

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

This announcement, for which the directors (the “Directors”) of Soluteck Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



SOLUTECK 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 2007

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.

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 profit of the Group for the financial year ended 31 March 2007 was approximately HK\$2.1 million (net loss of the Group for the financial year ended 31 March 2006 was approximately HK\$2.6 million).

The revenue of the Group for the financial year ended 31 March 2007 was approximately HK\$63.8 million, representing an increase of approximately 87.3 per cent. as compared to the financial year ended 31 March 2006.

Gross profit margin of the Group was approximately 26.5 per cent. in the financial year ended 31 March 2007, compared to approximately 46.0 per cent. in the financial year ended 31 March 2006.

Earnings per share for the financial year ended 31 March 2007 was approximately HK0.46 cents (loss per share for the financial year ended 31 March 2006 was approximately HK0.58 cents).

The Directors do not recommend the payment of a dividend for the financial year ended 31 March 2007 (dividend per Share for the financial year ended 31 March 2006: Nil).

BUSINESS REVIEW

On behalf of the board of directors (the “Board”) of Soluteck Holdings Limited (the “Company” and together with its subsidiaries, the “Group”), I am pleased to announce the results of the Group for the year ended 31 March 2007. The Group recorded an increase in its revenue to approximately HK\$63.8 million, representing an increase of approximately 87.3 per cent., as compared with the revenue for the year ended 31 March 2006 of approximately HK\$34.1 million. The management believes that such an increase should be a result on the marketing effort the Group has put during the year.

The Group continued to specialize in the provision of implementation and upgrading of self-service automatic teller machine (“ATM”) systems and other systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the People’s Republic of China (the “PRC” or “China”) during the year ended 31 March 2007.

Pro-active efforts to explore and ascertain the Group's business development thrust started to show encouraging signs of fruition in 2007 – a year that witnessed a satisfactory growth and business development for the Group in that the Group had made significant progress in the sales of ATMs to commercial banks, the China State Postal Bureau and the Rural Credit Cooperatives of China in the PRC. The successful bid of the tenders of the Hubei and Jiangsu Postal Bureaus represented breakthroughs in implementing the Group's marketing strategy. On top of that, new contracts were successfully and successively secured with a number of financial institutions and postal bureaus like the Commercial Bank, the Bank of Communications, Shanghai Pudong Development Bank and several postal bureaus for the provision of system maintenance and enhancement services during the year under review.

The Group had established its position as an "ATM Total Solutionist" in the information technology market in the banking and postal industry in the PRC. Leveraging its extensive experience in the applications of information technology in both the banking and postal sectors and the long-term business relationships with reputable commercial banks and postal bureaus in the PRC, the Group expanded its business in the PRC at a satisfactory pace.

Internally, two subsidiaries of the Group, namely, Soluteck (Shanghai) Communication Technology Ltd. and Soluteck (Shanghai) Technologies Limited, had accomplished their ISO9001:2000 quality management certification through strict controls on organizational structure, staff number and operating procedures to ensure that optimum management standards and operational capabilities are always in place during the year ended 31 March 2007.

Externally, by the establishment of the network of ATM services centers to cover a total of 29 strategic cities and locations in China, the Group's service network in China has been strategically refined to reach out and foster relationships with existing and new clients.

BUSINESS PROSPECTS

In the presence of a strategic partnership agreement which has been signed by the Group with a subsidiary of NCR Corporation in China in April 2006, and the Group, being a prestigious and experienced professional ATM software, hardware and services company in the ATM sector, together with its existing reputation as an authorized value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited and related applications software for commercial banks in China, will fully commit itself to be one of the leading ATM Total Solution Providers in the banking sector in the PRC, offering a full range of banking and financial system solutions for the banking and financial sectors, from the supply of hardware to software development, banking applications to value-added complementary services. In addition, it will also persist to put efforts on enhancing closer customer relationships, broadening business relationship and exploring new business opportunities in corporate outsourcing technical service sector, so as to better satisfy the demand from the financial sector in China for advanced global self-service equipment solutions' products, technologies and extensive trans-national industrial experience.

Specifically, the Group will aim at raising profitability through stronger management, tighter cost control and robust business development. It will further expand its customer base and market coverage for the provision of self-service ATM systems and its related services to the banking and postal sectors.

We expect the coming year yet to be more promising but still challenging year for the Group. However, leveraging on our prudent and experienced management and our strong and determined workforce, the Group, by keeping on boosting its marketing effort in the PRC to bring in new customers, will strive to maintain and expand its operations farther, thus expanding our market share while at the same time bringing along greater return to our shareholders.

DIVIDEND

The Board does not recommend the payment of a dividend for the financial year ended 31 March 2007 (2006: Nil).

APPRECIATION

As at 31 March 2007, the Group employed 11 and 129 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, suppliers and customers for their continuous support to the Group.

Hou Hsiao Bing
Chairman

Hong Kong, 14 June 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

REVIEW OF OPERATIONS

During the financial year ended 31 March 2007, the Group recorded an increase in its revenue to approximately HK\$63.8 million (2006: HK\$34.1 million), representing an increase of approximately 87.3 per cent. compared with the previous year. The management believed that the growth in the revenue of the Group was principally attributable to the application of successful marketing strategies in the People's Republic of China (the "PRC" or "China").

During the year under review, the net profit attributable to shareholders amounted to approximately HK\$2.1 million (2006: loss attributable to shareholders of approximately HK\$2.6 million), attributable to an earnings per share of approximately HK0.46 cents (2006: loss per share of approximately HK0.58 cents).

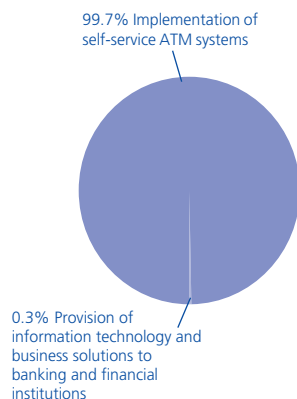
The Group's gross profit margin was approximately 26.5 per cent. in the financial year ended 31 March 2007 (2006: 46.0 per cent.). The management believes that the decrease in the Group's gross profit margin was mainly due to the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC.

REVENUE

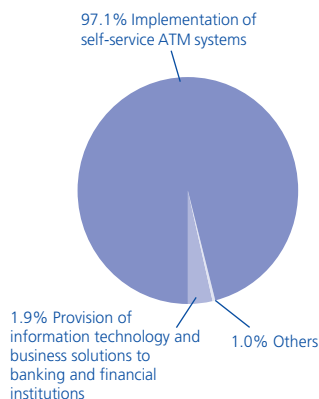
The Group is principally engaged in the sale of self-service ATM systems and other banking equipments, and the provision of hardware and software technical support services. Revenues recognized during the financial year are as follows:

	Financial year ended	
	31 March	
	2007	2006
	HK\$'000	HK\$'000
Revenue		
Sales of goods	52,521	17,321
Rendering of services	11,287	16,747
	63,808	34,068
Other revenue		
Interest income	85	78
Total revenue	63,893	34,146

**Analysis of revenue by industry nature
for the financial year ended 31 March, 2007**



**Analysis of revenue by industry nature
for the financial year ended 31 March, 2006**



IMPLEMENTATION OF SELF-SERVICE ATM SYSTEMS

During the financial year ended 31 March 2007, the Group continued to target at the growing banking and finance sectors of China, with the implementation of self-service ATM systems as the core operation and accounted for approximately 99.7 per cent. (2006: 97.1 per cent.) of the Group's total revenue, including the income derived from the provision of technical consultancy and support services.

2007 was a year of solid business development for the Group. The revenue generated from the implementation of self-service ATM systems amounted to approximately HK\$63.6 million, representing an increase of approximately 92.3 per cent. compared with the previous financial year. The management believes that such an increase should be a result on the marketing effort the Group has put during the year.

The Group achieved encouraging business growth with the China State Postal Bureau and the Rural Credit Cooperatives of China when it successfully secured sales and/or service tenders and contracts for self-service ATM systems for the branches of the China State Postal Bureau in Hubei, Jiangsu, etc. and the Rural Credit Cooperatives of China during the financial year ended 31 March 2007. On top of that, new contracts were successfully and successively secured with a number of financial institutions like the Commercial Bank, the Bank of Communications and Shanghai Pudong Development Bank for the provision of system maintenance and enhancement services during the year under review.

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.

By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Kunming, Hangzhou, Jinan, Chuanzhou, Guangzhou, Shanghai, Beijing, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Fuzhou, Wuxi, Tianjin, Shenzhen, Zhejiang, Yantai, Sanming, Suzhou, Dalian, Liaoning and Hubei, the network of ATM services was strategically located 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 0.3 per cent of the Group's revenue for the financial year ended 31 March 2007 (2006: 1.9 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 has 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

The income generated by the Group from other businesses including the implementation of electronic postal automation systems and the like is insignificant for the financial year ended 31 March 2007, as compared with approximately 1.0 per cent. of the total revenue of the Group 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 and the aforesaid revenue 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 17.7 per cent. (2006: 49.2 per cent.) of the total revenue of the Group for the financial year ended 31 March 2007. Actual income derived from the provision of technical consultancy and support services decreased by approximately 32.6 per cent. mainly because of the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC.

INTEREST INCOME

The bank interest income of the Group increased slightly by approximately 9.0 per cent. to approximately HK\$85,000 during the financial year ended 31 March 2007 (2006: HK\$78,000).

GROSS PROFIT

The Group's gross profit margin was approximately 26.5 per cent. in the financial year ended 31 March 2007 (2006: 46.0 per cent.). Such a decrease was predominantly attributable to the "screening out" of unprofitable projects and keen competition among suppliers of ATM systems in the PRC.

SELLING EXPENSES

The Group had implemented successful cost control measures during the year under review, which contributed to a reduction in selling expenses by approximately 13.6 per cent. to HK\$2.9 million (2006: HK\$3.3 million).

ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Group for the financial year ended 31 March 2007 amounted to approximately HK\$10.7 million (2006: HK\$13.9 million), representing a decrease of approximately 23.3 per cent. as a result of the Group's policy on cost control.

Staff costs (including Directors emoluments) which were included in both selling expenses and administrative expenses decreased by approximately 8.0 per cent. to approximately HK\$8.6 million (2006: HK\$9.3 million) mainly because of the tighter control on staff costs during the financial year ended 31 March 2007.

The Group has not made additional general provision for slow moving and obsolete inventories and bad and doubtful debts during the year under review (2006: general provision for slow moving and obsolete inventories and bad and doubtful debts of HK\$1.0 million and HK\$0.9 million respectively).

Depreciation expenses decreased by approximately 59.9 per cent. to HK\$193,000 (2006: HK\$481,000) as compared to that of last financial year mainly because certain fixed assets became fully depreciated in previous years.

FINANCE COSTS

The finance costs of the Group for the financial year ended 31 March 2007 was approximately HK\$389,000 (2006: approximately HK\$391,000).

INCOME TAX EXPENSES

The Group's income tax expenses for the financial year ended 31 March 2007 increased to approximately HK\$992,000 (2006: approximately HK\$796,000) primarily due to an increase in operating profit 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 2007, the Group had cash and bank balances amounting to a total of approximately HK\$1.1 million (2006: approximately HK\$3.8 million) and had outstanding bank overdraft and outstanding short-term bank loan of approximately HK\$2.1 million and HK\$4.5 million respectively (2006: approximately HK\$3.4 million and HK\$nil respectively) which represented the total borrowings of the Group as at that date and are repayable within one year. The bank overdraft was at 0.75% per annum over Hong Kong Dollar prime rate while the short-term bank loan was made in Renminbi and at an annual interest rate of approximately 8.5 per cent.

CURRENT RATIO

As at 31 March 2007, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 4.0 (2006: approximately 3.6).

GEARING RATIO

As at 31 March 2007, the gearing ratio of the Group, based on total liabilities over total assets was approximately 26.8 per cent. (2006: approximately 28.8 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

As at 31 March 2007, the Group's banking facilities of approximately HK\$7.1 million (2006: approximately HK\$9.0 million) are secured by the following:

- (a) corporate guarantees granted by the Company and several subsidiaries of the Group of approximately HK\$15.0 million (2006: approximately HK\$15.0 million).
- (b) Short-term bank loan of approximately HK\$4.5 million (2006: HK\$Nil) are secured by personal guarantee given by a director of the Company, Mr. Hou Hsiao Wen.

CHARGES ON ASSETS

As at 31 March 2007, total banking facilities available to the Company and its subsidiaries amounted to approximately HK\$7.1 million (2006: approximately HK\$9.0 million), of which approximately HK\$6.7 million (2006: approximately HK\$3.4 million) had been utilized. As of 31 March 2007, the Company and its subsidiaries pledged no assets to banks as security for bank loans and overdraft (2006: HK\$Nil).

CONTINGENT LIABILITIES

As at 31 March 2007, the Group did not have any significant contingent liabilities.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with transactions settled in Renminbi principally and did not have any significant exposure to foreign exchange risk during the year.

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

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 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year ended 31 March 2007.

CORPORATE GOVERNANCE REPORT

(1) CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to the principles of Corporate Governance and have dedicated significant efforts to provide transparency, accountability and independence.

The Company has adopted the Code of Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 effective from the accounting periods from 1 January 2005, save as disclosed in section (3) Chairman and Chief Executive Officer regarding code provision A.2.1.

(2) BOARD OF DIRECTORS

The Board of directors is accountable to shareholders for the activities and performance of the Group and for the preparation of financial statements which give a true and fair view. It oversees the Group's overall strategic plans, reviews the financial performance, supervises the management of the business and affairs and approves the strategic plans. The Board delegates corporate matters to the Management of the Group under the leadership of the Chief Executive Officer, including preparation of annual, interim and quarterly accounts, execution of business strategies adopted by the Board, implementation of internal controls system and compliance with relevant statutory requirements, rules and regulations. Management is required to present an annual budget, and any proposal for major investment, addition of capital assets, and change in business strategies for the Board's approval.

Board Composition

The Board currently comprises of the following members:

Executive Directors:

Hou Hsiao Bing

Hou Hsiao Wen

Independent Non-executive Directors:

Lui, Ming Rosita

Tam Kam Biu, William

Ho Wai Wing, Raymond

Currently, at every annual general meeting of the Company, one-third of all the Directors including the independent non-executive Directors shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

Board Meeting

The Board meets at least four times a year to review financial and operating performance and discuss Group direction and strategy.

Details of the attendance of the board of Directors are as follows:

	14 Jun 2006	11 Aug 2006	13 Nov 2006	8 Feb 2007
Hou Hsiao Bing	✓	✓	✓	✓
Hou Hsiao Wen	✓	✓	✓	✓
* Lui, Ming Rosita	n/a	n/a	n/a	n/a
* Tam Kam Biu, William	n/a	n/a	n/a	n/a
* Ho Wai Wing, Raymond	n/a	n/a	n/a	n/a

* *Independent non-executive Directors who will not attend the Company's regular Board Meetings.*

The Directors will receive details of agenda items for decision in advance of each board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive Directors are considered to be independent.

(3) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated.

The Company has achieved a high compliance level with the exception of the separation of Mr. Hou Hsiao Bing serving the dual role of Chairman and Chief Executive Officer.

This exception was discussed and the dual role was approved by the Board based on the following reasons:

- The Company size is relatively small and thus not justified in separating the role of chairman and chief executive officer.
- The Company has in place internal controls to provide check and balance on the functions.

Mr. Hou Hsiao Bing has been the Chairman and Chief Executive Officer of the Company starting from 5 August 2002 and 31 December 2004 respectively. The management considered that there is no imminent need to change the arrangement for there are only 2 executive Directors in the Board of Directors.

(4) AUDIT COMMITTEE

The Company established an audit committee on 13 December 2000 with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members – Ms. Lui, Ming Rosita, Mr. Tam Kam Biu, William and Mr. Ho Wai Wing, Raymond, all of whom are independent non-executive Directors. Ms. Lui, Ming Rosita is the chairman of the audit committee. Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee meets four times a year to review with senior management and at least once a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to listing rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 March 2007 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

Details of the attendance of members at Audit Committee meeting are as follows:

	8 Jun 2006	4 Aug 2006	3 Nov 2006	1 Feb 2007
Lui, Ming Rosita	✓	✓	✓	✓
Tam Kam Biu, William	✓	✓	✓	✓
Ho Wai Wing, Raymond	✓	✗	✓	✓

(5) REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2005 with defined terms of reference. It's role is to review and determine the policy for the remuneration of Directors and senior management. Currently, it comprises the Chairman and Chief Executive Officer, and three independent non-executive Directors, Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William with the Chairman and Chief Executive Officer as the Chairman of the Committee.

The Committee held one meeting during the financial year under review to discuss the policy and structure of the remuneration of the Directors and senior management.

The Remuneration Committee is mainly responsible for:

- (a) Making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and as the establishment of a formal and transparent procedure for developing policy as such remuneration.
- (b) Determining the specific remuneration packages of an executive director and senior management and making recommendation to the Board of the remuneration of the non-executive directors.
- (c) Reviewing and approving the performance-based remuneration.
- (d) Reviewing and approving the compensation payable to executive directors and senior management in connection with any loss or termination of office or appointment.
- (e) Reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct.

(6) NON-EXECUTIVE DIRECTOR

Code provision A.4.1 provides that Non-executive Director should be appointed for a specific term and subject to re-election. The Company's Non-executive Director has been appointed for specific term and subject to re-election.

(7) COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the twelve months ended 31 March 2007.

(8) EXTERNAL AUDITORS

During the year, the external auditors W.H.Tang & Partners CPA Limited provided annual audit services and taxation advisory service to the Group. The Audit Committee is responsible for considering the appointment of the external auditors and review any non-audit functions performed by the external auditors of the Group. In particular, the Committee will consider, in advance of them being contracted for such service, whether such non-audit service could lead to any potential material conflict of interest. Nothing has come to its attention to cause the Audit Committee to believe that the non-audit services provided by the external auditors affect their independence, objectivity and effectiveness in the auditing process in accordance with applicable standard.

The remuneration in respect of services provided by W.H.Tang & Partners CPA Limited for the Group for the year ended 31 March 2007 are as follow:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Annual audit and taxation services	<u>210,000</u>	<u>200,000</u>

(9) INTERNAL CONTROLS

The Board recognises that a sound and effective internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

Management has established the Group's Internal Control Policies and Guidance for monitoring the internal control system.

The Board has delegated to the Management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel and individual department heads throughout the Group maintain and monitor the compliance to these controls on an ongoing basis and report variance to senior management.

Based on the assessment and review made by the Board and senior management on the effectiveness of the internal control system, the Audit Committee is satisfied that:

- The internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication; and
- There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

REPORT OF THE DIRECTORS

ANALYSIS OF OPERATIONS

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 2007 (2006: Nil).

RESERVES

Movements in the reserves of the Group during the financial year are set out in note 19 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital are set out in note 18 to the financial statements.

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 and Chief Executive Officer*)

Mr. Hou Hsiao Wen

Ms. Lui, Ming Rosita*

Mr. Ho Wai Wing, Raymond*

Mr. Tam Kam Biu, William*

* *Independent non-executive Directors*

In accordance with Articles 108(A) of the Company's Articles of Association, the Independent non-executive Directors Ms. Lui, Ming Rosita and Mr. Ho Wai Wing, Raymond retire as Directors by rotation at the forthcoming annual general meeting and, being eligible, offer herself/himself for re-election.

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 March 2007, the interests and short positions of the Directors and chief executive 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 the Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(a) Directors' and Chief Executive's Interests in the Shares of the Company

Name	Name of company	Capacity	Number and class of securities (Note)	Percentage shareholding in the same class of securities
Mr. Hou Hsiao Bing <i>(Executive Director)</i>	The Company	Beneficial owner	131,150,000 ordinary shares (L) <i>(Note 1 and 2)</i>	28.98%
	The Company	Beneficial owner	2,000,000 ordinary shares <i>(Note 3)</i>	0.44%
Mr. Hou Hsiao Wen <i>(Executive Director)</i>	The Company	Beneficial owner	33,160,000 ordinary shares (L) <i>(Note 1)</i>	7.33%
	The Company	Beneficial owner	2,000,000 ordinary shares <i>(Note 3)</i>	0.44%

Notes:

1. The letter “L” represents the Director’s interests in the Shares and underlying Shares of the Company.
2. Following his acquisition of 54,690,000 Shares in February 2007, Mr. Hou Hsiao Bing’s shareholding increased to 131,150,000 Shares representing approximately 28.98 per cent of the Shares in issue.
3. 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, 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 Schemes” below.

(b) Directors’ and Chief Executive’s Interests/Short Positions in the Share Capital of the Company’s Associated Corporations

Name of Director	Associated Corporations	Number of shares in which interested	Nature of interest	Approximate percentage holding of the non-voting deferred shares
Mr. Hou Hsiao Bing (Executive Director)	Truth Honour Electronic Limited	3,000,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares
Mr. Hou Hsiao Bing (Executive Director)	Soluteck Investments Limited	500,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares

Truth Honour Electronic Limited and Soluteck Investments Limited are subsidiaries of the Company and are thus associated corporations 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	Number of Options			Outstanding at 31.3.2007	Closing price per share immediately before the date of grant (HK\$) (Note 2)
	Outstanding at 1.4.2006	Granted during the year	Lapsed during the year		
Exercise price at HK\$0.20:					
– Other Employees	1,250,000	Nil	(450,000)	800,000	Nil
Exercise price at HK\$0.40:					
– Executive Directors					
HOU Hsiao Bing	2,000,000	Nil	Nil	2,000,000	Nil
HOU Hsiao Wen	2,000,000	Nil	Nil	2,000,000	Nil
– Other Employees	2,400,000	Nil	Nil	2,400,000	Nil
	<u>7,650,000</u>	<u>Nil</u>	<u>(450,000)</u>	<u>7,200,000</u>	

Notes:

1. During the financial year ended 31 March 2007, 450,000 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.
3. No share option was granted and exercised during the financial year ended 31 March 2007.

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 March 2007, 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
Mr. Chung Yuk Man	35,190,000	Beneficial owner	7.77%

Save as disclosed above, as at 31 March 2007, 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.

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASES

- the largest supplier: Approximately 95.0 per cent.
- five largest suppliers in aggregate: Approximately 98.6 per cent.

SALES

- the largest customer: Approximately 57.3 per cent.
- five largest customers in aggregate: Approximately 89.6 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.

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 Holdings 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.

On behalf of the Board

Hou Hsiao Bing

Chairman

Hong Kong, 14 June 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Revenue	3	63,808	34,068
Cost of sales		(46,913)	(18,393)
Gross profit		16,895	15,675
Other revenue	3	85	78
Selling expenses		(2,851)	(3,298)
Administrative expenses		(10,670)	(13,913)
Operating profit (loss)	4	3,459	(1,458)
Finance costs	5	(389)	(391)
Profit (loss) before taxation		3,070	(1,849)
Income tax expenses	6	(992)	(796)
Profit (loss) for the year		<u>2,078</u>	<u>(2,645)</u>
Attributable to:			
Equity holders of the Company		<u>2,078</u>	<u>(2,645)</u>
Dividend	7	<u>-</u>	<u>-</u>
Basic earnings (loss) per share	8	<u>0.46 cents</u>	<u>(0.58 cents)</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment	<i>11</i>	375	444
Investment securities	<i>12</i>	<u>–</u>	<u>–</u>
		375	444
Current assets			
Inventories	<i>13</i>	9,229	16,532
Accounts receivable	<i>14</i>	33,278	15,264
Other receivable, deposits and prepayments		1,314	5,636
Bank balances and cash	<i>16</i>	1,148	3,799
		44,969	41,231
Current liabilities			
Accounts payable	<i>15</i>	1,715	1,986
Other payables and accruals		2,037	3,003
Receipt in advance		682	3,022
Taxation payable		–	10
Bank overdrafts		2,148	3,356
Short-term bank loans, secured		4,546	–
		11,128	11,377
Net current assets		33,841	29,854
Total assets less current liabilities		34,216	30,298
Non-current liabilities			
Deferred tax liabilities	<i>17</i>	1,035	608
Net assets		33,181	29,690
Share capital	<i>18</i>	45,261	45,261
Reserves	<i>19</i>	(12,080)	(15,571)
Shareholders' funds		33,181	29,690

On behalf of the Board

Hou Hsiao Bing
Director

Hou Hsiao Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

	Equity attributable to equity holders of the Company					
	Share capital	Share premium	Reserve arising from reorganization	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	45,261	1,194	(24,317)	9	9,440	31,587
Exchange differences arising on translation of foreign operations	-	-	-	748	-	748
Loss for the year	-	-	-	-	(2,645)	(2,645)
At 31 March 2006 and At 1 April 2006	45,261	1,194	(24,317)	757	6,795	29,690
Exchange differences arising on translation of foreign operations	-	-	-	1,413	-	1,413
Profit for the year	-	-	-	-	2,078	2,078
At 31 March 2007	<u>45,261</u>	<u>1,194</u>	<u>(24,317)</u>	<u>2,170</u>	<u>8,873</u>	<u>33,181</u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit (loss) before taxation	3,070	(1,849)
Adjustment for:		
Depreciation	193	481
Provision for bad and doubtful debts	–	900
Provision for slow moving and obsolete inventories	–	1,000
Interest income	(85)	(78)
Interest expenses	389	391
	<hr/>	<hr/>
Operating cash flows before movements in working capital	3,567	845
Decrease (increase) in inventories	7,303	(3,203)
(Increase) decrease in accounts receivable	(18,014)	3,870
Decrease in other receivables, deposits and prepayments	4,322	1,204
Decrease in accounts payable	(271)	(2,546)
(Decrease) increase in other payables and accruals	(966)	395
(Decrease) increase in receipt in advance	(2,340)	672
	<hr/>	<hr/>
Cash (used in) generated from operations	(6,399)	1,237
Interest expenses	(389)	(391)
Overseas tax refund	171	
Overseas taxation paid	(760)	(1,011)
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(7,377)	(165)
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Interest received	85	78
Purchase of property, plant and equipment	(110)	(72)
Decrease in pledged bank deposits	–	5,107
	<hr/>	<hr/>
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(25)	5,113
	<hr/>	<hr/>

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
FINANCING ACTIVITIES		
New bank loan drawn down	4,546	2,293
Repayment of amounts borrowed	—	(7,099)
	<hr/>	<hr/>
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	4,546	(4,806)
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,856)	142
CASH AND CASH EQUIVALENTS AT 1 APRIL	443	(447)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,413	748
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH	(1,000)	443
	<hr/> <hr/>	<hr/> <hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by		
Bank balances and cash	1,148	3,799
Bank overdrafts	(2,148)	(3,356)
	<hr/>	<hr/>
	(1,000)	443
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liabilities and its shares are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business is located at Room 1104, SUP Tower, 75 King’s Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the sale of electronic banking systems, other systems and provision of hardware and software technical support services of computer communication systems, technical development of network communication, development and design of system software.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“Listing Rules”).

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 April 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2006 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in both the Group’s and Company’s accounting policies.

In addition, the Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group’s financial statements. Details of new or amended HKFRSs that have been issued but not yet effective were summarized as follows:

Amendment to HKAS 1	“Presentation of Financial Statements” – Capital Disclosures ¹
HKFRS 7	“Financial Instruments: Disclosures” ¹
HKFRS 8	“Operating Segments” ⁷
HK(IFRIC) Interpretation 7	“Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies” ²
HK(IFRIC) Interpretation 8	“Scope of HKFRS 2” ³
HK(IFRIC) Interpretation 9	“Reassessment of Embedded Derivatives” ⁴
HK(IFRIC) Interpretation 10	“Interim Financial Reporting and Impairment” ⁵
HK(IFRIC) Interpretation 11	“Group and Treasury Share Transactions” ⁶
HK(IFRIC) Interpretation 12	“Service Concession Arrangements” ⁸

- ¹ Effective for annual periods beginning on or after 1 January 2007
- ² Effective for annual periods beginning on or after 1 March 2006
- ³ Effective for annual periods beginning on or after 1 May 2006
- ⁴ Effective for annual periods beginning on or after 1 June 2006
- ⁵ Effective for annual periods beginning on or after 1 November 2006
- ⁶ Effective for annual periods beginning on or after 1 March 2007
- ⁷ Effective for annual periods beginning on or after 1 January 2009
- ⁸ Effective for annual periods beginning on or after 1 January 2008

3. 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 recognized during the year are as follows:

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sales of goods	52,521	17,321
Rendering of services	11,287	16,747
	<hr/> 63,808	<hr/> 34,068
Other revenue		
Interest income	85	78
	<hr/> 85	<hr/> 78
Total revenue	<hr/> 63,893	<hr/> 34,146

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

Primary reporting format – business segments

The Group is organized into two main business segments:

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

No geographical analysis is provided as less than 10% of the consolidated revenue and less than 10% of the operating results of the Group are attributable to markets outside the PRC.

	Sales of goods 2007 HK\$'000	Rendering of services 2007 HK\$'000	The Group 2007 HK\$'000
Revenue	<u>52,521</u>	<u>11,287</u>	<u>63,808</u>
Segment results	6,764	5,611	12,375
Other revenue			85
Unallocated costs			<u>(9,001)</u>
Operating profit			3,459
Finance costs			<u>(389)</u>
Profit before taxation			3,070
Income tax expenses			<u>(992)</u>
Profit for the year			<u>2,078</u>
Segment assets	35,171	7,967	43,138
Unallocated assets			<u>2,206</u>
Total assets			<u>45,344</u>
Segment liabilities	1,715	814	2,529
Unallocated liabilities			<u>9,634</u>
			<u>12,163</u>
Capital expenditure	–	21	21
Unallocated capital expenditure			<u>89</u>
			<u>110</u>
Depreciation	–	44	44
Unallocated depreciation			<u>149</u>
			<u>193</u>
Other non-cash expenses			<u>–</u>

	Sales of goods 2006 HK\$'000	Rendering of services 2006 HK\$'000	The Group 2006 HK\$'000
Revenue	<u>17,321</u>	<u>16,747</u>	<u>34,068</u>
Segment results	1,253	6,859	8,112
Other revenue			78
Unallocated costs			<u>(9,648)</u>
Operating loss			(1,458)
Finance costs			<u>(391)</u>
Loss before taxation			(1,849)
Income tax expenses			<u>(796)</u>
Loss attributable to shareholders			<u>(2,645)</u>
Segment assets	23,323	9,507	32,830
Unallocated assets			<u>8,845</u>
Total assets			<u>41,675</u>
Segment liabilities	1,986	2,026	4,012
Unallocated liabilities			<u>7,973</u>
			<u>11,985</u>
Capital expenditure	–	35	35
Unallocated capital expenditure			<u>–</u>
			<u>35</u>
Depreciation	–	94	94
Unallocated depreciation			<u>387</u>
			<u>481</u>
Other non-cash expenses			<u>2,166</u>

4. OPERATING PROFIT (LOSS)

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

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Net foreign exchange gains	129	233
Charging		
Auditors' remuneration:		
– Current year	226	222
– Under provision for previous year	–	94
Cost of inventories	43,248	13,526
Depreciation	193	481
Operating leases for land and building	1,333	1,180
Provision for bad and doubtful debts	–	900
Provision for slow moving and obsolete inventories	–	1,000
Bad debts written off	10	266
Research and development costs	325	439
Staff costs (including directors' emoluments and research and development costs) (<i>Note 9</i>)	<u>8,554</u>	<u>9,298</u>

5. FINANCE COSTS

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	<u>389</u>	<u>391</u>

6. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the year. (2006: Nil).

Income tax expenses on overseas profits have been calculated on the estimated assessable profit for the year at the rates of income tax prevailing in the PRC in which the subsidiaries of the Group operate.

The amount of income tax expenses charged to the consolidated income statement represents:

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	763	741
– Over provision in prior years	(171)	–
Deferred taxation (<i>Note 17</i>)	400	55
	<hr/>	<hr/>
Income tax expenses	992	796
	<hr/> <hr/>	<hr/> <hr/>

Income tax expenses on the Group's profit (loss) differ from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	The Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation	3,070	(1,849)
	<hr/>	<hr/>
Calculated at a rate of income tax of 17.5%	537	(324)
Effect of difference rate of income tax in other countries	(211)	152
Income not subject to taxation	(8)	–
Expenses not deductible for taxation purposes	2	329
Tax losses not recognized	703	876
Over provision in prior years	(171)	–
Others	140	(237)
	<hr/>	<hr/>
	992	796
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2007 and 2006 nor has any dividend been proposed since the balance sheet date.

8. BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share are based on the Group's profit attributable to shareholders of approximately HK\$2,078,000 (2006: loss of HK\$2,645,000) and 452,612,072 (2006: 452,612,072) ordinary shares in issue during the year.

No diluted earnings (loss) per share for the years 31 March 2007 and 2006 is presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Wages and salaries	7,966	8,648
Termination benefits	22	100
Pension costs – defined contribution plans	566	550
	<u>8,554</u>	<u>9,298</u>

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the five (2006: five) directors of the Company during the year were as follows:

2007	Fees <i>HK\$'000</i>	Salaries and other emoluments <i>HK\$'000</i>	Contribution to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors</i>				
Hou Hsiao Bing	–	810	12	822
Hou Hsiao Wen	–	540	12	552
<i>Independent Non-Executive Directors</i>				
Ho Wai Wing, Raymond	–	60	–	60
Lui, Ming Rosita	–	60	–	60
Tam Kam Biu, William	–	60	–	60
	<u>–</u>	<u>1,530</u>	<u>24</u>	<u>1,554</u>
2006	Fees <i>HK\$'000</i>	Salaries and other emoluments <i>HK\$'000</i>	Contribution to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors</i>				
Hou Hsiao Bing	–	1,017	12	1,029
Hou Hsiao Wen	–	916	12	928
<i>Independent Non-Executive Directors</i>				
Ho Wai Wing, Raymond	–	60	–	60
Lui, Ming Rosita	–	60	–	60
Tam Kam Biu, William	–	60	–	60
	<u>–</u>	<u>2,113</u>	<u>24</u>	<u>2,137</u>

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2006: two) directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining three (2006: three) individual during the year are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	<u><u>1,276</u></u>	<u><u>1,485</u></u>

The emoluments fell with the following bands:

	Number of individuals	
	2007	2006
Emoluments bands		
Nil – HK\$1,000,000	<u><u>3</u></u>	<u><u>3</u></u>

During the year ended 31 March 2007, 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 (2006: HK\$Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	The Group			Total
	Leasehold improvements	Office equipment, furniture and fixtures	Motor vehicles	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
At 1 April 2005	856	6,094	340	7,290
Additions	–	72	–	72
Disposals	(777)	(1,335)	–	(2,112)
Exchange adjustment	5	42	–	47
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006 and At 1 April 2006	84	4,873	340	5,297
Additions	–	110	–	110
Disposals	–	(455)	–	(455)
Exchange adjustment	4	72	–	76
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	88	4,600	340	5,028
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 April 2005	825	5,286	340	6,451
Charge for the year	24	457	–	481
Eliminated on disposals	(777)	(1,335)	–	(2,112)
Exchange adjustment	4	29	–	33
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006 and At 1 April 2006	76	4,437	340	4,853
Charge for the year	9	184	–	193
Eliminated on disposals	–	(455)	–	(455)
Exchange adjustment	3	59	–	62
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	88	4,225	340	4,653
	<hr/>	<hr/>	<hr/>	<hr/>
Net book values				
At 31 March 2007	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2006	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. INVESTMENT SECURITIES

	The Group	
	2007	2006
	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>

13. INVENTORIES

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Merchandise for re-sale	7,450	14,577
Spare parts	3,779	3,955
	<u> </u>	<u> </u>
	11,229	18,532
Less: Provision for slow moving and obsolete inventories	(2,000)	(2,000)
	<u> </u>	<u> </u>
	<u>9,229</u>	<u>16,532</u>

14. ACCOUNTS RECEIVABLE

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Accounts receivable	34,978	16,964
Less: Provision for bad and doubtful debt	(1,700)	(1,700)
	<u> </u>	<u> </u>
	<u>33,278</u>	<u>15,264</u>

The majority of the Group's revenue is on credit terms stipulated on the sale agreement between the customers and the Group. At 31 March 2007, the aging analysis of the accounts receivable was as follows:

	The Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 60 days	21,453	6,048
61 – 90 days	786	3,005
Over 90 days	11,039	6,211
	<u>33,278</u>	<u>15,264</u>

The directors consider that the carrying amount of the Group's accounts receivable approximates their fair value.

15. ACCOUNTS PAYABLE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
	Accounts payable	<u>1,715</u>

At 31 March 2007, the aging analysis of the accounts payable was as follows:

	The Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 60 days	1,320	299
61 – 90 days	241	8
Over 90 days	154	1,679
	<u>1,715</u>	<u>1,986</u>

The directors consider that the carrying amount of the Group's accounts payable approximates their fair value.

16. BANK BALANCES AND CASH

Included in the balance was approximately HK\$256,000 (2006: HK\$2,215,000), 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.

17. 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:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
At 1 April	608	539
Exchange adjustment	27	14
Deferred taxation charged to income statement (<i>Note 6</i>)	400	55
	<hr/>	<hr/>
At 31 March	1,035	608
	<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\$4,760,000 (2006: HK\$4,056,000) relating to tax losses of approximately HK\$27,190,000 (2006: HK\$23,175,000) as at 31 March 2007. 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	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	–	115	2,698	2,576	2,698	2,691
Exchange adjustment	–	3	118	71	118	74
Charged (credited) to income statement	–	(118)	(538)	51	(538)	(67)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	–	–	2,278	2,698	2,278	2,698
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

DEFERRED TAX ASSETS

	Provision		Tax losses		Other temporary difference		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	-	-	-	-	2,090	2,152	2,090	2,152
Exchange adjustment	-	-	-	-	91	60	91	60
Charged (credited) to income statement	-	-	-	-	(938)	(122)	(938)	(122)
At 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,243</u>	<u>2,090</u>	<u>1,243</u>	<u>2,090</u>

	2007	2006
	HK\$'000	HK\$'000
Deferred tax assets	1,243	2,090
Deferred tax liabilities	(2,278)	(2,698)
At 31 March	<u>(1,035)</u>	<u>(608)</u>

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

18. SHARE CAPITAL

	Authorized	
	Ordinary shares of HK\$0.1 each	Ordinary shares of HK\$0.1 each
	No. of shares	HK\$'000
At 31 March 2006 and 2007	<u>1,000,000,000</u>	<u>100,000</u>
	Issued and fully paid	
	Ordinary shares of HK\$0.1 each	Ordinary shares of HK\$0.1 each
	No. of shares	HK\$'000
At 31 March 2006 and 2007	<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 450,000 (2006: 5,150,000) options were lapsed upon resignation of the relevant employees of the Group. As at 31 March 2007, options to subscribe for 7,200,000 (2006: 7,650,000) 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.

19. RESERVES

	Share premium <i>HK\$'000</i>	Reserve arising from reorganization <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2005	1,194	(24,317)	9	9,440	(13,674)
Exchange differences arising on translation of foreign operations	–	–	748	–	748
Loss for the year	–	–	–	(2,645)	(2,645)
At 31 March 2006 and At 1 April 2006	1,194	(24,317)	757	6,795	(15,571)
Exchange differences arising on translation of foreign operations	–	–	1,413	–	1,413
Profit for the year	–	–	–	2,078	2,078
At 31 March 2007	<u>1,194</u>	<u>(24,317)</u>	<u>2,170</u>	<u>8,873</u>	<u>(12,080)</u>

Note:

- (i) The reserve arising from reorganization of approximately 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.

20. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDING

At 31 March 2007, the Group had future aggregate minimum lease payments under operating leases as follows:

	The Group	
	2007 HK\$'000	2006 HK\$'000
Not later than one year	474	646
Later than one year and not later than five years	282	275
	<u>756</u>	<u>921</u>

The Company did not have significant lease commitment as at 31 March 2007.

21. CAPITAL COMMITMENTS

The Group and the Company did not have significant capital commitment as at 31 March 2007.

22. RELATED PARTY TRANSACTIONS

During the year, the Group undertook the following material transactions with the Directors and/or related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The transactions during the year are as follows:

(a) Transaction with connected or related parties

	Note	The Group	
		2007 HK\$'000	2006 HK\$'000
Rental paid to Directors	(i)	69	205
Rental paid to the related parties	(ii)	397	306
		<u>466</u>	<u>511</u>

Note:

- (i) 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.
- (ii) The Group leased office premises from Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK\$279,072 (2006: HK\$188,400) for the Group's use for the year ended 31 March 2007. Besides, the Group leased office premises from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of HK\$118,367 (2006: HK\$117,797) for the Group's use. Dynatek is owned by Mr. Hou Hsiao Bing, the Chairman of the Group. Mr. Chung Lok Fai was a former Director of the Company. Ms. Chung Po Chu and Ms. Tsou Lo Nien are the present and previous shareholders of the Company respectively.

(b) Compensation of directors and key management personnel

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Short-term benefits	3,064	4,064
Post-employment benefits	36	72
	<u>3,100</u>	<u>4,136</u>

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 14 June 2007.

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

Hong Kong, 14 June, 2007

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 on the "Latest Company Announcements" page for at least 7 days from the date of its posting.