

On behalf of the Board  
**Hou Hsiao Bing**  
*Chairman*

Hong Kong, 13 February, 2006

*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. Tam Kam Biu, William.*

*This announcement will remain on the Company's website and on the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*