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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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE NINE MONTHS ENDED 31 DECEMBER, 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 nine months ended 31 December, 2009 was approximately HK\$16.3 million, as compared with net loss of approximately HK\$3.1 million for the same period in last year.
- Loss per share during the nine months ended 31 December, 2009 was approximately HK3.18 cents, as compared with loss per share of approximately HK0.69 cents for the same period in last year.
- The revenue of the Group during the nine months ended 31 December, 2009 was approximately HK\$17.7 million, representing a decrease of approximately 46.3 per cent. as compared with the corresponding period in 2008.

## **CHAIRMAN'S STATEMENT**

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 nine months ended 31 December, 2009.

### **Financial performance**

The revenue of the Group during the nine months ended 31 December, 2009 was approximately HK\$17.7 million, representing a decrease of approximately 46.3 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") during the period under review.

The Group recorded a loss attributable to shareholders of approximately HK\$16.3 million in the nine months ended 31 December, 2009, compared with the loss attributable to shareholders of approximately HK\$3.1 million for the corresponding period in last year. Loss per share during the nine months ended 31 December, 2009 was approximately HK3.18 cents, compared with the loss per share of approximately HK0.69 cents for the corresponding period in last year.

The Group's gross profit margin for the nine months ended 31 December, 2009 was approximately 25.3 per cent., compared with approximately 29.1 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 nine months ended 31 December, 2009.

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

During the nine months ended 31 December, 2009, implementation of self-service ATM systems remained the Group's core business and accounted for approximately 100.0 per cent. (nine months ended 31 December, 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\$17.7 million, representing a decrease of approximately 46.3 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 29.0 per cent. of the revenue of the Group for the nine months ended 31 December, 2009, compared with approximately 31.3 per cent. for the corresponding period in last year. Actual income derived from the provision of technical consultancy and support services decreased by approximately 50.2 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, Wuxi, Tianjin, Yantai, Suzhou, Dalian, Jinhua, Hubei, Yingkou, Yancheng, Taizhou, Jingzhou, Datong, Xuzhou and Huaian, the Group has ATM service centres to cover a total of 31 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.

## **Selling expenses**

Selling expenses incurred by the Group for the nine months ended 31 December, 2009 amounted to approximately HK\$1.9 million (nine months ended 31 December, 2008: approximately HK\$1.9 million), representing an increase of approximately 0.2 per cent..

## **Administrative expenses**

Administrative expenses incurred by the Group for the nine months ended 31 December, 2009 amounted to approximately HK\$19.1 million (nine months ended 31 December, 2008: approximately HK\$10.3 million), representing an increase of approximately 84.3 per cent.. Such increase was mainly because the Group had incurred expenses for the possible acquisition 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 nine months ended 31 December, 2009, the Group had not incurred any finance costs (nine months ended 31 December, 2008: approximately HK\$104,000) due to the decrease in the use of banking facilities.

## **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 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. On the other hand, to strike for the best interest of our shareholders, the Group is also looking for other investment opportunities.

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, 5 February, 2010

## RESULTS

The unaudited consolidated results of the Group for the periods of three months and nine months ended 31 December, 2009 together with the comparative unaudited consolidated results of the Group for the corresponding periods in 2008 are as follows:–

		<b>From 1 October, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	<b>From 1 April, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	<b>From 1 October, 2008 to 31 December, 2008 (unaudited) HK\$'000</b>	<b>From 1 April, 2008 to 31 December, 2008 (unaudited) HK\$'000</b>
	<i>Notes</i>				
Revenue	2	5,152	17,720	10,146	33,015
Cost of sales		<u>(4,141)</u>	<u>(13,228)</u>	<u>(6,031)</u>	<u>(23,412)</u>
Gross profit		1,011	4,492	4,115	9,603
Other revenue	2	1	119	68	473
Selling expenses		(893)	(1,858)	(581)	(1,854)
Administrative expenses		<u>(6,389)</u>	<u>(19,066)</u>	<u>(3,109)</u>	<u>(10,347)</u>
Operating (Loss)/Profit	3	(6,270)	(16,313)	493	(2,125)
Finance costs	4	<u>–</u>	<u>–</u>	<u>(34)</u>	<u>(104)</u>
(Loss)/Profit before taxation		(6,270)	(16,313)	459	(2,229)
Income tax expenses	5	<u>–</u>	<u>–</u>	<u>(353)</u>	<u>(915)</u>
(Loss)/Profit for the period		(6,270)	(16,313)	106	(3,144)
<b>Other comprehensive income/ (expense) for the period</b>					
Exchange difference on translation of financial statements of foreign operations		<u>24</u>	<u>38</u>	<u>(326)</u>	<u>855</u>
<b>Total comprehensive expense for the period</b>		<u><u>(6,246)</u></u>	<u><u>(16,275)</u></u>	<u><u>(220)</u></u>	<u><u>(2,289)</u></u>
		<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
<b>(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the period</b>					
– Basic	6	<u><u>(1.15)</u></u>	<u><u>(3.18)</u></u>	<u><u>0.02</u></u>	<u><u>(0.69)</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>

## **NOTES TO THE UNAUDITED CONSOLIDATED RESULTS:-**

### **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

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:–

	<b>From 1 October, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	<b>From 1 April, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	From 1 October, 2008 to 31 December, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 31 December, 2008 (unaudited) HK\$'000
Revenue				
Sale of goods	3,557	12,579	6,057	22,696
Rendering of services	<u>1,595</u>	<u>5,141</u>	<u>4,089</u>	<u>10,319</u>
	<u>5,152</u>	<u>17,720</u>	<u>10,146</u>	<u>33,015</u>
Other revenue				
Government subsidies for business development	–	111	57	445
Interest income	<u>1</u>	<u>8</u>	<u>11</u>	<u>28</u>
	<u>1</u>	<u>119</u>	<u>68</u>	<u>473</u>
Total revenue	<u><u>5,153</u></u>	<u><u>17,839</u></u>	<u><u>10,214</u></u>	<u><u>33,488</u></u>

## 3. OPERATING (LOSS)/PROFIT

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

	<b>From 1 October, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	<b>From 1 April, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	From 1 October, 2008 to 31 December, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 31 December, 2008 (unaudited) HK\$'000
Cost of inventories	3,409	10,233	4,857	18,065
Depreciation	<u>19</u>	<u>54</u>	<u>28</u>	<u>96</u>

#### 4. FINANCE COSTS

	<b>From 1 October, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	<b>From 1 April, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	From 1 October, 2008 to 31 December, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 31 December, 2008 (unaudited) HK\$'000
Interest on bank overdrafts	<u>–</u>	<u>–</u>	<u>34</u>	<u>104</u>

#### 5. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the nine months ended 31 December, 2009 (nine months ended 31 December, 2008: Nil).

Income tax expenses on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the PRC in which the subsidiaries of the Group operate.

The amount of income tax expenses charged to the consolidated profit and loss account represents:–

	<b>From 1 October, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	<b>From 1 April, 2009 to 31 December, 2009 (unaudited) HK\$'000</b>	From 1 October, 2008 to 31 December, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 31 December, 2008 (unaudited) HK\$'000
Current taxation:				
– Hong Kong profits tax	–	–	–	–
– Overseas taxation	–	–	353	915
Deferred taxation	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Income tax expenses	<u>–</u>	<u>–</u>	<u>353</u>	<u>915</u>

#### 6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per Share for the three months and nine months ended 31 December, 2009 is based on the unaudited consolidated net loss attributable to shareholders of approximately HK\$(6,270,000) and HK\$(16,313,000) respectively (three months and nine months ended 31 December, 2008: net profit/(loss) of approximately HK\$106,000 and HK\$(3,144,000) respectively) and the weighted average number of 543,792,072 and 513,582,072 ordinary shares (three months and nine months ended 31 December, 2008: 453,162,072 and 453,162,072 ordinary shares) in issue throughout the relevant accounting periods, respectively.

No diluted (loss)/earnings per share for the nine months ended 31 December, 2009 and 2008 are presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.



## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. As at 31 December, 2009, the Group had cash and bank balances amounting to a total of approximately HK\$26.3 million (31 March, 2009: HK\$5.6 million). The Group has no outstanding bank overdraft as at 31 December, 2009 (31 March, 2009: HK\$Nil). The bank overdraft was at Hong Kong Dollar prime rate.

### 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	Warrant reserve HK\$'000	Retained profits/ losses (accumulated) 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	-	-	-	855	-	-	855
Loss for the period	-	-	-	-	-	(3,144)	(3,144)
At 31 December, 2008	<u>45,316</u>	<u>1,249</u>	<u>(24,317)</u>	<u>6,591</u>	<u>-</u>	<u>8,020</u>	<u>36,859</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
Issue of unlisted warrants	-	-	-	-	10,000	-	10,000
Exchange differences arising on translation of foreign operations	-	-	-	38	-	-	38
Loss for the period	-	-	-	-	-	(16,313)	(16,313)
At 31 December, 2009	<u>54,379</u>	<u>31,157</u>	<u>(24,317)</u>	<u>6,563</u>	<u>10,000</u>	<u>(8,325)</u>	<u>69,457</u>

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

## **QUARTERLY DIVIDEND**

The Board does not recommend the payment of quarterly dividend for the period from 1 April, 2009 to 31 December, 2009 (nine months ended 31 December, 2008: Nil).

## **MEMORANDUM OF UNDERSTANDING, PLACING AND SUBSCRIPTION AGREEMENT AND ADVANCE TO ENTITY (PAYMENT OF DEPOSIT)**

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.

### **Memorandum of Understanding**

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”) in relation to the possible acquisition by the Company of a company which is principally engaged in the exploration of natural gas business in Russia (the “Possible Acquisition”).

After the signing of the MOU, the Company has paid 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.

Please refer to the announcements of the Company dated 23 June 2009, 25 September 2009, 23 October 2009, 23 November 2009, 4 December 2009 and 19 December 2009 for details.

### **Placing and Subscription Agreement**

On 23 June, 2009, the Company has entered into a Placing and Subscription Agreement with China Merchants Securities (HK) Co., Limited (the “Placing Agent”), and Mr. Hou Hsiao Bing, being the Director and shareholder of the Company (the “Subscriber”). Pursuant to the Placing and Subscription Agreement and the Supplemental Agreement dated 25 June, 2009, the Subscriber has placed, through the Placing Agent, 90,630,000 Shares (the “Placing Shares”) to not fewer than six Placees who and whose ultimate beneficial owners were third parties independent of and not acting in concert with the Subscriber or his concert parties, and would 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 has subscribed for an aggregate of 90,630,000 Subscription Shares at a price of HK\$0.43 per Subscription Share.

Please refer to the announcement of the Company dated 25 June 2009 for details.

### **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 exceeded 8% under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules) and constituted 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.

Please refer to the announcement of the Company dated 10 July 2009 for details.

### **PRIVATE PLACING OF UNLISTED WARRANTS**

On 8 December 2009 (after trading hours), the Company and KGI Capital Asia Limited (“KGI Capital”) entered into a Placing Agreement, pursuant to which the Company has appointed KGI Capital as its agent to place, on a best effort basis, warrants (the “Warrants”) conferring the right to subscribe up to HK\$90,000,000.00 in aggregate for Shares at an issue price of HK\$0.10 per Warrant.

Each Warrant will carry the right to subscribe for one Share at an initial subscription price of HK\$0.90 per Share, subject to adjustment. The subscription right will be exercisable during a period of five years from the date of creation and issue of the Warrants.

Completion of the placing took place on 23 December 2009 in accordance with the terms of the Placing Agreement. 100,000,000 Warrants had been issued to not less than six Placees at the Issue Price of HK\$0.10 per Warrant.

## Movement Of Warrants

The Company has a total of 100,000,000 Warrants outstanding at 31 December 2009 and its movement is as follows:

Date of issue	Outstanding at 1/4/2009	Issued during the period	Exercised/ lapsed during the period	Outstanding at 31/12/2009	Subscription period	Subscription price per share
23 December 2009	–	100,000,000	–	100,000,000	23 December 2009 to 22 December 2014	HK\$0.90

*Note:*

On 23 December 2009, the Company placed a total of 100,000,000 unlisted Warrants to certain independent third parties at the subscription price of HK\$0.90 each. No Warrants has been exercised during the period ended 31 December 2009.

## EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

After the period ended 31 December 2009, the Company has entered into agreement with independent third parties for a very substantial acquisition. As at the date of this announcement, the announcement in respect of the acquisition has not yet been published. Please refer to the announcement to be published by the Company soon for details of the acquisition.

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

As at 31 December, 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:

1. The letter "L" represents the Director's interests in the Shares and underlying Shares of the Company.
2. 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 then. 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**

<b>Name of Director</b>	<b>Associated Corporations</b>	<b>Number of shares in which interested</b>	<b>Nature of interest</b>	<b>Approximate percentage holding of the non-voting deferred shares</b>
Mr. Hou Hsiao Bing <i>(Executive Director)</i>	Truth Honour Electronic Limited	3,000,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares
Mr. Hou Hsiao Bing <i>(Executive Director)</i>	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 31.12.2009	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			Lapsed during the period
Exercise price at HK\$0.40:						
– Executive Directors						
HOU Hsiao Bing	2,000,000	Nil	Nil	Nil	2,000,000	Nil
HOU Hsiao Wen	2,000,000	Nil	Nil	Nil	2,000,000	Nil
– Other Employees	2,400,000	Nil	Nil	Nil	2,400,000	Nil
	<u>6,400,000</u>	<u>Nil</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 31 December, 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.

## **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.

## **COMPETING INTERESTS**

Mr. Tam Kam Biu, 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 nine months ended 31 December, 2009. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the nine months ended 31 December, 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 as 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 nine months ended 31 December, 2009.

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

Hong Kong, 5 February, 2010

*As of the date hereof, the Executive Directors are Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen. The Independent Non-Executive Directors are Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William.*

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