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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 (“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)

2009 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

* *For identification purpose only*

HIGHLIGHTS

- The net loss of the Group during the six months ended 30 September, 2009 was approximately HK\$10.0 million, as compared with the net loss of approximately HK\$3.3 million for the same period in last year.
- Loss per Share during the six months ended 30 September, 2009 was approximately HK2.01 cents.
- The revenue of the Group during the six months ended 30 September, 2009 was approximately HK\$12.6 million, representing a decrease of approximately 45.0 per cent. as compared with the corresponding period in 2008.

INTERIM RESULTS (UNAUDITED)

The board (“Board”) of Directors announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September, 2009 (the “period”) as follows:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		From 1 July, 2009 to 30 September, 2009 <i>HK\$'000</i>	From 1 April, 2009 to 30 September, 2009 <i>HK\$'000</i>	From 1 July, 2008 to 30 September, 2008 <i>HK\$'000</i>	From 1 April, 2008 to 30 September, 2008 <i>HK\$'000</i>
Revenue	2	5,307	12,568	11,807	22,869
Cost of sales		<u>(3,028)</u>	<u>(9,087)</u>	<u>(9,249)</u>	<u>(17,381)</u>
Gross profit		2,279	3,481	2,558	5,488
Other revenue	2	1	118	195	405
Selling expenses		(560)	(965)	(742)	(1,273)
Administrative expenses		<u>(9,110)</u>	<u>(12,677)</u>	<u>(3,706)</u>	<u>(7,238)</u>
Loss from Operations	4	(7,390)	(10,043)	(1,695)	(2,618)
Finance costs	5	<u>–</u>	<u>–</u>	<u>(31)</u>	<u>(70)</u>
Loss before taxation		(7,390)	(10,043)	(1,726)	(2,688)
Income tax expenses	3	<u>–</u>	<u>–</u>	<u>(117)</u>	<u>(562)</u>
Loss for the period		(7,390)	(10,043)	(1,843)	(3,250)
Other comprehensive income for the period					
Exchange gain on translation of financial statements of foreign operations		<u>15</u>	<u>14</u>	<u>105</u>	<u>1,181</u>
Total comprehensive income for the period		<u><u>(7,375)</u></u>	<u><u>(10,029)</u></u>	<u><u>(1,738)</u></u>	<u><u>(2,069)</u></u>
		<i>HKcent</i>	<i>HKcent</i>	<i>HKcent</i>	<i>HKcent</i>
Loss per share for loss attributable to the owners of the Company during the period					
– Basic	6	<u><u>(1.36)</u></u>	<u><u>(2.01)</u></u>	<u><u>(0.41)</u></u>	<u><u>(0.72)</u></u>
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 30 September, 2009 (unaudited) <i>HK\$'000</i>	As at 31 March, 2009 (audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	7	207	242
Available-for-sale financial assets		<u>—</u>	<u>—</u>
		207	242
Current assets			
Inventories	8	13,984	12,652
Accounts receivables	9	15,558	21,524
Other receivables, deposits and prepayments	11	18,095	3,242
Bank balances and cash	10	<u>22,601</u>	<u>5,642</u>
		70,238	43,060
Current liabilities			
Accounts payables	12	350	844
Other payables and accruals		2,360	3,182
Receipt in advance		<u>545</u>	<u>1,028</u>
		3,255	5,054
Net current assets		<u>66,983</u>	<u>38,006</u>
Total assets less current liabilities		<u>67,190</u>	<u>38,248</u>
Non-current liabilities			
Deferred tax liabilities		<u>1,487</u>	<u>1,487</u>
Net assets		<u>65,703</u>	<u>36,761</u>
Capital and reserves			
Share capital	13	54,379	45,316
Reserves		<u>11,324</u>	<u>(8,555)</u>
Shareholders' funds		<u>65,703</u>	<u>36,761</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Equity attributable to equity holders of the Company					Total HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Reserve arising from reorganisation* HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	
At 1 April, 2008	45,316	1,249	(24,317)	5,736	11,164	39,148
Exchange differences arising on translation of foreign operations	-	-	-	1,181	-	1,181
Loss for the period	-	-	-	-	(3,250)	(3,250)
	<u>45,316</u>	<u>1,249</u>	<u>(24,317)</u>	<u>6,917</u>	<u>7,914</u>	<u>37,079</u>
At 30 September, 2008	<u>45,316</u>	<u>1,249</u>	<u>(24,317)</u>	<u>6,917</u>	<u>7,914</u>	<u>37,079</u>
At 1 April, 2009	45,316	1,249	(24,317)	6,525	7,988	36,761
Issue of new shares	9,063	29,908	-	-	-	38,971
Exchange differences arising on translation of foreign operations	-	-	-	14	-	14
Loss for the period	-	-	-	-	(10,043)	(10,043)
	<u>54,379</u>	<u>31,157</u>	<u>(24,317)</u>	<u>6,539</u>	<u>(2,055)</u>	<u>65,703</u>
At 30 September, 2009	<u>54,379</u>	<u>31,157</u>	<u>(24,317)</u>	<u>6,539</u>	<u>(2,055)</u>	<u>65,703</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.*

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

		Six months ended 30 September,	
	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Loss before taxation		(10,043)	(2,688)
Adjustment for:			
Depreciation	4	35	68
Interest income	2	(5)	(17)
Interest expenses	5	—	70
Operating cash flows before movements in working capital		(10,013)	(2,567)
Increase in inventories		(1,332)	(2,770)
Decrease in accounts receivable		5,966	4,445
(Increase)/Decrease in other receivables, deposits and prepayments		(14,853)	3,058
(Decrease)/Increase in accounts payable		(494)	1,011
(Decrease)/Increase in other payables and accruals		(822)	290
Decrease in receipt in advance		(483)	(311)
Cash (used in)/generated from operations		(22,031)	3,156
Interest expenses	5	—	(70)
Overseas taxation paid		—	(541)
Net cash (used in)/generated from operating activities		(22,031)	2,545
INVESTING ACTIVITIES			
Interest received	2	5	17
Purchase of property, plant and equipment	7	—	(22)
Net cash generated from/(used in) investing activities		5	(5)
FINANCING ACTIVITIES			
Proceeds from issue of new shares		38,971	—
Net cash generated from financing activities		38,971	—
Net increase in cash and cash equivalents		16,945	2,540
Cash and cash equivalents at the beginning of the period		5,642	(588)
Effect of foreign exchange rate changes		14	1,181
Cash and cash equivalents at the end of the period		<u>22,601</u>	<u>3,133</u>
Cash and cash equivalents at the end of the period, represented by			
Bank balances and cash		22,601	5,630
Bank overdrafts		—	(2,497)
		<u>22,601</u>	<u>3,133</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

1. BASIS OF PREPARATION

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value. The unaudited consolidated results are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The principal accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March, 2009.

In the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January, 2009. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective, in the unaudited consolidated results. The directors of the Company anticipate that the application of these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

The unaudited consolidated results have been reviewed by the audit committee of the Company.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the sales of self-service automatic teller machine (“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 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000
Revenue				
Sale of goods	3,310	9,022	8,345	16,639
Rendering of services	1,997	3,546	3,462	6,230
	<u>5,307</u>	<u>12,568</u>	<u>11,807</u>	<u>22,869</u>
Other revenue				
Government subsidies for business development	–	113	187	388
Interest income	1	5	8	17
	<u>1</u>	<u>118</u>	<u>195</u>	<u>405</u>
Total revenue	<u><u>5,308</u></u>	<u><u>12,686</u></u>	<u><u>12,002</u></u>	<u><u>23,274</u></u>

Segment reporting

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) in order to allocate resources to the segment and to assess their performance. In contrast, the predecessor standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in the redesignation of the Group’s reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and property, plant and equipment (Note 7).

Information regarding the Group's reportable segments as provided to the Group's Executive Directors is set out below:

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

	Sales of goods From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	Rendering of services From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	Group From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000
Revenue	<u>9,022</u>	<u>3,546</u>	<u>12,568</u>
Segment results	1,008	(981)	27
Other revenue			118
Unallocated costs			<u>(10,188)</u>
Operating loss			(10,043)
Finance costs			<u>–</u>
Loss before taxation			(10,043)
Income tax expenses			<u>–</u>
Loss attributable to shareholders			<u>(10,043)</u>
Segment assets	14,863	17,728	32,591
Unallocated assets			<u>37,854</u>
Total assets			<u>70,445</u>
Segment liabilities	349	2,241	2,590
Unallocated liabilities			<u>2,152</u>
Total liabilities			<u>4,742</u>
Capital expenditure	–	–	–
Unallocated capital expenditure			<u>–</u>
			<u>–</u>
Depreciation	–	9	9
Unallocated depreciation			<u>26</u>
			<u>35</u>
Other non-cash expenses			<u>–</u>

	Sales of goods From 1 April, 2008 to 30 September, 2008 (unaudited) <i>HK\$'000</i>	Rendering of services From 1 April, 2008 to 30 September, 2008 (unaudited) <i>HK\$'000</i>	Group From 1 April, 2008 to 30 September, 2008 (unaudited) <i>HK\$'000</i>
Revenue	<u>16,639</u>	<u>6,230</u>	<u>22,869</u>
Segment results	226	1,366	1,592
Other revenue			405
Unallocated costs			<u>(4,615)</u>
Operating loss			(2,618)
Finance costs			<u>(70)</u>
Loss before taxation			(2,688)
Income tax expenses			<u>(562)</u>
Loss attributable to shareholders			<u><u>(3,250)</u></u>
Segment assets	24,597	14,720	39,317
Unallocated assets			<u>6,642</u>
Total assets			<u><u>45,959</u></u>
Segment liabilities	1,896	1,149	3,045
Unallocated liabilities			<u>5,835</u>
Total liabilities			<u><u>8,880</u></u>
Capital expenditure	–	–	–
Unallocated capital expenditure			<u>22</u>
			<u><u>22</u></u>
Depreciation	–	18	18
Unallocated depreciation			<u>50</u>
			<u><u>68</u></u>
Other non-cash expenses			<u><u>–</u></u>

3. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the six months ended 30 September, 2009 (six months ended 30 September, 2008: Nil).

Income tax expenses on overseas profits has been calculated on the estimated assessable profit at the rates of income tax prevailing in the People's Republic of China (the "PRC" or "China") in which the subsidiaries of the Group operate.

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

	From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000
Current taxation:				
– Hong Kong profits tax	–	–	–	–
– Overseas taxation	–	–	117	562
Deferred taxation	–	–	–	–
	<u>–</u>	<u>–</u>	<u>117</u>	<u>562</u>
Income tax expenses	<u>–</u>	<u>–</u>	<u>117</u>	<u>562</u>

4. LOSS FROM OPERATIONS

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

	From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000
Cost of inventories sold	2,242	6,824	6,764	13,208
Depreciation	<u>16</u>	<u>35</u>	<u>31</u>	<u>68</u>

5. FINANCE COSTS

	From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000
Interest on bank loans and overdrafts	<u>–</u>	<u>–</u>	<u>31</u>	<u>70</u>

6. BASIC LOSS PER SHARE

The calculation of the basic loss per Share for the three months and six months ended 30 September, 2009 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$7,390,000 and HK\$10,043,000 respectively (three months and six months ended 30 September, 2008: loss of HK\$1,843,000 and HK\$3,250,000 respectively), and the weighted average number of 543,792,072 and 498,477,072 ordinary shares (three months and six months ended 30 September, 2008: 453,162,072 and 453,162,072 Shares) in issue throughout the relevant accounting periods, respectively.

No diluted loss per share for the six months ended 30 September, 2009 and 2008 are presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had not acquired any property, plant and equipment (six months ended 30 September, 2008: HK\$22,000).

8. INVENTORIES

	As at 30 September, 2009 (unaudited) <i>HK\$'000</i>	As at 31 March, 2009 (audited) <i>HK\$'000</i>
Merchandise for re-sale	10,162	8,932
Spare parts	5,822	5,720
	<u>15,984</u>	<u>14,652</u>
Less: Provision for slow moving and obsolete inventories	<u>(2,000)</u>	<u>(2,000)</u>
	<u><u>13,984</u></u>	<u><u>12,652</u></u>

9. ACCOUNTS RECEIVABLE

	As at 30 September, 2009 (unaudited) <i>HK\$'000</i>	As at 31 March, 2009 (audited) <i>HK\$'000</i>
Accounts receivable	17,326	23,292
Less: Allowance for doubtful debts	<u>(1,768)</u>	<u>(1,768)</u>
	<u><u>15,558</u></u>	<u><u>21,524</u></u>

The majority of the Group's revenue is on credit terms stipulated on the sale agreement between the customers and the Group. At 30 September, 2009, the ageing analysis of the accounts receivable was as follows:

	As at 30 September, 2009 (unaudited) HK\$'000	As at 31 March, 2009 (audited) HK\$'000
Current to 60 days	3,972	9,037
61 – 90 days	176	1,096
Over 90 days	<u>13,178</u>	<u>13,159</u>
	17,326	23,292
Less: Allowance for doubtful debts	<u>(1,768)</u>	<u>(1,768)</u>
	<u>15,558</u>	<u>21,524</u>

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

10. BANK BALANCES AND CASH

Included in the balance was approximately HK\$3,242,000 (31 March, 2009: HK\$3,102,000), representing Renminbi deposits 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.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments include a refundable deposit of approximately US\$2,000,000 in relation to the Memorandum of Understanding dated 22 June, 2009 (particulars of the Memorandum of Understanding are set out in the relevant section of this report).

12. ACCOUNTS PAYABLE

	As at 30 September, 2009 (unaudited) HK\$'000	As at 31 March, 2009 (audited) HK\$'000
Accounts payable	<u>350</u>	<u>844</u>

As at 30 September, 2009, the ageing analysis of the accounts payable was as follows:–

	As at 30 September, 2009 (unaudited) HK\$'000	As at 31 March, 2009 (audited) HK\$'000
Current to 60 days	73	732
61 – 90 days	–	–
Over 90 days	<u>277</u>	<u>112</u>
	<u>350</u>	<u>844</u>

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

13. SHARE CAPITAL

	Authorized Ordinary shares of HK\$0.1 each No. of shares	HK\$'000
At 31 March, 2009 and 30 September, 2009	<u>1,000,000,000</u>	<u>100,000</u>
	Issued and fully paid Ordinary shares of HK\$0.1 each (unaudited) No. of shares	HK\$'000
At 1 April, 2009	453,162,072	45,316
New Shares issued on 7 July, 2009	<u>90,630,000</u>	<u>9,063</u>
At 30 September, 2009	<u>543,792,072</u>	<u>54,379</u>

14. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDING

At 30 September, 2009, the Group had future aggregate minimum lease payments under operating leases as follows:

	As at 30 September, 2009 (unaudited) HK\$'000	As at 31 March, 2009 (audited) HK\$'000
Not later than one year	1,005	801
Later than one year and not later than five years	<u>869</u>	<u>71</u>
	<u>1,874</u>	<u>872</u>

15. RELATED PARTY TRANSACTIONS

- (A) During the six months ended 30 September, 2009, the Group undertook the following material transactions with the Directors and related parties (some of which are also deemed to be connected persons pursuant to the Listing Rules) during the course of its business at terms of underlying agreements:–

		From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000
	<i>Notes</i>				
Rental paid to Directors	(a)	20	40	20	40
Rental paid to related parties	(b)	<u>104</u>	<u>208</u>	<u>104</u>	<u>208</u>

notes:

- (a) 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 of the Company resigned on 10 January, 2005) in Beijing of the PRC for the Group's use at a half-year rental of HK\$39,832 (six months ended 30 September, 2008: HK\$39,764).
- (b) The Group leased office premises from Dynatek Limited ("Dynatek") in Hong Kong for the six months ended 30 September, 2009 at a half-year rental of HK\$139,536 (six months ended 30 September, 2008 : HK\$139,536) for the Group's use. Besides, the Group leased office premises from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, for the six months ended 30 September, 2009 at a half year rental of HK\$68,089 (six months ended 30 September, 2008: HK\$67,973) for the Group's use. Dynatek is owned by Mr. Hou Hsiao Bing, the Chairman and a shareholder of the Group. Mr. Chung Lok Fai was a former Director of the Company. Ms. Tsou Lo Nien and Ms. Chung Po Chu are the present and previous shareholders of the Company respectively.

(B) Compensation of Directors and Key Management Personnel

	From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000
Short-term benefits	842	1,683	788	1,576
Post-employment benefits	<u>9</u>	<u>18</u>	<u>9</u>	<u>18</u>
	<u>851</u>	<u>1,701</u>	<u>797</u>	<u>1,594</u>

16. CAPITAL COMMITMENTS

The Group and the Company did not have significant capital commitments as at 30 September, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 announce the results of the Group for the six months ended 30 September, 2009.

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 six months ended 30 September, 2009.

The revenue of the Group during the six months ended 30 September, 2009 was approximately HK\$12.6 million, representing a decrease of approximately 45.0 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 ATM systems in the PRC during the period under review.

The Group recorded a loss attributable to shareholders of approximately HK\$10.0 million in the six months ended 30 September, 2009, compared with the loss attributable to shareholders of approximately HK\$3.3 million for the corresponding period in last year. Loss per share during the six months ended 30 September, 2009 was approximately HK2.01 cents, compared with the loss per share of approximately HK0.72 cents for the corresponding period in last year.

Implementation of self-service ATM systems

During the six months ended 30 September, 2009, implementation of self-service ATM systems remained the Group's core business and accounted for approximately 100.0 per cent. (six months ended 30 September, 2008: 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\$12.6 million, representing a decrease of approximately 45.0 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 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 28.2 per cent. of the total revenue of the Group for the six months ended 30 September, 2009, compared with approximately 27.2 per cent. for the corresponding period in last year. Actual income derived from the provision of technical consultancy and support services decreased by approximately 43.1 per cent..

By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Taiyuan, Jinan, Shanghai, Beijing, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Yiwu, Chongqing, Jiaozuo, Urumqi, Wuxi, Tianjin, Yantai, Suzhou, Dalian, Jinhua, Hubei, Yingkou, Yancheng, Taizhou, Harbin, Jingzhou, Datong, Xuzhou and Huaian, the Group has ATM service centres to cover a total of 33 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.

Gross profit

The Group's gross profit margin for the six months ended 30 September, 2009 was approximately 27.7 per cent., compared with approximately 24.0 per cent. for the corresponding period in last year.

Selling expenses

Selling expenses incurred by the Group for the six months ended 30 September, 2009 amounted to approximately HK\$1.0 million (six months ended 30 September, 2008: approximately HK\$1.3 million), representing a decrease of approximately 24.2 per cent..

Administrative expenses

Administrative expenses incurred by the Group for the six months ended 30 September, 2009 amounted to approximately HK\$12.7 million (six months ended 30 September, 2008: approximately HK\$7.2 million), representing an increase of approximately 75.1 per cent. mainly because the Group had incurred professional fees of approximately HK\$5.3 million for the valuation and due diligence procedures in relation to the Memorandum of Understanding dated 22 June, 2009 and the Placing and Subscription Agreement dated 23 June, 2009 (particulars of the Memorandum of Understanding and the Placing and Subscription Agreement are set out in the relevant sections of this report).

Finance costs

For the six months ended 30 September, 2009, the Group had not incurred any finance costs (six months ended 30 September, 2008: approximately HK\$70,000) due to the decrease in the use of banking facilities.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow. As at 30 September, 2009, the Group had cash and bank balances amounting to a total of approximately HK\$22.6 million (31 March, 2009: HK\$5.6 million). The Group has no outstanding bank overdraft as at 30 September, 2009 (31 March, 2009: HK\$Nil). The bank overdraft was at 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.

Current ratio

As at 30 September, 2009, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 21.6 (31 March, 2009: approximately 8.5).

Gearing ratio

As at 30 September, 2009, the gearing ratio of the Group, based on total liabilities over total assets was approximately 6.7 per cent. (31 March, 2009: approximately 15.1 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 30 September, 2009, the Group's banking facilities of HK\$10,000,000 (31 March, 2009: HK\$23,500,000) are secured and supported by corporate guarantees granted by the Company and several subsidiaries of the Group of HK\$26,100,000 (31 March, 2009: HK\$26,100,000) and leasehold properties held by a related party.

As at 30 September, 2009, the Group had not utilised any banking facilities (31 March, 2009: approximately HK\$Nil).

Charges on assets

As at 30 September, 2009, there was no significant charges on assets of the Group.

Contingent liabilities

As at 30 September, 2009, 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 period.

Employees

As at 30 September, 2009, the Group employed 134 and 11 staff in the PRC and Hong Kong, respectively. 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. Staff cost, including directors' emoluments, was approximately HK\$5.4 million for the six months ended 30 September, 2009 (six months ended 30 September, 2008: approximately HK\$5.1 million).

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 was no significant investments and material acquisitions and disposals of subsidiaries 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 (Beijing) Financial Equipment System Co., Ltd ("NCR") and related applications hardware and 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period from 1 April, 2009 to 30 September, 2009 (six months ended 30 September, 2008: Nil).

MEMORANDUM OF UNDERSTANDING, PLACING AND SUBSCRIPTION AGREEMENT, ADVANCE TO ENTITY (PAYMENT OF DEPOSIT), SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING AND SECOND SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING

The following disclosure is made pursuant to Rule 17.10 of the Rules Governing the Listing of the Securities on the Growth Enterprise Market (the “**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited.

The Possible Acquisition

After trading hours on 22 June, 2009, the Company has entered into a non-legally binding memorandum of understanding (the “**MOU**”) with (i) Max Success Group Limited, a company incorporated in the British Virgin Islands, (ii) Rus Energy Investment Group Ltd., a company incorporated in Hong Kong, and (iii) Mr. Yun Qin, a PRC national (together, the “**Vendors**”), pursuant to which the Company wishes to acquire, and the Vendors wish to sell, all of the equity interests in China-Rus Energy Investment Limited (the “**Target Company**”), a company incorporated in the British Virgin Islands (the “**Possible Acquisition**”). The Target Company is in the process of negotiating an acquisition of a majority stake in a company which is engaged in the exploration of natural gas business in Russia (the “**Subsidiary**”), and such acquisition may or may not be completed.

The MOU shall remain effective between the Company and the Vendors in relation to the Possible Acquisition until (i) the date ending three months after the date of the MOU, or (ii) the execution of a formal sale and purchase agreement (the “**Formal Agreement**”) between the Company and the Vendors in relation to the Possible Acquisition, whichever is earlier.

Major Terms of the MOU

Pursuant to the MOU, it is proposed that the consideration for the Possible Acquisition shall not exceed US\$90,000,000 (the “**Indicative Consideration**”) which shall be satisfied in the following manner:

- (i) the payment of US\$25,000,000 in cash;
- (ii) the issue of certain new shares at the issuance price of HK\$0.80 each, equivalent to an amount of US\$20,000,000; and
- (iii) the issue of certain convertible notes with the conversion price of HK\$0.80 each, equivalent to an amount of US\$45,000,000.

The Indicative Consideration is agreed upon on the basis that:

- (i) upon receipt of the Deposit, the Vendors shall provide a shareholder loan (the “**First Shareholder Loan**”) in the amount equivalent to US\$1,000,000 to the Target Company; and
- (ii) upon receipt of the Final Consideration (as defined below), the Vendors shall provide a shareholder loan (the “**Second Shareholder Loan**”, and together with the First Shareholder Loan, the “**Shareholder Loans**”) in the amount equivalent to US\$15,500,000 to the Target Company, solely for the purposes of the completion of the Possible Acquisition.

The Shareholder Loans shall be assigned to the Company upon completion of the Possible Acquisition.

The Indicative Consideration is purely indicative and for reference only. Pursuant to the MOU, the final consideration for the Possible Acquisition (the “**Final Consideration**”) shall be agreed upon between the Company and the Vendors based on the valuation price (the “**Valuation Price**”) as determined by an independent third party asset valuation firm (on the basis that the Target Company has completed the acquisition of the majority stake in the Subsidiary and fully paid the related consideration in respect thereof) and further negotiations between the Company and the Vendors. If the amount of the Valuation Price is less than the amount of the Indicative Consideration, the Valuation Price shall be the Final Consideration in the Formal Agreement.

After the signing of the MOU, the Company shall pay to the Vendors a refundable deposit of US\$2,000,000 (the “**Deposit**”) subject to the condition that the Company shall have successfully raised financing, through a placement of shares, of an amount exceeding US\$2,000,000. The Deposit shall be applied towards the Final Consideration, if the Possible Acquisition materializes.

The completion of the Possible Acquisition shall be subject to certain conditions precedent, including but not limited to:

- (i) The Company being reasonably satisfied with the results of the due diligence on the Target Company and the Subsidiary;
- (ii) The Company being reasonably satisfied with the British Virgin Islands legal opinion in respect of the Target Company and the Russian legal opinion in respect of the Subsidiary;
- (iii) Fulfillment of all the conditions precedent of the Target Formal Agreement; and
- (iv) Approvals by the Board, the shareholders of the Company and the Hong Kong Stock Exchange in respect of the Formal Agreement and the Proposed Acquisition.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are independent of and not connected with the Company or its subsidiaries, or any of the connected persons of the Company and their respective associates (as defined in the GEM Listing Rules).

Reasons for the Possible Acquisition

The Company has been exploring potential business opportunities with a view to enhancing its earning potential through diversification of business risks. The Company viewed the Possible Acquisition as a good opportunity to venture into a new business and broaden its revenue base, and on that basis, it decided to enter into the MOU. In the meantime, the Company will continue to explore further business opportunities to diversify into other industries with good business potential and growth prospects.

Placing and Subscription Agreement

On 23 June, 2009, the Company has entered into a Placing and Subscription Agreement with the Placing Agent, China Merchants Securities (HK) Co., Limited, and the Subscriber, Mr. Hou Hsiao Bing, being the Director and shareholder of the Company. Pursuant to the Placing and Subscription Agreement and the Supplemental Agreement dated 25 June, 2009, the Subscriber agreed to place, through the Placing Agent, 90,630,000 Shares (the "Placing Shares"), on a best efforts basis, to not fewer than six Placees who and whose ultimate beneficial owners will be third parties independent of and not acting in concert with the Subscriber or his concert parties, and will not be connected persons (as defined in the GEM Listing Rules) of the Company and its connected persons (as defined in the GEM Listing Rules), at a price of HK\$0.43 per Placing Share. Pursuant to the Placing and Subscription Agreement, the Subscriber conditionally agreed to subscribe for an aggregate of 90,630,000 Subscription Shares (the "Subscription Shares") at a price of HK\$0.43 per Subscription Share.

The Placing Price (or the Subscription Price) of HK\$0.43 represents:

- (i) a discount of approximately 15.69% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on 22 June, 2009, being the last full trading day for the Shares immediately prior to the date of the Placing and Subscription Agreement;
- (ii) a discount of approximately 15.35% to the average closing price of HK\$0.508 per Share as quoted on the Stock Exchange from 16 June, 2009 to 22 June, 2009, both dates inclusive, being the last five trading days immediately prior to the date of the Placing and Subscription Agreement; and
- (iii) a discount of approximately 14.68% to the average closing price of HK\$0.504 per Share as quoted on the Stock Exchange from 9 June, 2009 to 22 June, 2009, both dates inclusive, being the last ten trading days immediately prior to the date of the Placing and Subscription Agreement.

The Placing Shares (or the Subscription Shares) represent (i) approximately 20.0% of the then issued share capital of the Company of 453,162,072 Shares as at 25 June, 2009 and (ii) approximately 16.67% of the issued share capital of the Company of 543,792,072 Shares as enlarged by the Subscription.

The Subscription is conditional upon, among other things, (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; (ii) completion of the Placing; and (iii) the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the "SFC") (the "Executive") granting a waiver to the Subscriber and parties acting in concert with him from their obligation, as a result of completion of the Subscription, to make a general offer for all of the issued Shares other than those already owned by them under Note 6 to dispensation from Rule 26 of the Hong Kong Code on Takeovers and Mergers.

The Subscriber and parties acting in concert with him together hold 199,500,000 Shares representing approximately 44.02% of the issued share capital of the Company as at 25 June, 2009. Upon completion of the Placing (but before completion of the Subscription), the aggregate shareholding of the Subscriber and parties acting in concert with him in the Company will be reduced to approximately 24.02% of the issued share capital of the Company. Upon completion of the Subscription, the aggregate shareholding of the Subscriber and parties acting in concert with him in the Company will be restored to approximately 36.69% of the enlarged issued share capital of the Company. An application has been made by the Subscriber to the Executive for a waiver from the obligation to make a general offer to the shareholders of the Company under Rule 26 of the Hong Kong Codes on Takeovers and Mergers.

Reasons for the Placing and Subscription

The gross proceeds from the Subscription would be approximately HK\$39 million. Out of the net proceeds of approximately HK\$37 million from the Subscription, the HK\$ equivalent of US\$2,000,000 is intended to be used to finance the payment of the Deposit by the Company. The balance of the net proceeds is intended to be used to finance either part of the Possible Acquisition or other future business opportunities.

The Directors had considered various ways of raising funds and consider that the Placing and Subscription represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Placing and Subscription are in the interests of the Company and the Shareholders as a whole.

Advance to Entity – Payment of Deposit

Pursuant to the MOU, the Deposit shall be paid by the Company to the Vendors subject to the condition that the Company shall have successfully raised financing, through a placement of shares, of an amount exceeding US\$2,000,000. Completion of the Placing and Subscription pursuant to the Placing and Subscription Agreement dated 23 June, 2009 took place on 26 June, 2009 and 7 July, 2009, respectively. The gross proceeds from the Subscription were approximately HK\$39,000,000.

As at 10 July, 2009 the Company has paid the Deposit to the Vendors. The Deposit exceeds 8% under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules) and constitutes an advance to an entity pursuant to Rule 17.15 of the GEM Listing Rules. As at 31 March, 2009, the total assets of the Company were HK\$43,302,000.

Supplemental MOU

The Board wishes to announce that after trading hours on 25 September, 2009, the Company and the Vendors entered into the Supplemental MOU, effective as of 22 September, 2009, pursuant to which certain dates contained therein were extended as follows:

- (i) the target date for entering into a legally-binding Formal Agreement from the date ending forty five days after execution of the MOU to 23 October, 2009;
- (ii) the expiry date of the exclusivity from the earlier of (a) the actual date for entering into a legally-binding Formal Agreement or (b) the date ending three months after execution of the MOU, to the earlier of (a) the actual date for entering into a legally-binding Formal Agreement or (b) 23 October, 2009; and
- (iii) the termination date of the MOU from the earlier of (a) the actual date for entering into a legally-binding Formal Agreement or (b) the date ending three months after execution of the MOU, to the earlier of (a) the actual date for entering into a legally-binding Formal Agreement or (b) 23 October, 2009. Save as the foregoing, no other amendments were made to the MOU.

Second Supplemental MOU

The Board wishes to announce that after trading hours on 23 October, 2009, the Company and the Vendors entered into the Second Supplemental MOU, effective as of 23 October, 2009, pursuant to which certain dates as provided in the MOU were further extended as follows:

- (i) the target date for entering into a legally-binding Formal Agreement from 23 October, 2009 to 23 November, 2009;
- (ii) the expiry date of the exclusivity from the earlier of (a) the actual date for entering into a legally-binding Formal Agreement or (b) 23 October, 2009, to the earlier of (a) the actual date for entering into a legally-binding Formal Agreement or (b) 23 November, 2009; and
- (iii) the termination date of the MOU from the earlier of (a) the actual date for entering into a legally-binding Formal Agreement or (b) 23 October, 2009, to the earlier of (a) the actual date for entering into a legally-binding Formal Agreement or (b) 23 November, 2009. Save as the foregoing, no other amendments were made to the MOU.

The Board wishes to emphasize that no legally binding agreement in relation to the Possible Acquisition has been entered into by the Company and the Vendors up to now. **As the Possible Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.**

If the Possible Acquisition materializes, it will constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules. The Company will comply with relevant requirements under the GEM Listing Rules, including the making of announcements, if the Possible Acquisition materializes.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares of the Company was suspended from 2:30 p.m. on 11 June, 2009 pending the release of an announcement relating to unusual price and trading volume movements and price sensitive information. Application has been made to the Stock Exchange for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 12 June, 2009.

In addition, at the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 10:21 a.m. on Tuesday, 23 June, 2009 pending the release of an announcement relating to the Placing and Subscription Agreement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on Friday, 26 June, 2009.

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 September, 2009, 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 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 Director	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)	24.12%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 3)	0.37%
Mr. HOU Hsiao Wen (Executive Director)	The Company	Beneficial owner	25,370,000 ordinary shares (L) (Note 1)	4.67%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 3)	0.37%

notes:

- The letter "L" represents the Director's interests in the Shares and underlying Shares of the Company.
- Mr. Hou Hsiao Bing held 131,150,000 Shares on 25 June, 2009 representing approximately 28.94% of the issued share capital of the Company. Upon completion of the Placing on 26 June, 2009 (but before completion of the Subscription on 7 July, 2009), the aggregate shareholding of Mr. Hou Hsiao Bing in the Company was reduced to approximately 8.94% of the issued share capital of the Company. Upon completion of the Subscription on 7 July, 2009, the aggregate shareholding of Mr. Hou Hsiao Bing in the Company was restored to approximately 24.12% of the enlarged issued share capital of the Company.

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 30.9.2009	Closing price per Share immediately before the date of grant (HK\$) (Note)
	Outstanding at 1.4.2009	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 September, 2009, 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.

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. Ho Wai Wing, Raymond and Mr. Tam Kam Bui, William, 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 unaudited consolidated results of the Group for the six months ended 30 September, 2009 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.

REMUNERATION COMMITTEE

The remuneration committee was established in June, 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deals clearly with its authorities and duties. The terms of reference will follow the requirement of Code Provision B.1.3.

The composition of the remuneration committee includes Chairman, Mr. Hou Hsiao Bing and three Independent Non-Executive Directors, Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Bui, William.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Tam Kam Bui, William, an Independent Non-Executive Director of the Company, is an Executive Director of China Bio Cassava Holdings Limited. As China Bio Cassava Holdings Limited is also a Company which is engaged in business related to research and development of information technology, China Bio Cassava Holdings Limited 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 six months ended 30 September, 2009. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the six months ended 30 September, 2009.

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 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 six months ended 30 September, 2009.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 September, 2009, the Company has complied with 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.

On behalf of the Board

Hou Hsiao Bing

Chairman

Hong Kong, 6 November, 2009

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.

* *For identification purpose only*