



SOLUTECK HOLDINGS LIMITED

一創科技集團有限公司

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

Interim Report

2007



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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 ("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 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.

HIGHLIGHTS

- The net profit of the Group during the six months ended 30 September, 2007 was approximately HK\$2.3 million, as compared with the net loss of approximately HK\$0.9 million for the same period in last year.
- Earnings per Share during the six months ended 30 September, 2007 was approximately HK0.51 cents.
- The revenue of the Group during the six months ended 30 September, 2007 was approximately HK\$58.5 million, representing an increase of approximately 146.0 per cent. as compared with the corresponding period in 2006.

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, 2007 (the "period") as follows:-

CONSOLIDATED INCOME STATEMENT

		From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 July, 2006 to 30 September, 2006 (unaudited) HK\$'000	From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000
	Notes				
Revenue	2	39,783	58,495	16,832	23,783
Cost of sales		(31,473)	(46,056)	(13,447)	(17,660)
Gross profit		8,310	12,439	3,385	6,123
Other revenue	2	12	25	22	41
Selling expenses		(557)	(957)	(707)	(1,293)
Administrative expenses		(4,595)	(7,153)	(2,793)	(5,661)
Operating profit/(loss)	4	3,170	4,354	(93)	(790)
Finance costs	5	(253)	(400)	(60)	(113)
Profit/(loss) before taxation		2,917	3,954	(153)	(903)
Income tax expenses	3	(1,599)	(1,658)	-	-
Profit/(loss) attributable to shareholders		1,318	2,296	(153)	(903)
Basic earnings/(loss) per share	6	HK0.29 cents	HK0.51 cents	HK(0.03) cents	HK(0.20) cents

SOLUTECK HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

		As at 30 September, 2007 (Unaudited) HK\$'000	As at 31 March, 2007 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	7	342	375
Investment securities		—	—
		<u>342</u>	<u>375</u>
Current assets			
Inventories	8	5,808	9,229
Accounts receivable	9	32,763	33,278
Other receivable, deposits and prepayments		2,311	1,314
Bank balances and cash	10	8,763	1,148
		<u>49,645</u>	<u>44,969</u>
Current liabilities			
Accounts payable	11	1,380	1,715
Other payables and accruals		6,427	2,037
Receipt in advance		485	682
Taxation payable		1,603	—
Bank overdrafts		2,616	2,148
Short-term bank loans, secured		—	4,546
		<u>12,511</u>	<u>11,128</u>
Net current assets		<u>37,134</u>	<u>33,841</u>
Total assets less current liabilities		<u>37,476</u>	<u>34,216</u>
Non-current liabilities			
Deferred tax liabilities		1,049	1,035
Net assets		<u>36,427</u>	<u>33,181</u>
Share capital	12	45,316	45,261
Reserves		<u>(8,889)</u>	<u>(12,080)</u>
Shareholders' funds		<u>36,427</u>	<u>33,181</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Equity attributable to equity holders of the Company					
	Share Capital HK\$'000	Share premium HK\$'000	Reserve arising from reorganisation* HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April, 2006	45,261	1,194	(24,317)	757	6,795	29,690
Exchange differences arising on translation of foreign operations	-	-	-	537	-	537
Loss for the period	-	-	-	-	(903)	(903)
At 30 September, 2006	<u>45,261</u>	<u>1,194</u>	<u>(24,317)</u>	<u>1,294</u>	<u>5,892</u>	<u>29,324</u>
At 1 April, 2007	45,261	1,194	(24,317)	2,170	8,873	33,181
Issue of shares	55	55	-	-	-	110
Exchange differences arising on translation of foreign operations	-	-	-	840	-	840
Profit for the period	-	-	-	-	2,296	2,296
At 30 September, 2007	<u>45,316</u>	<u>1,249</u>	<u>(24,317)</u>	<u>3,010</u>	<u>11,169</u>	<u>36,427</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 CASH FLOW STATEMENT

	Notes	Six months ended 30 September,	
		2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation		3,954	(903)
Adjustment for:			
Depreciation	4	77	199
Provision for bad and doubtful debts	4	500	-
Provision for slow moving and obsolete inventories	4	500	-
Interest income	2	(25)	(41)
Interest expenses	5	400	113
Operating cash flows before movements in working capital		5,406	(632)
Decrease/(Increase) in inventories		2,921	(1,375)
Decrease/(Increase) in accounts receivable		15	(645)
(Increase)/Decrease in other receivables, deposits and prepayments		(997)	1,865
Decrease in accounts payable		(335)	(79)
Increase/(Decrease) in other payables and accruals		4,390	(273)
Decrease in receipt in advance		(197)	(2,432)
Cash generated from/(used in) operations		11,203	(3,571)
Interest expenses	5	(400)	(113)
Overseas tax refund		84	171
Overseas taxation paid		(125)	(101)
Net cash generated from/(used in) operating activities		10,762	(3,614)
INVESTING ACTIVITIES			
Interest received	2	25	41
Purchase of property, plant and equipment	7	(44)	(87)
Net cash used in investing activities		(19)	(46)
FINANCING ACTIVITIES			
Proceeds from issue of shares		110	-
New bank loan drawn down		-	4,432
Repayment of amounts borrowed		(4,546)	-
Net cash (used in)/generated from financing activities		(4,436)	4,432
Net increase in cash and cash equivalents		6,307	772
Cash and cash equivalents at the beginning of the period		(1,000)	443
Effect of foreign exchange rate changes		840	537
Cash and cash equivalents at the end of the period		6,147	1,752
Cash and cash equivalents at the end of the period, represented by			
Bank balances and cash		8,763	4,439
Bank overdrafts		(2,616)	(2,687)
		6,147	1,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared under the historical cost convention.

The unaudited interim consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of the GEM Listing Rules. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 March, 2007.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 January, 2007, the adoption has no significant impact on the Group’s results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

The principal accounting policies used in the preparation of the interim financial statements are consistent with those used in the financial statements for the year ended 31 March, 2007.

The unaudited consolidated results of the Group for the six months ended 30 September, 2007 are unaudited but have been reviewed by the Company’s Audit Committee.

2. REVENUE AND SEGMENT INFORMATION

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

	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 July, 2006 to 30 September, 2006 (unaudited) HK\$'000	From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000
Revenue				
Sale of goods	35,899	52,442	13,786	17,741
Rendering of services	<u>3,884</u>	<u>6,053</u>	<u>3,046</u>	<u>6,042</u>
	39,783	58,495	16,832	23,783
Other revenue				
Interest income	<u>12</u>	<u>25</u>	<u>22</u>	<u>41</u>
Total revenue	<u>39,795</u>	<u>58,520</u>	<u>16,854</u>	<u>23,824</u>

Segment reporting

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

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*).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

No geographical analysis is provided as less than 10% of the consolidated revenue and less than 10% of the operating profit/(loss) of the Group are attributable to markets outside the People's Republic of China (the "PRC").

Primary reporting format – business segments

The Group is organised into two main business segments:-

- 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, 2007 to 30 September, 2007 (unaudited) HK\$'000	Rendering of service From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	Group From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
Revenue	<u>52,442</u>	<u>6,053</u>	<u>58,495</u>
Segment results	<u>5,971</u>	<u>1,705</u>	<u>7,676</u>
Other revenue			25
Unallocated costs			<u>(3,347)</u>
Operating profit			4,354
Finance costs			<u>(400)</u>
Profit before taxation			3,954
Income tax expenses			<u>(1,658)</u>
Profit attributable to shareholders			<u>2,296</u>
Segment assets	28,997	10,305	39,302
Unallocated assets			<u>10,685</u>
Total assets			<u>49,987</u>
Segment liabilities	1,380	1,020	2,400
Unallocated liabilities			<u>11,160</u>
Total liabilities			<u>13,560</u>
Capital expenditure	-	32	32
Unallocated capital expenditure			<u>12</u>
			<u>44</u>
Depreciation	-	16	16
Unallocated depreciation			<u>61</u>
			<u>77</u>
Other non-cash expenses			<u>-</u>

	Sales of goods From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000	Rendering of service From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000	Group From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000
Revenue	<u>17,741</u>	<u>6,042</u>	<u>23,783</u>
Segment results	<u>505</u>	<u>2,679</u>	<u>3,184</u>
Other revenue			41
Unallocated costs			<u>(4,015)</u>
Operating loss			(790)
Finance costs			<u>(113)</u>
Loss before taxation			(903)
Income tax expenses			<u>-</u>
Loss attributable to shareholders			<u>(903)</u>
Segment assets	24,517	10,012	34,529
Unallocated assets			<u>7,829</u>
Total assets			<u>42,358</u>
Segment liabilities	1,907	1,153	3,060
Unallocated liabilities			<u>9,974</u>
Total liabilities			<u>13,034</u>
Capital expenditure	-	21	21
Unallocated capital expenditure			<u>66</u>
			<u>87</u>
Depreciation	-	20	20
Unallocated depreciation			<u>179</u>
			<u>199</u>
Other non-cash expenses			<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, 2007 (six months ended 30 September, 2006: Nil).

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

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

	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 July, 2006 to 30 September, 2006 (unaudited) HK\$'000	From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000
Current taxation:				
– Hong Kong profits tax	–	–	–	–
– Overseas taxation	1,683	1,742	–	171
– Over provisions in prior years	(84)	(84)	–	(171)
Deferred taxation	–	–	–	–
Income tax expenses	<u>1,599</u>	<u>1,658</u>	–	–

4. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations is arrived at after charging:-

	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 July, 2006 to 30 September, 2006 (unaudited) HK\$'000	From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000
Cost of inventories sold	28,747	41,912	12,698	16,371
Depreciation	36	77	98	199
Provision for bad and doubtful debts	500	500	–	–
Provision for slow moving and obsolete inventories	500	500	–	–

5. FINANCE COSTS

	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 July, 2006 to 30 September, 2006 (unaudited) HK\$'000	From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000
Interest on bank loans and overdrafts	<u>253</u>	<u>400</u>	<u>60</u>	<u>113</u>

6. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per Share for the three months and six months ended 30 September, 2007 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$1,318,000 and HK\$2,296,000 respectively (three months and six months ended 30 September, 2006: loss of HK\$153,000 and HK\$903,000 respectively), and the weighted average number of 452,795,405 and 452,703,738 ordinary shares (three months and six months ended 30 September, 2006: 452,612,072 and 452,612,072 Shares) in issue throughout the relevant accounting periods, respectively.

No diluted earnings/(loss) per share for the six months ended 30 September, 2007 and 2006 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 spent approximately HK\$44,000 (six months ended 30 September, 2006: HK\$87,000) on the acquisition of property, plant and equipment.

8. INVENTORIES

	As at 30 September, 2007 (unaudited) HK\$'000	As at 31 March, 2007 (audited) HK\$'000
Merchandise for re-sale	4,569	7,450
Spare parts	<u>3,739</u>	<u>3,779</u>
	8,308	11,229
Less: Provision for slow moving and obsolete inventories	<u>(2,500)</u>	<u>(2,000)</u>
	<u>5,808</u>	<u>9,229</u>

9. ACCOUNTS RECEIVABLE

	As at 30 September, 2007 (unaudited) HK\$'000	As at 31 March, 2007 (audited) HK\$'000
Accounts receivable	34,963	34,978
Less: Provision for bad and doubtful debt	<u>(2,200)</u>	<u>(1,700)</u>
	<u>32,763</u>	<u>33,278</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, 2007, the ageing analysis of the accounts receivable was as follows:

	As at 30 September, 2007 (unaudited) HK\$'000	As at 31 March, 2007 (audited) HK\$'000
Current to 60 days	6,094	21,453
61 – 90 days	11,027	786
Over 90 days	<u>15,642</u>	<u>11,039</u>
	<u>32,763</u>	<u>33,278</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\$7,668,000 (31 March, 2007: HK\$256,000), 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. ACCOUNTS PAYABLE

	As at 30 September, 2007 (unaudited) HK\$'000	As at 31 March, 2007 (audited) HK\$'000
Accounts payable	<u>1,380</u>	<u>1,715</u>

As at 30 September, 2007, the ageing analysis of the accounts payable was as follows:–

	As at 30 September, 2007 (unaudited) HK\$'000	As at 31 March, 2007 (audited) HK\$'000
Current to 60 days	1,320	1,320
61 – 90 days	14	241
Over 90 days	46	154
	<u>1,380</u>	<u>1,715</u>

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

12. SHARE CAPITAL

	Authorized	
	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 31 March, 2007 and 30 September, 2007	<u>1,000,000,000</u>	<u>100,000</u>
	Issued and fully paid	
	Ordinary shares of HK\$0.1 each	
	No. of shares	(unaudited) HK\$'000
At 31 March, 2007	452,612,072	45,261
Issue of shares (<i>Note</i>)	<u>550,000</u>	<u>55</u>
At 30 September, 2007	<u>453,162,072</u>	<u>45,316</u>

note: On 3 September, 2007, the Directors of the Company approved to allot and issue 550,000 shares to certain employees (who had been granted the Pre-IPO share options on 18 December, 2000 and had exercised the share options on 3 September, 2007) at offer price of each share of HK\$0.2, totalling HK\$110,000.

13. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDING

At 30 September, 2007, the Group had future aggregate minimum lease payments under operating leases as follows:

	As at 30 September, 2007 (unaudited) HK\$'000	As at 31 March, 2007 (audited) HK\$'000
Not later than one year	1,100	474
Later than one year and not later than five years	<u>774</u>	<u>282</u>
	<u>1,874</u>	<u>756</u>

14. RELATED PARTY TRANSACTIONS

(A) During the six months ended 30 September, 2007, the Group undertook the following material transactions with its related companies during the course of its business at terms of underlying agreements:-

		From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 July, 2006 to 30 September, 2006 (unaudited) HK\$'000	From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000
	Note				
Rental paid to Directors	(a)	18	36	17	34
Rental paid to related companies	(b)	<u>102</u>	<u>204</u>	<u>102</u>	<u>204</u>

note:

- (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\$36,000 (six months ended 30 September, 2006: HK\$34,180).
- (b) The Group leased an office premise from Dynatek Limited ("Dynatek") in Hong Kong at a half-year rental of HK\$139,536 (six months ended 30 September, 2006: HK\$139,536 for the Group's use. Dynatek is owned by Mr. Hou Hsiao Bing, the chairman and a shareholder of the Company.

Besides, the Group leased an office premise from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at a half-year rental of HK\$64,000 (six months ended 30 September, 2006: HK\$64,000). Ms. Chung Po Chu is the mother of Mr. Hou Hsiao Bing, the chairman and a shareholder of the Company. Ms. Tsou Lo Nien is a shareholder of the Company.

(B) Compensation of Directors and Key Management Personnel

	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 July, 2006 to 30 September, 2006 (unaudited) HK\$'000	From 1 April, 2006 to 30 September, 2006 (unaudited) HK\$'000
Short-term benefits	767	1,533	755	1,510
Post-employment benefits	9	18	9	18
	<u>776</u>	<u>1,551</u>	<u>764</u>	<u>1,528</u>

15. CAPITAL COMMITMENTS

The Group and the Company did not have significant capital commitments as at 30 September, 2007.

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 am pleased to announce the results of the Group for the six months ended 30 September, 2007. The Group recorded an increase in its revenue to approximately HK\$58.5 million, representing an increase of approximately 146.0 per cent., as compared with the revenue for the six months ended 30 September, 2006 of approximately HK\$23.8 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 six months ended 30 September, 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\$2.3 million in the six months ended 30 September, 2007, compared with the loss attributable to shareholders of approximately HK\$0.9 million for the corresponding period in last year. Earnings per share during the six months ended 30 September, 2007 was approximately HK0.51 cents, compared with the loss per share of approximately HK0.20 cents for the corresponding period in last year.

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 six months ended 30 September, 2007 (six months ended 30 September, 2006: approximately 98.9 per cent.), representing an increase of approximately 148.7 per cent. as compared with the corresponding period in last year.

By having ATM service centers established in major cities in China including Ningbo, Guangxi, Hainan, Hangzhou, Jinan, Chuanzhou, Guangzhou, Shanghai, Beijing, Liaoning, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Fuzhou, Wuxi, Tianjin, Shenzhen, Yantai, Sanming, Suzhou, Dalian, Jinhua and Hubei, the Group has a network of ATM service centers covering a total of 28 strategic cities and locations currently.

PROVISION OF INFORMATION TECHNOLOGY AND BUSINESS SOLUTIONS

The revenue generated from the provision of information technology and business solutions is insignificant for the six months ended 30 September, 2007, compared with approximately 0.3 per cent. for the corresponding period in last year. The Group will continue to develop software applications for converging banking business platforms and other state-of-the-art application software for banking and financial institutions and postal bureaus.

OTHERS

The revenue generated from other businesses including the implementation of electronic postal automation systems, etc. is insignificant for the six months ended 30 September, 2007, as compared with approximately 0.8 per cent. for the corresponding period in last year. Since the development of electronic postal automation systems that include mailing finishing systems, volume mailing handling systems and franking machines are still greatly hindered by market competition and acceptance, the Group at this stage would not put any effort in any new development of this business stream.

SEGMENT RESULT ANALYSIS

- i. The Group recorded an increase in its revenue from the sale of self-service ATM systems and other systems by 195.6 per cent. for the six months ended 30 September, 2007, as compared with the same period in last year and accounted for approximately 89.7 per cent. of the total revenue of the Group for the six months ended 30 September, 2007, compared with approximately 74.6 per cent. for the corresponding period in last year. The management believed that the growth in this business segment of the Group was principally attributable to the application of successful marketing strategies in the PRC during the period under review.
- ii. The revenue generated from the rendering of hardware and software technical support services contributed to a stable and recurrent source of income for the Group and accounted for approximately 10.3 per cent. of the total revenue of the Group for the six months ended 30 September, 2007, compared with approximately 25.4 per cent. for the corresponding period in last year. The actual revenue from the rendering of hardware and software technical support services was approximately HK\$6.0 million during the six months ended 30 September, 2007 (six months ended 30 September, 2006: approximately HK\$6.0 million).

GROSS PROFIT

The Group's gross profit margin for the six months ended 30 September, 2007 was approximately 21.3 per cent., compared with approximately 25.7 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 EXPENSES

Selling expenses incurred by the Group for the six months ended 30 September, 2007 amounted to approximately HK\$1.0 million (six months ended 30 September, 2006: HK\$1.3 million), representing a decrease of approximately 26.0 per cent.. This should be a result of the Group's policy on cost control.

ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Group for the six months ended 30 September, 2007 amounted to approximately HK\$7.2 million (six months ended 30 September, 2006: HK\$5.7 million), representing an increase of approximately 26.4 per cent. mainly because the Group had made a further allowance of bad and doubtful debts and provision for slow-moving and obsolete inventories of HK\$0.5 million and HK\$0.5 million respectively during the six months ended 30 September, 2007 (six months ended 30 September, 2006: approximately HK\$ Nil and HK\$ Nil respectively).

FINANCE COSTS

The finance costs of the Group for the six months ended 30 September, 2007 increased to HK\$400,000 (six months ended 30 September, 2006: HK\$113,000) mainly attributable to the increase 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, 2007, the Group had cash and bank balances amounting to a total of approximately HK\$8.8 million (31 March, 2007: HK\$1.1 million) and had outstanding bank overdraft of approximately HK\$2.6 million (31 March, 2007: HK\$2.1 million) and short-term bank loan of approximately HK\$ Nil (31 March, 2007: HK\$4.5 million) which represented the total borrowings of the Group as at that date. The bank overdraft was at Hong Kong Dollar prime rate while the short-term loan was repayable within 6 months and at an annual interest rate of approximately 6.12 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.

CURRENT RATIO

As at 30 September, 2007, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 4.0 (31 March, 2007: approximately 4.0).

GEARING RATIO

As at 30 September, 2007, the gearing ratio of the Group, based on total liabilities over total assets was approximately 27.1 per cent. (31 March, 2007: approximately 26.8 per cent.).

DIRECTORS' OPINION ON SUFFICIENCY OF WORKING CAPITAL

In view of the Group's financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

BANKING FACILITIES

As at 30 September, 2007, the Group's banking facilities of approximately HK\$5.6 million (31 March, 2007: HK\$7.1 million) were secured by the:

- (a) Corporate guarantees by the Company and its subsidiaries of approximately HK\$15.0 million (31 March, 2007: HK\$15.0 million);
- (b) Short term bank loan and bank overdraft of approximately HK\$Nil and HK\$2.6 million respectively (31 March, 2007: short-term bank loan of HK\$4.5 million and bank overdraft of HK\$2.1 million) are secured by personal guarantee given by directors of the Company; and
- (c) As at 30 September, 2007, the aforesaid banking facilities were utilized to the extent of approximately HK\$2.6 million (31 March, 2007: HK\$6.7 million).

CHARGES ON ASSETS

As at 30 September, 2007, there was no significant charges on assets of the Group.

CONTINGENT LIABILITIES

As at 30 September, 2007, the Group did not have any significant contingent liabilities.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

EMPLOYEES

As at 30 September, 2007, the Group employed 132 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\$4.3 million for the six months ended 30 September, 2007 (six months ended 30 September, 2006: approximately HK\$4.1 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

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 for 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period from 1 April, 2007 to 30 September, 2007 (six months ended 30 September, 2006: Nil).

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, 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)	28.94%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 3)	0.44%
Mr. HOU Hsiao Wen (Executive Director)	The Company	Beneficial owner	33,160,000 ordinary shares (L) (Note 1)	7.32%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 3)	0.44%

notes:

1. The letter "L" represents the Director's interests in the Shares and underlying Shares of the Company.
2. Following his acquisition of 54,690,000 Shares in February 2007, Mr. Hou Hsiao Bing's shareholding increased to 131,150,000 Shares representing approximately 28.94 per cent. of the Shares in issue.

3. These shares were the respective number of shares which would be allotted and issued upon exercise in full of the options granted to each of the Company's Executive Directors namely Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, pursuant to the share option scheme of the Company adopted on 13 December, 2000. The exercise period and the exercise price of these options are set out in the section headed "Share Option Schemes" below.

(B) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS/SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director	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 30.9.2007	Closing price per Share immediately before the date of grant (HK\$) (Note 2)
	Outstanding at 1.4.2007	Granted during the period	Exercised during the period	Lapsed during the period		
Exercise price at HK\$0.20:						
- Other Employees	800,000	Nil	(550,000) (Note 3)	(250,000) (Note 1)	Nil	Nil
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>7,200,000</u>	<u>Nil</u>	<u>(550,000)</u>	<u>(250,000)</u>	<u>6,400,000</u>	

notes:-

1. During the six months ended 30 September, 2007, 250,000 share options were lapsed upon the resignation of the relevant employees of the Group.
2. As the Shares of the Company were listed in the GEM of the Stock Exchange of Hong Kong Limited not earlier than the date of 3 January, 2001, no closing price per Share of the Pre-IPO Share Options could be calculated.
3. The Company received a consideration of HK\$0.20 per share from each of the grantees of the Share Option Schemes.

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, 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
Ms. Tsou Lo Nien	35,190,000	Beneficial owner	7.77%
Mr. Chung Lok Fai	35,190,000	Interest of spouse (Note)	7.77%

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

Save as disclosed above, as at 30 September, 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

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 Biu, 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, 2007 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

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 Biu, William.

COMPETING INTERESTS

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 six months ended 30 September, 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the six months ended 30 September, 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.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 September, 2007, 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, except that the roles of the Chairman and the chief executive officer of the Company are not separated under code provision A.2.1. The reasons for not splitting the roles of Chairman and Chief Executive Officer at this moment are as follow:

- The company size is still relatively small and thus not justified in separating the roles of Chairman and Chief Executive Officer
- The Group has in place an internal control system to perform the check and balance function

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

On behalf of the Board
Hou Hsiao Bing
Chairman

Hong Kong, 7 November, 2007

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