

# INTERIM REPORT 2010



**SOLUTECK**

SOLUTECK HOLDINGS LIMITED

一創科技集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

*(Stock Code: 8111)*

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 (“Directors”) of Soluteck Holdings Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## INTERIM RESULTS HIGHLIGHTS

- The revenue of the Group during the six months ended 30 September 2010 was approximately HK\$18.3 million, representing an increase of approximately 45.8 per cent., as compared to the same period last year (six months ended 30 September 2009: approximately HK\$12.6 million).
- The loss attributable to equity holders of the Group during the six months ended 30 September 2010 was approximately HK\$3.9 million (six months ended 30 September 2009: approximately HK\$10.0 million).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

## 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 2010 (the “period”) as follows:–

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	From 1 July, 2010 to 30 September, 2010 HK\$'000	From 1 April, 2010 to 30 September, 2010 HK\$'000	From 1 July, 2009 to 30 September, 2009 HK\$'000	From 1 April, 2009 to 30 September, 2009 HK\$'000
Revenue	2	12,639	18,323	5,307	12,568
Cost of sales		(9,331)	(13,749)	(3,028)	(9,087)
Gross profit		3,308	4,574	2,279	3,481
Other revenue	2	12	169	1	118
Selling expenses		(1,677)	(2,328)	(560)	(965)
Administrative expenses		(3,039)	(6,292)	(9,110)	(12,677)
Loss before taxation	4	(1,396)	(3,877)	(7,390)	(10,043)
Income tax expenses	3	–	(19)	–	–
Loss for the period		(1,396)	(3,896)	(7,390)	(10,043)
<b>Other comprehensive income</b>					
Exchange differences on translation of financial statements of overseas subsidiaries		478	725	15	14
<b>Total comprehensive income for the period</b>		(918)	(3,171)	(7,375)	(10,029)
Loss for the period attributable to:					
Equity holders of the Company		(1,396)	(3,896)	(7,390)	(10,043)
Total comprehensive income attributed to:					
Equity holders of the Company		(918)	(3,171)	(7,375)	(10,029)
Dividend		–	–	–	–
		HKcent	HKcent	HKcent	HKcent
Loss per share					
– Basic	5	(0.23 cents)	(0.68 cents)	(1.36 cents)	(2.01 cents)
– Diluted	5	(0.28 cents)	(0.84 cents)	N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September, 2010 (unaudited) HK\$'000	As at 31 March, 2010 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	6	165	192
Available-for-sale financial assets		–	–
		<b>165</b>	<b>192</b>
<b>Current assets</b>			
Inventories	7	9,185	9,238
Accounts receivables	8	19,179	17,394
Other receivables, deposits and prepayments	10	10,755	10,912
Bank balances and cash	9	54,884	22,834
		<b>94,003</b>	<b>60,378</b>
<b>Current liabilities</b>			
Accounts payables	11	2,147	2,078
Other payables and accruals		1,656	1,290
Receipt in advance		782	689
		<b>4,585</b>	<b>4,057</b>
<b>Net current assets</b>		<b>89,418</b>	<b>56,321</b>
<b>Total assets less current liabilities</b>		<b>89,583</b>	<b>56,513</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,239	1,239
<b>Net assets</b>		<b>88,344</b>	<b>55,274</b>
<b>Capital and reserves</b>			
Share capital	12	65,679	54,379
Reserves		22,665	895
<b>Shareholders' funds</b>		<b>88,344</b>	<b>55,274</b>

## 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	Warrant reserve HK\$'000	Reserve arising from reorganization HK\$'000	Exchange reserve HK\$'000	Retained profits/ (Deficit) HK\$'000	
At 1 April 2009	45,316	1,249	-	(24,317)	6,525	7,988	36,761
Issue of shares	9,063	29,908	-	-	-	-	38,971
Total comprehensive income for the period	-	-	-	-	14	(10,043)	(10,029)
At 30 September 2009	54,379	31,157	-	(24,317)	6,539	(2,055)	65,703
At 1 April 2010	54,379	29,555	9,680	(24,317)	6,614	(20,637)	55,274
Issue of shares	10,860	24,435	-	-	-	-	35,295
Transaction cost on issue of shares	-	(814)	-	-	-	-	(814)
Shares issued on exercise of options	440	1,320	-	-	-	-	1,760
Total comprehensive income for the period	-	-	-	-	725	(3,896)	(3,171)
At 30 September 2010	65,679	54,496	9,680	(24,317)	7,339	(24,533)	88,344

## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Notes	Six months ended 30 September,	
		2010 HK\$'000	2009 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before taxation		(3,877)	(10,043)
Adjustment for:			
Depreciation	4	35	35
Interest income	2	(17)	(5)
Operating cash flows before movements in working capital		(3,859)	(10,013)
Decrease/(Increase) in inventories		53	(1,332)
(Increase)/Decrease in accounts receivable		(1,785)	5,966
Decrease/(Increase) in other receivables, deposits and prepayments		157	(14,853)
Increase/(Decrease) in accounts payable		69	(494)
Increase/(Decrease) in other payables and accruals		366	(822)
Increase/(Decrease) in receipt in advance		93	(483)
Cash used in operations		(4,906)	(22,031)
Overseas taxation paid		(19)	–
Net cash used in operating activities		(4,925)	(22,031)
<b>INVESTING ACTIVITIES</b>			
Interest received	2	17	5
Purchase of property, plant and equipment	6	(8)	–
Net cash generated from investing activities		9	5
<b>FINANCING ACTIVITIES</b>			
New Shares issued		10,860	9,063
Proceeds from issue of new shares		24,435	29,908
Transaction cost on issue of equity shares		(814)	–
Shares issued on exercise of options		1,760	–
Net cash generated from financing activities		36,241	38,971
Net increase in cash and cash equivalents		31,325	16,945
Cash and cash equivalents at the beginning of the period		22,834	5,642
Effect of foreign exchange rate changes		725	14
Cash and cash equivalents at the end of the period		54,884	22,601
Cash and cash equivalents at the end of the period, represented by			
Bank balances and cash		54,884	22,601
Bank overdrafts		–	–
		54,884	22,601

## NOTES TO THE UNAUDITED CONSOLIDATED RESULTS:–

### 1. Basis of preparation

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

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

The accounting policies used in preparing the unaudited consolidated results are consistent with those used in the Group's annual financial statements for the year ended 31 March 2010.

The consolidated results of the Group for the six months ended 30 September 2010 are unaudited but have been reviewed by the audit committee of the Company ("Audit Committee").

### 2. Revenue and segment information

The Group is principally engaged in the sales of self-service automatic teller machine ("ATM") systems, banking and other related systems, and the provision of hardware and software technical support services. Revenue recognised during the period is as follows:–

	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000
Revenue				
Sale of goods	10,190	13,873	3,310	9,022
Rendering of services	2,449	4,450	1,997	3,546
	12,639	18,323	5,307	12,568
Other revenue				
Government subsidies for business development	1	152	–	113
Interest income	11	17	1	5
	12	169	1	118
Total revenue	12,651	18,492	5,308	12,686

The Group is organized into two main business segments:

- i. Sales of goods – sales of self-service ATM systems, banking and other related equipment
- ii. Rendering of services – provision of hardware and software technical support services

	Sales of goods From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	Rendering of services From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	Group From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000
Revenue	13,873	4,450	18,323
Segment results	550	(512)	38
Other revenue			169
Unallocated costs			(4,084)
Loss before taxation			(3,877)
Income tax expenses			(19)
Loss for the period			(3,896)

The followings is an analysis of the Group's assets and liabilities by reportable segment:

	Sales of goods As at 30 September, 2010 (unaudited) HK\$'000	Rendering of services As at 30 September, 2010 (unaudited) HK\$'000	The Group As at 30 September, 2010 (unaudited) HK\$'000
<b>SEGMENT ASSETS</b>			
Segment assets	18,827	14,068	32,895
Property, plant and equipment (for corporate)			126
Other receivables and prepayments (for corporate)			9,502
Bank balances and cash (for corporate)			51,645
Consolidated assets			94,168
<b>SEGMENT LIABILITIES</b>			
Segment liabilities	2,147	1,153	3,300
Other payables and accruals (for corporate)			2,524
Consolidated liabilities			5,824



	Sales of goods From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	Rendering of services From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000	Group From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000
Revenue	9,022	3,546	12,568
Segment results	1,008	(981)	27
Other revenue			118
Unallocated costs			(10,188)
Loss before taxation			(10,043)
Income tax expenses			–
Loss for the period			(10,043)

	Sales of goods As at 30 September, 2009 (unaudited) HK\$'000	Rendering of services As at 30 September, 2009 (unaudited) HK\$'000	The Group As at 30 September, 2009 (unaudited) HK\$'000
<b>SEGMENT ASSETS</b>			
Segment assets	14,863	17,728	32,591
Property, plant and equipment (for corporate)			149
Other receivables and prepayments (for corporate)			17,197
Bank balances and cash (for corporate)			20,508
Consolidated assets			70,445
<b>SEGMENT LIABILITIES</b>			
Segment liabilities	349	2,241	2,590
Other payables and accruals (for corporate)			2,152
Consolidated liabilities			4,742

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to reportable-segments, other than corporate assets of the Group.
- all liabilities are allocated to reportable segments, other than liabilities not directly related to operation of segments such as other payables and accruals for corporate.

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.

### 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, 2010 (six months ended 30 September, 2009: Nil).

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

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

	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000
Current taxation:				
– Hong Kong profits tax	–	–	–	–
– Overseas taxation	–	19	–	–
Deferred taxation	–	–	–	–
Income tax expenses	–	19	–	–

#### 4. Loss before taxation

The Group's loss before taxation is arrived at after charging:-

	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000
Cost of inventories sold	8,537	11,630	2,242	6,824
Depreciation	17	35	16	35

#### 5. Loss per share

	From 1 July, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 April, 2010 to 30 September, 2010 (unaudited) HK\$'000	From 1 July, 2009 to 30 September, 2009 (unaudited) HK\$'000	From 1 April, 2009 to 30 September, 2009 (unaudited) HK\$'000
Loss				
Loss for the purpose of basic and diluted loss per share	(1,396)	(3,896)	(7,390)	(10,043)

	From 1 July, 2010 to 30 September, 2010 Number of shares	From 1 April, 2010 to 30 September, 2010 Number of shares	From 1 July, 2009 to 30 September, 2009 Number of shares	From 1 April, 2009 to 30 September, 2009 Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	595,922,507	569,999,722	543,792,072	498,477,072
Effect of dilutive potential ordinary shares: Warrants issued by the Company	(104,545,455)	(104,545,455)	-	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	491,377,052	465,454,267	543,792,072	498,477,072

**6. Property, plant and equipment**

During the period, the Group had acquired property, plant and equipment amounting to approximately HK\$8,000 (six months ended 30 September, 2009: HK\$NIL).

**7. Inventories**

	As at 30 September, 2010 (unaudited) HK\$'000	As at 31 March, 2010 (audited) HK\$'000
Merchandise for re-sale	7,159	6,770
Spare parts	4,026	4,468
	<b>11,185</b>	11,238
Less: Provision for slow moving and obsolete inventories	<b>(2,000)</b>	(2,000)
	<b>9,185</b>	9,238

**8. Accounts receivable**

	As at 30 September, 2010 (unaudited) HK\$'000	As at 31 March, 2010 (audited) HK\$'000
Accounts receivable	22,947	21,162
Less: Allowance for doubtful debts	<b>(3,768)</b>	(3,768)
	<b>19,179</b>	17,394

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

At 30 September, 2010, the ageing analysis of the accounts receivable was as follows:

	As at 30 September, 2010 (unaudited) HK\$'000	As at 31 March, 2010 (audited) HK\$'000
Current to 60 days	9,167	8,197
61 – 90 days	2,879	2,339
Over 90 days	10,901	10,626
	<b>22,947</b>	21,162
Less: Allowance for doubtful debts	<b>(3,768)</b>	(3,768)
	<b>19,179</b>	17,394

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

#### 9. Bank balances and cash

	As at 30 September, 2010 (unaudited) HK\$'000	As at 31 March, 2010 (audited) HK\$'000
Cash at bank and on hand	54,884	22,834
Bank balances and cash in the consolidated statement of financial position and in the consolidated statement of cash flows	<b>54,884</b>	22,834
Cash and bank deposits denominated in:		
Hong Kong dollar	36,383	19,647
Chinese Renminbi	18,278	2,994
United States dollar	223	193
	<b>54,884</b>	22,834

Included in the balance was approximately HK\$18,311,280 (31 March, 2010: HK\$2,976,000), representing Renminbi deposits placed with banks in the People's Republic of China (the "PRC" or "China") by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

**10. Other receivables, deposits and prepayments**

The deposit for the possible acquisition of entire issued capital of China-Rus Energy Investment Limited of approximately HK\$15,490,000 was included in other receivables, deposits and prepayments. An impairment loss of HK\$7,745,000 had been provided in last year.

**11. Accounts payable**

	As at 30 September, 2010 (unaudited) HK\$'000	As at 31 March, 2010 (audited) HK\$'000
Accounts payable	2,147	2,078

As at 30 September, 2010, the ageing analysis of the accounts payable was as follows:–

	As at 30 September, 2010 (unaudited) HK\$'000	As at 31 March, 2010 (audited) HK\$'000
Current to 60 days	1,690	1,924
61 – 90 days	434	–
Over 90 days	23	154
	2,147	2,078

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

**12. Share capital**

	<b>Authorized Ordinary shares of HK\$0.1 each</b>	
	No. of shares	HK\$'000
At 31 March, 2010 and 30 September, 2010	1,000,000,000	100,000
	<b>Issued and fully paid Ordinary shares of HK\$0.1 each</b>	
	No. of shares	(unaudited) HK\$'000
At 1 April, 2010	543,792,072	54,379
New Shares issued on 18 August, 2010	108,600,000	10,860
Shares issued on exercise of options	4,400,000	440
At 30 September, 2010	656,792,072	65,679

The shares issued during the six months ended 30 September, 2010 rank pari passu in all respects with other shares in issue.

### 13. Commitments under operating leases – land and building

At 30 September, 2010, the Group had future aggregate minimum lease payments under operating leases as follows:

	As at 30 September, 2010 (unaudited) HK\$'000	As at 31 March, 2010 (audited) HK\$'000
Not later than one year	1,123	1,170
Later than one year and not later than five years	1,114	1,493
	<b>2,237</b>	<b>2,663</b>

### 14. Capital commitments

The Group and the Company did not have significant capital commitments as at 30 September, 2010.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The board ("Board") of Directors announces the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2010.

### *Financial performance*

The revenue of the Group during the six months ended 30 September 2010 was approximately HK\$18.3 million, representing an increase of approximately 45.8 per cent., as compared to the same period last year (six months ended 30 September 2009: approximately HK\$12.6 million).

The Group recorded a loss attributable to equity holders of approximately HK\$3.9 million during the six months ended 30 September 2010, compared with the loss attributable to equity holders of approximately HK\$10.0 million for the corresponding period last year.

Basic loss per share during the six months ended 30 September 2010 was approximately HK0.68 cents, compared with the basic loss per share of approximately HK2.01 cents for the corresponding period last year.

### *Business review*

The Group continued to specialize in the provision of implementation and upgrading of self-service ATM systems, banking and other related systems, application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the People's Republic of China (the "PRC" or "China") during the six months ended 30 September 2010.

During the six months ended 30 September 2010, the Group had entered into an agreement with Fuji Xerox Industry Development (Shanghai) Co., Ltd. ("Fuji Xerox") as its marketing agent for its printing equipment.

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

During the six months ended 30 September 2010, implementation of self-service automatic teller machine ("ATM") systems, banking and other related systems (including the provision of technical consultancy and support services) remained the Group's core business and accounted for approximately 100.0 per cent. (six months ended 30 September 2009: approximately 100.0 per cent.) of the Group's total revenue.

The revenue generated from the implementation of self-service ATM systems, banking and other related systems (including the provision of technical consultancy and support services) amounted to approximately HK\$18.3 million, representing an increase of approximately 45.8 per cent., as compared with the corresponding period last year (six months ended 30 September 2009: approximately HK\$12.6 million).



## *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 24.1 per cent. of the total revenue of the Group for the six months ended 30 September 2010, compared with approximately 28.0 per cent. for the corresponding period last year. Income derived from the provision of technical consultancy and support services during the six months ended 30 September 2010 increased by approximately 25.5 per cent, as compared with the corresponding period last year.

By having ATM service centers established in major cities in China including Shaoxing, Hainan, Taiyuan, Jinan, Shanghai, Beijing, Hefei, Ningbo, Wenzhou, Nanjing, Xian, Yiwu, Chongqing, Wuxi, Tianjin, Yantai, Suzhou, Jinhua, Yingkou, Yancheng, Taizhou, Datong, Jiangdu, Xuzhou and Huaian, the Group has ATM service centres covering a total of 25 strategic cities and locations currently.

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

## *Gross profit*

The Group's gross profit margin for the six months ended 30 September 2010 was approximately 25.0 per cent., compared with approximately 27.7 per cent. for the corresponding period last year.

## *Selling expenses*

Selling expenses incurred by the Group for the six months ended 30 September 2010 amounted to approximately HK\$2.3 million (six months ended 30 September 2009: approximately HK\$1.0 million), representing an increase of approximately 141.2 per cent..

## ***Administrative expenses***

Administrative expenses incurred by the Group for the six months ended 30 September 2010 amounted to approximately HK\$6.3 million (six months ended 30 September 2009: approximately HK\$12.7 million), representing a decrease of approximately 50.4 per cent. The main reason for such decrease was that the Group had incurred one-off expenses in relation to the possible acquisition which was subsequently terminated on 28 May 2010. Please refer to the paragraph headed "Possible acquisition and its termination" below for details.

## ***Liquidity and Financial Resources***

As at 30 September 2010 the Group had cash and bank balances amounting to a total of approximately HK\$54.9 million (31 March 2010: approximately HK\$22.8 million). The Group has no outstanding bank overdraft as at 30 September 2010 (31 March 2010: HK\$Nil).

The Group financed its operations by internally generated cash flow and proceeds from placing of new shares during the six months ended 30 September 2010.

Particulars of the placing of new shares are set out in the relevant section of this report.

## ***Current ratio***

As at 30 September 2010, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 20.5 (31 March 2010: approximately 14.9).

## ***Gearing ratio***

As at 30 September 2010, the gearing ratio of the Group, based on total liabilities over total assets was approximately 6.2 per cent. (31 March 2010: approximately 8.7 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 2010, the Group did not have any banking facilities (31 March 2010: Nil).

## *Charges on assets*

As at 30 September 2010, there was no significant charges on assets of the Group.

## *Contingent liabilities*

As at 30 September 2010, 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 2010, the Group employed 90 and 16 staff in the PRC and Hong Kong, respectively. The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Staff cost, including directors' emoluments, was approximately HK\$5.6 million for the six months ended 30 September 2010 (six months ended 30 September 2009: approximately HK\$5.4 million).

Share options may be granted to Directors and employees of the Group to subscribe for shares in the Company. Particulars of the scheme are set out in the relevant sections of this report.

## *Significant investments held and material acquisitions and disposals of subsidiaries*

There was no significant investments and material acquisitions and disposals of subsidiaries during the period under review.

## **BUSINESS OUTLOOK**

The Group is recognized 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.

Moreover, during the six months ended 30 September 2010, the Group has entered into an agreement with Fuji Xerox as its marketing agent for its printing equipment.

The Group will fully commit itself to being one of the leading ATM Total Solution Providers in the banking sector in the PRC and offering a full range of banking and financial system solutions for the banking and financial sectors, and persist to put efforts on enhancing closer customer relationships, broadening business relationship and exploring new business opportunities in corporate outsourcing technical service sector.

Leveraging on our prudent and experienced management and our strong and determined workforce, the Group, by keeping on boosting its marketing effort in the PRC to bring in new customers, will strive to maintain and expand its operations further, thus expanding our market share while at the same time bringing greater return to our shareholders.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period from 1 April 2010 to 30 September 2010 (six months ended 30 September 2009: Nil).

## CHANGE OF AND UPDATED INFORMATION REGARDING THE DIRECTORS

Starting from 9 August 2010, the remuneration of Mr. Zeng Xiangyi, an executive Director, and Mr. Law Shu Sang, Joseph, a former executive Director who tendered his resignation with effect from 7 October 2010 are HK\$30,000 per month and were HK\$50,000 per month respectively.

Starting from 1 October 2010, the remuneration of Mr. Zeng Xiangyi had been reduced to HK\$10,000 per month and the remuneration of each of Mr. Wong Chung Wai, Eric, Mr. Lai Chun Hung and Mr. Tam Kam Biu, William is HK\$10,000 per month which was determined by the Board with reference to the prevailing market conditions, their roles and responsibilities.

Save as disclosed above, there is no further information to be disclosed pursuant to the requirements of Rule 17.50(A)(1) of the GEM Listing Rules.

## POSSIBLE ACQUISITION AND ITS TERMINATION

### *Memorandum of Understanding*

After trading hours on 22 June 2009, the Company entered into a non-legally binding memorandum of understanding (“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 China-Rus Energy Investment Limited (the “Target Company”, together with its subsidiaries, the “Target Group”), which is principally engaged in the exploration of natural gas business in Russia (“Possible Acquisition”).

Pursuant to the MOU, the Company shall pay to the Vendors a refundable deposit of US\$2,000,000 (“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.

### *Advance to Entity – Payment of Deposit*

As at 10 July 2009, the Company 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). The Company has made disclosure pursuant to Rule 17.15 of the GEM Listing Rules. As at 30 June 2010, the Deposit continued to exceed 8% of the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules).

### *Termination of the Very Substantial Acquisition*

On 18 January 2010, (i) Max Success Group Ltd, a company incorporated in the British Virgin Islands, (ii) Rus Energy Investment Group Limited, a company incorporated in Hong Kong (together with Max Success Group Ltd, the “Sellers”), and (iii) Mr. Yun Qin, a PRC national, as the guarantor (the “Guarantor”), and (iv) Oceania City Investment Company Limited, a wholly-owned subsidiary of the Company (the “Purchaser”), entered into the sale and purchase agreement (the “Agreement”) regarding the sale and purchase of the entire issued capital of the Target Company.

Upon further due diligence review, it was revealed to the Company that the Sellers have committed various breaches of the Agreement which included but not limited to the making of false and misleading Sellers' warranties and representations as to one of the exploration licenses for the Yuzhno-Berezhovskiy gas field located in the Olyokminskiy Region of Sakha (Yakutia) Republic of the Russian Federation owned by the Target Group, which has been terminated by the relevant government authority in Russia on 1 January 2010 which was a date before the entering into the Agreement. As such, the Purchaser decided to terminate the Possible Acquisition and rescinded the Agreement with effect from 28 May 2010.

Under the Agreement, on rescission of the Agreement by the Purchaser, the Sellers shall within seven (7) business days refund the Deposit to the Purchaser. Further announcement will be made by the Company on the receipt of such refund.

To the best knowledge, information and belief of the Directors, the termination of the Possible Acquisition will not have any adverse material impact on the business, operations or financial condition of the Group.

Further, in addition to the breaches of Sellers' warranties, the resources in the two natural gas sites were only prospective resources. According to the amendments to the GEM Listing Rules which became effective on 3 June 2010, mineral companies must establish to the Stock Exchange's satisfaction that it has at least a portfolio of indicated resources or contingent resources. As such, the Company considers that the termination of the Proposed Acquisition was justifiable and in the interest of the Company and the shareholders of the Company as a whole.

### ***Failure to refund the Deposit***

On 28 May 2010, a notice of termination ("Termination Notice") was served to the Sellers for termination of the Agreement and the Sellers were demanded to repay the Deposit within seven (7) business days from the date of the Termination Notice.

The deadline for repayment of the Deposit fell on 8 June 2010 and the Company received no reply or payment from either the Sellers or the Guarantor.

The Purchaser has demanded the Sellers immediate repayment of the said principal sum of US\$2,000,000 (equivalent to approximately HK\$15,500,000) ("Debt"); unless the said sum is repaid by no later than 30 June 2010, the Company will commence legal proceedings against the Sellers and the Guarantor for recovery of the Debt without further notice.

As at the date of this report, the Company received no reply nor payment from either the Sellers or the Guarantor. The Company is currently seeking legal advice as to the appropriate legal actions against the Sellers and/or the Guarantor to be taken in order to safeguard the interest of the Company.

Please refer to the announcements of the Company dated 23 June 2009, 25 June 2009, 10 July 2009, 25 September 2009, 23 October 2009, 23 November 2009, 4 December 2009, 19 December 2009, 31 May 2010, 8 June 2010 and 2 July 2010 for further details of the Possible Acquisition and its termination.

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

During the six months ended 30 September 2010, the Company has conducted one equity fund raising activity. After trading hours on 3 August 2010, Quam Securities Corporation Limited ("Placing Agent") and the Company entered into the placing agreement ("Placing Agreement") pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis, a maximum of 108,600,000 placing shares to not less than six places at the placing price of HK\$0.325 per placing share.

All the conditions of the placing Agreement had been fulfilled and the completion of the placing took place on 18 August 2010 whereby 108,600,000 placing shares were placed to not less than six places, each an independent third party, through the Placing Agent at HK\$0.325 per placing share.

The Company received net proceeds of approximately HK\$34.5 million from the placing.

Please refer to the announcements of the Company dated 3 August 2010 and 18 August 2010 for details.

## **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 2010, 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) ("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 Directors	Name of company	Capacity	Number and class of securities (Note)	Percentage shareholding in the same class of securities
Mr. Hou Hsiao Bing (Executive Director)	The Company	Beneficial owner	133,150,000 ordinary shares (L)	20.27%
Mr. Hou Hsiao Wen (Executive Director)	The Company	Beneficial owner	27,370,000 ordinary shares (L)	4.17%

Note: The letter "L" represents the Director's interests in the shares and underlying shares of the Company.

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

Name of Director	Name of Associated Corporations	Number of shares in which interested	Nature of interest	Approximate percentage holding of the non-voting deferred shares
Mr. Hou Hsiao Bing (Executive Director)	Truth Honour Electronic Limited	3,000,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares
Mr. Hou Hsiao Bing (Executive Director)	Soluteck Investments Limited	500,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares

Truth Honour Electronic Limited and Soluteck Investments Limited are subsidiaries of the Company and are thus associated corporations of the Company.



## SHARE OPTION SCHEMES

### 1. *PRE-IPO SHARE OPTIONS*

On 13 December 2000, the shareholders of the Company approved and adopted a share option scheme (“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 (“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 30.9.2010	Closing price per share immediately before the date of grant (HK\$) (Note)
	Outstanding at 1.4.2010	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	(2,000,000)	Nil	Nil	Nil
Hou Hsiao Wen	2,000,000	Nil	(2,000,000)	Nil	Nil	Nil
– Other Employees	2,400,000	Nil	(400,000)	Nil	2,000,000	Nil
	6,400,000	Nil	(4,400,000)	Nil	2,000,000	

Note: As the shares of the Company commenced to be listed on the GEM on 3 January 2001, no closing price per share of the Pre-IPO Share Options could be calculated.

## 2. NEW SHARE OPTION SCHEME ADOPTED ON 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.

The principal terms of the New Scheme is set out as follows:

The purpose of the New Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Participants under the Scheme include directors and employees of the Group or any entity ("Invested Entity") in which the Group holds an equity interest; any suppliers, customers, advisers or consultants of the Group or any Invested Entity; any persons or entities that provide research development or other technological support to the Group or any Invested Entity; any holders of securities issued by any member of the Group or any Invested Entity; and any other groups or classes of participants whom the Board considers have contributed or will contribute to the Group.

The maximum number of shares to be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option schemes of the Group) to be granted under the New Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the date of passing of the relevant resolution adopting the New Scheme ("General Scheme Limit"). On the basis that there were a total of 452,612,072 shares in issue as at the date of passing of the relevant resolution of the New Scheme on 30 July 2004, the Directors were allowed to grant options carrying rights to subscribe for a maximum of 45,261,207 shares under the General Scheme Limit.

Up to 30 September 2010, no options were granted or exercised under the New Scheme. The total number of securities available was 45,261,207 shares, representing approximately 6.9% of the Company's shares in issue as at 30 September 2010.

The maximum number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued shares from time to time.

An option may be accepted by a participant within 21 days from the date of the offer for grant of the option.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to grantees, there is no minimum period required under the New Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The subscription price for shares under the New Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheet for five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The New Scheme will remain in force for a period of 10 years commencing on the date on which the New Scheme is adopted, i.e. until 29 July 2014.

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

As at 30 September 2010, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Number of ordinary shares	Capacity	Approximate percentage of interest
Mr. Ren Baogen	58,830,000	Beneficial owner	8.96%
China Technology Development Group Corporation ( <i>Note 1</i> )	34,000,000	Interest of controlled corporation ( <i>Note 1</i> )	5.18%
BHL Solar Technology Company Limited ( <i>Note 1</i> )	32,950,000	Beneficial owner ( <i>Note 1</i> )	5.02%
	1,050,000	Beneficiary of a trust ( <i>Note 1</i> )	0.16%
Mr. Yun Qin ( <i>Note 3</i> )	530,875,000	Beneficial owner ( <i>Note 2</i> )	80.83%
Ms. Hu Jianming ( <i>Note 3 and 4</i> )	530,875,000	Beneficial owner ( <i>Note 2 and 3</i> )	80.83%
Max Success Group Ltd ( <i>Note 3</i> )	451,243,750	Beneficial owner ( <i>Note 2</i> )	68.70%
Rus Energy Investment Group Ltd ( <i>Note 3</i> )	79,631,250	Beneficial owner ( <i>Note 2</i> )	12.12%

Notes:

1. BHL Solar Technology Company Limited is wholly-owned by China Technology Development Group Corporation.
2. These interests in shares of the Company represented the consideration shares and the convertible bonds that would be issued pursuant to a sale and purchase agreement dated 18 January 2010 in relation to the proposed acquisition of China-Rus Energy Investment Limited. The Company terminated such possible acquisition and rescinded such agreement with effect from 28 May 2010.
3. Ms. Hu Jianming is the spouse of Mr. Qin Yun. Accordingly, Ms. Hu Jianming is deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Yun is interested.

Save as disclosed above, as at 30 September 2010, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

## AUDIT COMMITTEE

The 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 Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Tam Kam Biu, William, Mr. Wong Chung Wai, Eric and Mr. Lai Chun Hung. The unaudited consolidated results of the Group for the six months ended 30 September 2010 have been reviewed and approved by the Audit Committee.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Tam Kam Biu, William, an independent non-executive Director, is an executive director of China Bio Cassava Holdings Limited (Stock Code: 8129), a company incorporated in the Cayman Islands whose securities are listed on GEM. As China Bio Cassava Holdings Limited is also a company which is engaged in business related to research and development of information technology, China Bio Cassava Holdings Limited may be in competition with the Group.

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

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

The Company had not redeemed any of its Shares during the six months ended 30 September 2010. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the six months ended 30 September 2010.

## **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.

## **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, Mr. Tam Kam Biu, William, Mr. Wong Chung Wai, Eric and Mr. Lai Chun Hung.

## CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 September 2010, the Company has complied with the Code of Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16.

On behalf of the Board

**Hou Hsiao Bing**

*Chairman*

Hong Kong, 8 November 2010

*As at the date of this report, the Board comprises the following Directors:*

*Executive Directors:*

*Mr. Hou Hsiao Bing*

*Mr. Hou Hsiao Wen*

*Mr. Zeng Xiangyi*

*Ms. Wang Daling*

*Mr. Ho Chi Fai, Thomas*

*Independent non-executive Directors:*

*Mr. Tam Kam Biu, William*

*Mr. Wong Chung Wai, Eric*

*Mr. Lai Chun Hung*