



SOLUTECK HOLDINGS LIMITED

一創科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8111)

1st Quarterly Report  
**2007**



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This report, for which the directors (the "Directors") of Soluteck Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

**QUARTERLY RESULTS HIGHLIGHTS**

- The revenue of the Group during the three months ended 30 June 2007 was approximately HK\$18.7 million, representing an increase of approximately 169.2 per cent. as compared to the same period last year.
- The net profit attributable to shareholders of the Company during the three months ended 30 June 2007 was approximately HK\$1.0 million.
- The Board does not recommend the payment of quarterly dividend for the three months ended 30 June 2007.

**CHAIRMAN'S STATEMENT****BUSINESS REVIEW**

On behalf of the board of directors (the "Board") of Soluteck Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), I am pleased to announce the results of the Group for the three months ended 30 June 2007. The Group recorded an increase in its revenue to approximately HK\$18.7 million, representing an increase of approximately 169.2 per cent., as compared with the revenue for the three months ended 30 June 2006 of approximately HK\$7.0 million. The management believed that the growth in the revenue of the Group was principally attributable to the application of successful marketing strategies in the People's Republic of China (the "PRC" or "China") during the period under review.

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 PRC during the three months ended 30 June 2007.

Pro-active efforts to explore and ascertain the Group's business development thrust continued to show encouraging signs of fruition during the period under review in that the Group had made progress in the sales of ATM systems to commercial banks, the China State Postal Bureau and the Rural Credit Cooperatives of China in the PRC. On top of that, new contracts were successfully and successively secured with a number of financial institutions and postal bureaus like the Commercial Bank, the Bank of Communications, Shanghai Pudong Development Bank and several postal bureaus for the provision of system maintenance and enhancement services during the period under review.

The Group recorded a profit attributable to shareholders of approximately HK\$1.0 million in the three months ended 30 June 2007, compared with the loss attributable to shareholders of approximately HK\$0.8 million for the corresponding period in last year. Earnings per share during the three months ended 30 June 2007 was approximately HK0.22 cents, compared with the loss per share of approximately HK0.17 cents for the corresponding period in last year.

The Group's gross profit margin for the three months ended 30 June 2007 was approximately 22.1 per cent., compared with approximately 39.4 per cent. for the corresponding period in last year. The management believed that the decrease in the Group's gross profit margin was mainly attributable to the "screening out" of unprofitable projects and keen competition among different suppliers of ATM systems in the PRC.

Selling and administrative expenses decreased by approximately 31.7 per cent. and 10.8 per cent. respectively during the three months ended 30 June 2007 as compared with the corresponding period in last year. This should be a result of the Group's policy on cost control.

#### **IMPLEMENTATION OF SELF-SERVICE ATM SYSTEMS**

Implementation of self-service ATM systems remained the Group's core business and accounted for approximately 100.0 per cent. of the Group's total revenue during the three months ended 30 June 2007, as compared with approximately 97.7 per cent. in the corresponding period in last year.

The revenue generated from the implementation of self-service ATM systems amounted to approximately HK\$18.7 million, representing an increase of approximately 175.5 per cent. as compared with the corresponding period in last year. The management believed that the growth in the revenue of the Group was principally attributable to the application of successful marketing strategies in the PRC.

#### **PROVISION OF INFORMATION TECHNOLOGY AND BUSINESS SOLUTIONS**

The revenue generated from the provision of information technology and business solutions is insignificant for the three months ended 30 June 2007, compared with approximately 2.3 per cent. for the corresponding period in last year. The Group will continue to focus on the development of software applications for converging banking business platforms and other state-of-the-art application software for banking and financial institutions and postal bureaus.

#### **PROVISION OF TECHNICAL CONSULTANCY AND SUPPORT SERVICES**

The provision of technical consultancy and support services, which were already included in the above-mentioned businesses, contributed to a stable and recurrent source of income for the Group and accounted for approximately 11.6 per cent. of the total revenue of the Group for the three months ended 30 June 2007, compared with approximately 43.1 per cent. for the corresponding period in last year. Actual income derived from the provision of technical consultancy and support services decreased by approximately 27.6 per cent. mainly because of the "screening out" of unprofitable projects and keen competition among different suppliers of ATM systems in the PRC during the period under review.

## **BUSINESS OUTLOOK**

In the presence of a strategic partnership agreement which has been signed by the Group with a subsidiary of NCR Corporation in China in April 2007, and the Group, being a prestigious and experienced professional ATM software, hardware and services company in the ATM sector, together with its existing reputation as an authorized value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited and related applications software for commercial banks in China, will fully commit itself to be one of the leading ATM Total Solution Providers in the banking sector in the PRC, offering a full range of banking and financial system solutions for the banking and financial sectors, from the supply of hardware to software development, banking applications to value-added complementary services. In addition, it will also persist to put efforts on enhancing closer customer relationships, broadening business relationship and exploring new business opportunities in corporate outsourcing technical service sector, so as to better satisfy the demand from the financial sector in China for advanced global self-service equipment solutions' products, technologies and extensive trans-national industrial experience.

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

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, 6 August 2007

## RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June, 2007 (the "Period") together with comparative unaudited consolidated results of the Group for the corresponding period in 2006 as follows:

		<b>From 1 April, 2007 to 30 June, 2007 (unaudited) HK\$'000</b>	From 1 April, 2006 to 30 June, 2006 (unaudited) HK\$'000
	<i>Notes</i>		
Revenue	2	<b>18,712</b>	6,951
Cost of sales		<b>(14,583)</b>	(4,213)
Gross profit		<b>4,129</b>	2,738
Other revenue	2	<b>13</b>	19
Selling expenses		<b>(400)</b>	(586)
Administrative expenses		<b>(2,558)</b>	(2,868)
Operating profit/(loss)	3	<b>1,184</b>	(697)
Finance costs	4	<b>(147)</b>	(53)
Profit/(loss) before taxation		<b>1,037</b>	(750)
Income tax expenses	5	<b>(59)</b>	–
Profit/(loss) attributable to shareholders		<b>978</b>	(750)
Basic earnings/(loss) per share	6	<b>HK0.22 cents</b>	HK(0.17) cents

Notes:—

**1. BASIS OF PREPARATION**

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared on the historical cost basis.

The principal accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group's annual financial statements for the year ended 31 March 2007.

**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 April, 2007 to 30 June, 2007 HK\$'000</b>	From 1 April, 2006 to 30 June, 2006 HK\$'000
Revenue		
Sales of goods	<b>16,543</b>	3,955
Rendering of services	<b>2,169</b>	2,996
	<b>18,712</b>	6,951
Other revenue		
Interest income	<b>13</b>	19
Total revenue	<b>18,725</b>	6,970

**3. OPERATING PROFIT/(LOSS)**

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

	<b>From 1 April, 2007 to 30 June, 2007 HK\$'000</b>	From 1 April, 2006 to 30 June, 2006 HK\$'000
Cost of inventories	<b>13,165</b>	3,673
Depreciation	<b>41</b>	101

#### 4. FINANCE COSTS

	<b>From 1 April, 2007 to 30 June, 2007 HK\$'000</b>	From 1 April, 2006 to 30 June, 2006 HK\$'000
Interest on bank loans and overdrafts	<u>147</u>	<u>53</u>

#### 5. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the three months ended 30 June 2007 (three months ended 30 June 2006: Nil).

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

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

	<b>From 1 April, 2007 to 30 June, 2007 HK\$'000</b>	From 1 April, 2006 to 30 June, 2006 HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	59	–
Deferred taxation	–	–
Income tax expenses	<u>59</u>	<u>–</u>

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

The calculation of basic earnings per share for the three months ended 30 June, 2007 is based on the Group's profit attributable to shareholders of approximately HK\$978,000 (three months ended 30 June 2006: loss of approximately HK\$750,000) and the 452,612,072 (three months ended 30 June 2006: 452,612,072) ordinary shares in issue during the period.

No diluted earnings/(loss) per share for the three months ended 30 June, 2007 and 2006 are presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.



## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. As at 30 June 2007, the Group had cash and bank balances amounting to a total of approximately HK\$1.2 million (31 March 2007: HK\$1.1 million) and outstanding bank overdraft and short-term bank loan of approximately HK\$2.5 million and HK\$4.6 million (31 March 2007: HK\$2.1 million and HK\$4.5 million) respectively, which represented the total borrowings of the Group as at the date and are repayable within one year. The bank overdraft was at 0.75% per annum over Hong Kong Dollar prime rate while the short-term loan was made in Renminbi at annual interest rate of approximately 8.5 per cent.

With these resources and the proceeds from the new issue of shares in January 2001, the Board believes that the Group has adequate capital resources to finance its business objectives, that is, fully committed to be one of the leading Total Solution Providers for the finance sector in China.

## QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the period from 1 April 2007 to 30 June 2007 (three months ended 30 June 2006: Nil).

## RESERVES

	Share premium HK\$'000	Reserve arising from reorganisation* HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April, 2006	1,194	(24,317)	757	6,795	(15,571)
Exchange difference	–	–	100	–	100
Loss for the period	–	–	–	(750)	(750)
At 30 June, 2006	1,194	(24,317)	857	6,045	(16,221)
At 1 April, 2007	1,194	(24,317)	2,170	8,873	(12,080)
Exchange difference	–	–	581	–	581
Profit for the period	–	–	–	978	978
At 30 June, 2007	1,194	(24,317)	2,751	9,851	(10,521)

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

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

As at 30 June 2007, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

### (A) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY

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

Notes:—

- The letter "L" represents the Director's interests in the Shares and underlying Shares of the Company.
- Following his acquisition of 54,690,000 Shares in February 2007, Mr. Hou Hsiao Bing's shareholding increased to 131,150,000 Shares representing approximately 28.98 per cent. of the Shares in issue.
- 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 30.6.2007	Closing price per Share immediately before the date of grant (HK\$) (Note 2)
	Outstanding at 1.4.2007	Granted during the period	Lapsed during the period		
Exercise price at HK\$0.20:					
– Other Employees	800,000	Nil	(200,000)	600,000	Nil
Exercise price at HK\$0.40:					
– Executive Directors					
HOU Hsiao Bing	2,000,000	Nil	Nil	2,000,000	Nil
HOU Hsiao Wen	2,000,000	Nil	Nil	2,000,000	Nil
– Other Employees	2,400,000	Nil	Nil	2,400,000	Nil
	<u>7,200,000</u>	<u>Nil</u>	<u>(200,000)</u>	<u>7,000,000</u>	

Notes:–

1. During the first three months ended 30 June, 2007, 200,000 share options were lapsed upon the resignation of the relevant employees of the Group.
2. As the Shares of the Company were listed in the GEM of the Stock Exchange of Hong Kong Limited not earlier than the date of 3 January, 2001, no closing price per Share of the Pre-IPO Share Options could be calculated.

## 2. NEW SHARE OPTION SCHEME ADOPTED AS AT 30 JULY, 2004

The Company has adopted a new share option scheme ("New Scheme") and terminated the Share Option Scheme by shareholders' resolutions passed at its Annual General Meeting held on 30 July, 2004. The New Scheme became effective on 30 July, 2004. Upon the termination of the Share Option Scheme on 30 July, 2004, no further options may be offered under the Share Option Scheme but the Share Option Scheme would in all respects remain in force to the extent necessary to give effect to the exercise of the outstanding Pre-IPO Share Options granted under it prior to its termination. The outstanding Pre-IPO Share Options will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

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

As at 30 June, 2007, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares in the Company as recorded in the register required to be kept under section 336 of the SFO:–

Name	Number of ordinary shares	Capacity	Approximate percentage of interest
Mr. Chung Yuk Man	35,190,000	Beneficial owner	7.77%

Save as disclosed above, as at 30 June, 2007, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

## 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 INTEREST

Mr. Tam Kam Biu, William, an Independent non-executive Director of the Company, is an Executive Director of Q9 Technology Holdings Limited ("Q9 Technology"). As Q9 Technology is also a Company which is engaged in business related to research and development of information technology, Q9 Technology may be in competition with the Group.

Save as disclosed above, none of the Directors or management shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business which compete or may compete with the business of the Group.

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

The Company had not redeemed any of its Shares during the three months ended 30 June 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the three months ended 30 June 2007.

**CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

On behalf of the Board

**Hou Hsiao Bing**

*Chairman*

Hong Kong, 6 August 2007

*As of the date hereof, the executive directors are Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen; and the independent non-executive directors are Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Bui, William.*

\* *For identification purposes only*