



SOLUTECK HOLDINGS LIMITED

— 創科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

FIRST QUARTERLY RESULT ANNOUNCEMENT 2008 FOR THE THREE MONTHS ENDED 30 JUNE, 2008

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

QUARTERLY RESULTS HIGHLIGHTS

- The revenue of the Group during the three months ended 30 June, 2008 was approximately HK\$11.1 million, representing a decrease of approximately 40.9 per cent., as compared to the same period last year.
- The net loss attributable to shareholders of the Company during the three months ended 30 June, 2008 was approximately HK\$1.4 million.
- The Board does not recommend the payment of quarterly dividend for the three months ended 30 June, 2008.

The Board (the “Board”) of Directors announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 30 June, 2008.

CHAIRMAN’S STATEMENT

Financial performance

The revenue of the Group during the three months ended 30 June, 2008 was approximately HK\$11.1 million, representing a decrease of approximately 40.9 per cent., as compared to the same period last year. The management believes that the decrease in the revenue of the Group was mainly attributable to the keen competition among different suppliers of automatic teller machine (“ATM”) systems in the People’s Republic of China (the “PRC” or “China”) and the delay in the signing of contracts during the period under review.

The Group recorded a loss attributable to shareholders of approximately HK\$1.4 million in the three months ended 30 June, 2008, compared with the profit attributable to shareholders of approximately HK\$1.0 million for the corresponding period in last year. Loss per share during the three months ended 30 June, 2008 was approximately HK0.31 cents, compared with the earnings per share of approximately HK0.22 cents for the corresponding period in last year.

The Group’s gross profit margin for the three months ended 30 June, 2008 was approximately 26.5 per cent., compared with approximately 22.1 per cent. for the corresponding period in last year.

Business review

The Group continued to specialize in the provision of implementation and upgrading of self-service ATM systems and other systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the PRC during the three months ended 30 June, 2008.

Implementation of self-service ATM systems

During the three months ended 30 June, 2008, implementation of self-service ATM systems remained the Group's core business and accounted for approximately 100.0 per cent. (3 months ended 30 June, 2007: approximately 100.0 per cent.) of the Group's total revenue, including the income derived from the provision of technical consultancy and support services.

The revenue generated from the implementation of self-service ATM systems amounted to approximately HK\$11.1 million, representing a decrease of approximately 40.9 per cent., as compared with the corresponding period in last year. Such a drop was mainly attributable to the keen competition among different suppliers of ATM systems in the PRC and the delay in the signing of contracts during the period under review.

Provision of technical consultancy and support services

The provision of technical consultancy and support services, which were already included in the above-mentioned implementation of self-service ATM systems business, contributed to a stable and recurrent source of income for the Group and accounted for approximately 25.0 per cent. of the total revenue of the Group for the three months ended 30 June, 2008, compared with approximately 11.6 per cent. for the corresponding period in last year. Actual income derived from the provision of technical consultancy and support services increased by approximately 27.6 per cent..

By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Hangzhou, Jinan, Chuanzhou, Guangzhou, Shanghai, Beijing, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Fuzhou, Wuxi, Tianjin, Shenzhen, Yantai, Sanming, Suzhou, Dalian, Jinhua, Hubei, Yingkou, Yancheng, Taizhou, Harbin, Jingzhou, Luoyang, Wuhu, Xiamen, Xuzhou and Bengbu, the Group has ATM service centres to cover a total of 37 strategic cities and locations currently.

In respect of marketing and sales of self-service ATM systems and the provision of system maintenance and enhancement services to financial institutions, the Group maintained its leading position with new contracts clinched with the Bank of Wenzhou, the Commercial Banks, Shanghai Pudong Development Bank, the Bank of Communications, the Rural Credit Cooperatives of China and several branches of the China State Postal Bureau during the period under review.

BUSINESS OUTLOOK

The Group is recognised as a prestigious and experienced professional ATM software, hardware and services company in the ATM sector, and is an authorized value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited and related applications software for commercial banks in China.

The Group will fully commit 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, and persist to put efforts on enhancing closer customer relationships, broadening business relationship and exploring new business opportunities in corporate outsourcing technical service sector.

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.

Hou Hsiao Bing
Chairman
Soluteck Holdings Limited

Hong Kong, 8 August, 2008

RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June, 2008 (the “Period”) together with comparative unaudited consolidated results of the Group for the corresponding period in 2007 as follows:

	<i>Notes</i>	From 1 April, 2008 to 30 June, 2008 (unaudited) <i>HK\$'000</i>	From 1 April, 2007 to 30 June, 2007 (unaudited) <i>HK\$'000</i>
Revenue	2	11,062	18,712
Cost of sales		<u>(8,132)</u>	<u>(14,583)</u>
Gross profit		2,930	4,129
Other revenue	2	210	13
Selling expenses		(531)	(400)
Administrative expenses		<u>(3,532)</u>	<u>(2,558)</u>
Operating (loss)/profit	3	(923)	1,184
Finance costs	4	<u>(39)</u>	<u>(147)</u>
(Loss)/profit before taxation		(962)	1,037
Income tax expenses	5	<u>(445)</u>	<u>(59)</u>
(Loss)/profit attributable to shareholders		<u>(1,407)</u>	<u>978</u>
Basic (loss)/earnings per share	6	<u>HK(0.31 cents)</u>	<u>HK0.22 cents</u>

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS:–

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules.

The unaudited consolidated results have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group's annual financial statements for the year ended 31 March, 2008.

The unaudited consolidated results of the Group for the three months ended 30 June, 2008 are unaudited but have been reviewed by the Company's Audit Committee.

2. REVENUE

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

	From 1 April, 2008 to 30 June, 2008 HK\$'000	From 1 April, 2007 to 30 June, 2007 HK\$'000
Revenue		
Sales of goods	8,294	16,543
Rendering of services	2,768	2,169
	11,062	18,712
Other revenue		
Government subsidies for business development	201	–
Interest income	9	13
	210	13
Total revenue	11,272	18,725

3. OPERATING (LOSS)/PROFIT

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

	From 1 April, 2008 to 30 June, 2008 HK\$'000	From 1 April, 2007 to 30 June, 2007 HK\$'000
Cost of inventories	6,444	13,165
Depreciation	<u>37</u>	<u>41</u>

4. FINANCE COSTS

	From 1 April, 2008 to 30 June, 2008 HK\$'000	From 1 April, 2007 to 30 June, 2007 HK\$'000
Interest on bank loans and overdrafts	<u>39</u>	<u>147</u>

5. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the three months ended 30 June, 2008 (three months ended 30 June, 2007: Nil).

Income tax expenses on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation 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:–

	From 1 April, 2008 to 30 June, 2008 HK\$'000	From 1 April, 2007 to 30 June, 2007 HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	445	59
Deferred taxation	<u>–</u>	<u>–</u>
Income tax expenses	<u>445</u>	<u>59</u>

6. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the three months ended 30 June, 2008 is based on the Group's loss attributable to shareholders of approximately HK\$1,407,000 (three months ended 30 June, 2007: profit of approximately HK\$978,000) and the 453,162,072 (three months ended 30 June, 2007: 452,612,072) ordinary shares in issue during the period.

No diluted (loss)/earnings per share for the three months ended 30 June, 2008 and 2007 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 30 June, 2008, the Group had cash and bank balances amounting to a total of approximately HK\$4.3 million (31 March, 2008: HK\$1.8 million) and outstanding bank overdraft of approximately HK\$2.2 million (31 March, 2008: HK\$2.4 million), which represented the total borrowings of the Group as at the date. The bank overdraft was at 0.75% per annum over Hong Kong Dollar prime rate.

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.

QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the period from 1 April, 2008 to 30 June, 2008 (three months ended 30 June, 2007: Nil).

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, 2007	1,194	(24,317)	2,170	8,873	(12,080)
Exchange difference	–	–	581	–	581
Profit for the period	–	–	–	978	978
At 30 June, 2007	<u>1,194</u>	<u>(24,317)</u>	<u>2,751</u>	<u>9,851</u>	<u>(10,521)</u>
At 1 April, 2008	1,249	(24,317)	5,736	11,164	(6,168)
Exchange difference	–	–	1,076	–	1,076
Loss for the period	–	–	–	(1,407)	(1,407)
At 30 June, 2008	<u>1,249</u>	<u>(24,317)</u>	<u>6,812</u>	<u>9,757</u>	<u>(6,499)</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.

DIRECTORS' INTEREST IN CONTRACTS

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

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

As at 30 June, 2008, 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 of Directors	Name of company	Capacity	Number and class of securities (Note)	Percentage shareholding in the same class of securities
Mr. Hou Hsiao Bing (Executive Director)	The Company	Beneficial owner	131,150,000 ordinary shares (L) (Note 1 and 2)	28.94%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 3)	0.44%
Mr. Hou Hsiao Wen (Executive Director)	The Company	Beneficial owner	33,160,000 ordinary shares (L) (Note 1)	7.32%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 3)	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 28.94 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	Name of 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 30.6.2008	Closing price per Share immediately before the date of grant (HK\$) (Note)
	Outstanding at 1.4.2008	Granted during the period	Exercised during the period		
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>6,400,000</u>	<u>Nil</u>	<u>Nil</u>	<u>6,400,000</u>	

Note: 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.

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 30 June, 2008, 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 of Shareholders	Number of ordinary Shares	Capacity	Approximate percentage of interest
Ms. Tsou Lo Nien	35,190,000	Beneficial owner	7.77%
Mr. Chung Lok Fai	35,190,000	Interest of spouse (Note)	7.77%

Note: Mr. Chung Lok Fai is the spouse of Ms. Tsou Lo Nien. Accordingly, Mr. Chung Lok Fai is deemed, by virtue of Part XV of the SFO, to be interested in all the Shares in which Ms. Tsou Lo Nien is interested.

Save as disclosed above, as at 30 June, 2008, 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 advice 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Tam Kam Biu, William, an Independent Non-Executive Director of the Company, is an Executive Director of Bio Cassava Technology Holdings Ltd (formerly known as Q9 Technology Holdings Limited). As Bio Cassava Technology Holdings Ltd is also a Company which is engaged in business related to research and development of information technology, Bio Cassava Technology Holdings Ltd 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 three months ended 30 June, 2008. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the three months ended 30 June, 2008.

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.

On behalf of the Board
Hou Hsiao Bing
Chairman

Hong Kong, 8 August, 2008

As of the date hereof, the Executive Directors are Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen; and 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.

* *For identification purposes only*