

FIRST QUARTERLY REPORT 2011



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”)

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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.

QUARTERLY RESULTS HIGHLIGHTS

- The revenue of the Group during the three months ended 30 June 2011 was approximately HK\$8.4 million, representing an increase of approximately 47.2 per cent., as compared to the same period last year (three months ended 30 June 2010: approximately HK\$5.7 million).
- The loss attributable to equity holders of the Company during the three months ended 30 June 2011 was approximately HK\$21.8 million (three months ended 30 June 2010: approximately HK\$2.5 million).
- The Board does not recommend the payment of quarterly dividend for the three months ended 30 June 2011 (three months ended 30 June 2010: Nil).

The board ("Board") of Directors announces the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months ended 30 June 2011.

CHAIRMAN'S STATEMENT

Financial performance

The revenue of the Group during the three months ended 30 June 2011 was approximately HK\$8.4 million, representing an increase of approximately 47.2 per cent., as compared to the same period last year (three months ended 30 June 2010: approximately HK\$5.7 million).

The Group recorded a loss attributable to equity holders of the Company of approximately HK\$21.8 million in the three months ended 30 June 2011, compared with the loss attributable to equity holders of the Company of approximately HK\$2.5 million for the corresponding period last year, mainly as a result of a loss of approximately HK\$3.2 million arising from the change in fair value of financial assets at fair value through profit or loss, the recognition of the one-off professional expenses arising from the acquisition of China Technology Solar Power Holdings Limited ("CTSP (BVI)") of approximately HK\$4.4 million, and the imputed finance costs on convertible bonds of approximately HK\$1.1 million.

Basic loss per share during the three months ended 30 June 2011 was approximately HK2.79 cents, compared with the basic loss per share of approximately HK0.46 cents for the corresponding period last year.

The Group's gross profit margin for the three months ended 30 June 2011 was approximately 24.6 per cent., compared with approximately 22.3 per cent. for the corresponding period last year.

Business review

The Group continued to specialize in the provision of implementation and upgrading of self-service automatic teller machine ("ATM") systems and printing systems, application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the People's Republic of China ("PRC" or "China") during the three months ended 30 June 2011.

After the completion of the acquisition of the entire issued share capital of CTSP (BVI) on 1 June 2011, the Group will commence the business activities of solar energy generation and related power system integration business in the PRC in the year ending 31 March 2012.

Implementation of self-service ATM systems and printing systems

During the three months ended 30 June 2011, implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) remained the Group's core business and accounted for approximately 100.0 per cent. (three months ended 30 June 2010: approximately 100.0 per cent.) of the Group's revenue from the sales of goods and rendering of services.

The revenue generated from the implementation of self-service ATM systems and printing systems (including the provision of technical consultancy and support services) amounted to approximately HK\$8.4 million, representing an increase of approximately 47.2 per cent., as compared with the corresponding period last year (three months ended 30 June 2010: approximately HK\$5.7 million).

Solar energy generation

During the three months ended 30 June 2011, the Group did not have income generated from solar energy generation (three months ended 30 June 2010: Nil).

Power system integration business

During the three months ended 30 June 2011, the Group did not have income generated from the power system integration business (three months ended 30 June 2010: Nil).

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 and printing systems business, contributed to a stable and recurrent source of income for the Group and accounted for approximately 17.8 per cent. of the total revenue from the sales of goods and rendering of services of the Group for the three months ended 30 June 2011, compared with approximately 35.2 per cent. for the corresponding period last year. Income derived from the provision of technical consultancy and support services during the three months ended 30 June 2011 decreased by approximately 25.6 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, Wenzhou, Nanjing, Yiwu, Chongqing, Wuxi, Changshu, Suzhou, Jinhua, Yingkou, Yancheng, Taizhou, Datong, Jiangdu, Xuzhou, Huzhou, Lvliao, Quzhou and Huaian, the Group has ATM service centers covering a total of 25 strategic cities and locations currently.

In respect of marketing and sales of self-service ATM systems and printing systems, as well as the provision of system maintenance and enhancement services to financial institutions, the Group maintained its position with new contracts clinched with Postal Savings Bank of China, Bank of Communications, the Commercial Bank, Bank of Taizhou, 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.

Business prospects

The Group is recognized as a professional ATM software, hardware and service 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 a marketing agent for Fuji Xerox for its printing systems in China.

The Group will fully commit itself to being one of the leading ATM total solution providers in the banking sector in the PRC and offer 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 relationships 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.

Following the completion of the acquisition of the entire issued share capital of CTSP (BVI) on 1 June 2011, the Group is positioned to benefit from the growing demand in energy in the PRC, as well as the growing emphasis and awareness on renewable energy by the PRC government.

As the new energy industry such as solar photovoltaic power stations and biomass energy power stations are emerging in the PRC, the need for system integration services grows accordingly. Given that there is the strict entry requirements and the business of provision of solar energy is a new industry in the PRC, CTSP (BVI) has (i) since its establishment, conducted preliminary works and studies including various substantial researches and studies about the selection of location, power grid, climate, policies and environment for the development of solar photovoltaic power stations in Qinghai Province; (ii) already obtained certain permits and approvals from the government authority for the construction of the power station; and (iii) established a medium of communication with the local government. With such a solid foundation for the business of provision of solar energy, CTSP (BVI) has a competitive advantage in such new industry in the PRC. The acquisition is an opportunity for the Company to diversify its scope of business and to enter into a high growth business sector, so as to maximize the shareholders' value.

Chiu Tung Ping
Chairman
Soluteck Holdings Limited

Hong Kong, 9 August 2011

RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June 2011 together with comparative unaudited consolidated results of the Group for the corresponding period in 2010 as follows:

	Notes	From 1 April 2011 to 30 June 2011 (unaudited) HK\$'000	From 1 April 2010 to 30 June 2010 (unaudited) HK\$'000
Revenue	2	8,369	5,684
Cost of sales		(6,312)	(4,418)
Gross profit		2,057	1,266
Other revenue	2	152	157
Selling expenses		(1,392)	(651)
Change in fair value of financial assets at fair value through profit or loss	3	(3,228)	–
Administrative expenses		(18,345)	(3,253)
Loss from operations	3	(20,756)	(2,481)
Finance costs	4	(1,062)	–
Loss before taxation		(21,818)	(2,481)
Income tax expenses	5	(11)	(19)
Loss for the period		(21,829)	(2,500)
Other comprehensive income			
Exchange differences on translation of financial statements of overseas subsidiaries		631	247
Total comprehensive income for the period		(21,198)	(2,253)
Loss for the period attributable to: Equity holders of the Company		(21,829)	(2,500)
Total comprehensive income attributed to: Equity holders of the Company		(21,198)	(2,253)
Dividend		–	–
Loss per share			
– Basic	6	(2.79 cents)	(0.46 cents)
– Diluted	6	(3.45 cents)	(0.56 cents)

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 (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”) 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 2011, except for adoption of new and revised HKFRSs and HKAS issued by the Hong Kong Institute of Certified Public Accountants which are effective to the Group for accounting periods beginning on or after 1 January 2011. The adoption of the new HKFRSs and HKAS has no material impact on the Group’s results and financial position for the current or prior periods.

The consolidated results of the Group for the three months ended 30 June 2011 are unaudited but have been reviewed by the audit committee of the Company (“Audit Committee”).

2. REVENUE

The Group is principally engaged in the sales of self-service ATM systems and printing systems as well as the provision of hardware and software technical support services.

Following the completion of the acquisition of the entire issued share capital of CTSP (BVI) on 1 June 2011, the Group will commence solar energy generation and power system integration business in the PRC in the year ending 31 March 2012. The Group did not have income generated from these businesses during the three months ended 30 June 2011.

Revenues recognised during the period are as follows: –

	From 1 April 2011 to 30 June 2011 HK\$’000	From 1 April 2010 to 30 June 2010 HK\$’000
Revenue		
Sales of goods	6,880	3,683
Rendering of services	1,489	2,001
	8,369	5,684
Other revenue		
Government subsidies for business development	142	151
Interest income	10	6
	152	157
Total revenue	8,521	5,841

3. LOSS FROM OPERATIONS

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

	From 1 April 2011 to 30 June 2011 HK\$'000	From 1 April 2010 to 30 June 2010 HK\$'000
Cost of inventories	5,190	3,093
Depreciation	171	18
Change in fair value of financial assets at fair value through profit or loss	3,228	–

4. FINANCE COSTS

	From 1 April 2011 to 30 June 2011 HK\$'000	From 1 April 2010 to 30 June 2010 HK\$'000
Imputed finance costs on convertible bonds	1,062	–

5. INCOME TAX EXPENSES

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the three months ended 30 June 2011 (three months ended 30 June 2010: Nil).

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

	From 1 April 2011 to 30 June 2011 HK\$'000	From 1 April 2010 to 30 June 2010 HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	11	19
Deferred taxation	–	–
Income tax expenses	11	19

6. LOSS PER SHARE

	From 1 April 2011 to 30 June 2011 HK\$'000	From 1 April 2010 to 30 June 2010 HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share	21,829	2,500
	From 1 April 2011 to 30 June 2011	From 1 April 2010 to 30 June 2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	781,038,226	543,792,072
Effect of dilutive potential ordinary shares: Warrants issued by the Company	(148,275,862)	(94,594,595)
Weighted average number of ordinary shares for the purpose of diluted loss per share	632,762,364	449,197,477

QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the period from 1 April 2011 to 30 June 2011 (three months ended 30 June 2010: Nil).

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company							Total
	Share capital	Share premium	Warrant reserve	Reserve arising from reorganization	Exchange reserve	Convertible bonds reserve	Retained profits (Deficit)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	54,379	29,555	9,680	(24,317)	6,614	-	(20,637)	55,274
Total comprehensive income for the period	-	-	-	-	247	-	(2,500)	(2,253)
At 30 June 2010	54,379	29,555	9,680	(24,317)	6,861	-	(23,137)	53,021
At 1 April 2011	73,719	85,600	9,680	(24,317)	8,464	2,387	(56,989)	98,544
Issue of consideration shares (note d)	13,300	41,230	-	-	-	-	-	54,530
Equity component of convertible bonds (note d)	-	-	-	-	-	119,919	-	119,919
Deferred tax liabilities arising from the convertible bonds	-	-	-	-	-	(19,787)	-	(19,787)
Total comprehensive income for the period	-	-	-	-	631	-	(21,829)	(21,198)
At 30 June 2011	87,019	126,830	9,680	(24,317)	9,095	102,519	(78,818)	232,008

Notes:

- During the year ended 31 March 2010, the Company issued 100,000,000 warrant at HK\$0.10 each for cash. Net proceeds from the issuance of warrant of approximately HK\$9,680,000 was recognized as warrant reserve.
- The reserve arising from reorganization of approximately 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.
- On 5 November 2010, the Company issued convertible bonds with a principal amount of HK\$26,000,000. Equity component of the convertible bonds of approximately HK\$2,387,000 was recognized in the convertible bonds reserve account.
- Pursuant to the conditional sale and purchase agreement dated 13 December 2010 entered into between (i) City Max International Limited; (ii) the Company; (iii) Good Million Investments Limited; (iv) Mr. Chiu Tung Ping; and (v) Ms. Yuen Hing Lan in relation to the sale and purchase of the entire issued share capital of CTSP (BVI), the Company has issued 133,000,000 consideration shares and convertible bonds in the aggregate principal amount of HK\$163,100,000 to Good Million Investments Limited on 1 June 2011. Details of the acquisition is contained in the circular of the Company dated 16 May 2011. Equity component of the convertible bonds of approximately HK\$119,919,000 was recognized in the convertible bonds reserve account.

ADVANCE TO ENTITY – PAYMENT OF DEPOSIT

As at 10 July 2009 the Company paid a refundable deposit of US\$2,000,000 (“Deposit”) in connection with a possible acquisition of Rus Energy Investment Limited, which is principally engaged in the exploration of natural gas business in Russia (“Possible Acquisition”). The Possible Acquisition had been terminated with effect from 28 May 2010.

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, 2 July 2010 and 29 December 2010 for further details of the Possible Acquisition and its termination.

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. The Deposit continued to exceed 8% of the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules).

PROPOSED CHANGE OF COMPANY NAME

At the extraordinary general meeting of the Company held on 13 July 2011, a special resolution has been passed to change the name of the Company from “Soluteck Holdings Limited” to “China Technology Solar Power Holdings Limited”. The Company is carrying out all necessary filing procedures with the Companies Registry in Hong Kong. Further announcement(s) will be made by the Company to inform the shareholders of the relevant trading arrangement and new stock short name as a result of the change of company name in due course.

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

As at 30 June 2011, 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 the Directors 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	Capacity	Number and class of securities (Note 1)	Percentage shareholding in the same class of securities (Note 2)
Mr. Hou Hsiao Bing (Executive Director)	Beneficial owner	131,150,000 ordinary shares (L)	15.07%
Mr. Hou Hsiao Wen (Executive Director)	Beneficial owner	25,370,000 ordinary shares (L)	2.92%
Mr. Chiu Tung Ping (Executive Director)	Interests of controlled corporation (Note 3)	331,200,000 ordinary shares (L) 40,000,000 ordinary shares (S)	38.06% 4.60%
Ms. Yuen Hing Lan (Executive Director)	Interests of spouse (Note 3)	331,200,000 ordinary shares (L) 40,000,000 ordinary shares (S)	38.06% 4.60%

Notes:

1. The letter "L" represents the Directors' long positions in the interests in the shares and underlying shares of the Company and the letter "S" represents the Directors' interests in the short positions in the shares and underlying shares of the Company.
2. As at 30 June 2011, the entire issued share capital of the Company is 870,192,072 shares of HK\$0.1 each.
3. Mr. Chiu Tung Ping and Ms. Yuen Hing Lan held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited. Ms. Yuen Hing Lan is the spouse of Mr. Chiu Tung Ping, and hence both Mr. Chiu Tung Ping and Ms. Yuen Hing Lan were deemed to be interested in the shares of the Company held by Good Million Investments Limited.

(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 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.

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

As at 30 June 2011, the following persons or entities, 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 interested <i>(Note 5)</i>	Capacity	Approximate percentage of the Company's issued share capital as at 30 June 2011 <i>(Note 6)</i>
Mr. Ren Baogen	58,830,000 (L)	Beneficial owner	6.76%
Mr. Qin Yun	530,875,000 (L)	Interest of controlled corporation <i>(Note 1)</i>	61.01%
Ms. Hu Jianming	530,875,000 (L)	Interests of spouse <i>(Note 1 and 2)</i>	61.01%
Max Success Group Ltd	451,243,750 (L)	Beneficial owner <i>(Note 1)</i>	51.86%
Rus Energy Investment Group Limited	79,631,250 (L)	Beneficial owner <i>(Note 1)</i>	9.15%
Best Jump International Limited	46,000,000 (L)	Beneficial owner <i>(Note 3)</i>	5.29%
Mr. Ho Lawrence Yau Lung	46,000,000 (L)	Interests of controlled corporation <i>(Note 3)</i>	5.29%
Good Million Investments Limited	331,200,000 (L)	Beneficial owner <i>(Note 4)</i>	38.06%
	40,000,000 (S)		4.60%
China Technology Development Group Corporation	72,500,000 (L)	Beneficial owner <i>(Note 7)</i>	8.33%
Mr. Qin Zhongde	88,000,000 (L)	Beneficial owner <i>(Note 8)</i>	10.11%

Notes:

1. The 451,243,750 shares and 79,631,250 shares in the Company represented the consideration shares that would have been issued to Max Success Group Ltd ("Max Success") and Rus Energy Investment Group Limited ("Rus Energy"), respectively, by the Company as part payment of consideration pursuant to a sale and purchase agreement in respect of the entire issued share capital of China-Rus Energy Investment Limited dated 18 January 2010 among Max Success and Rus Energy as vendors, Mr. Qin Yun as guarantor and Oceania City Investment Company Limited ("Purchaser"), a wholly-owned subsidiary of the Company, as purchaser upon and if the said sale and purchase agreement was completed. Since Mr. Qin Yun held 100% and 60%, respectively, interest in the entire issued shares in Max Success and Rus Energy, he is deemed to be interested in all the shares of the Company in which Max Success and Rus Energy would be interested pursuant to the SFO. The Purchaser subsequently decided to terminate the acquisition and rescind the said sale and purchase agreement with effect from 28 May 2010. Notwithstanding that, none of Max Success, Rus Energy and Mr. Qin Yun has notified the Company of the cessation or any change of their interest in the above shares of the Company.
2. 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.
3. Best Jump International Limited is wholly and beneficially owned by Mr. Ho Lawrence Yau Lung. Best Jump International Limited was interested in 46,000,000 underlying shares of the Company which may be issued and allotted upon exercise of the conversion right attaching to the convertible bonds in the principal amount of HK\$23,000,000 at the conversion price of HK\$0.5 per share.
4. Mr. Chiu Tung Ping and Ms. Yuen Hing Lan, both being executive Directors, held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited.
5. The letter "L" represents the long position in the shares and underlying shares of the Company and the letter "S" represents the short positions in the shares and underlying shares of the Company.
6. As at 30 June 2011, the entire issued share capital of the Company is 870,192,072 shares of HK\$0.1 each.
7. BHL Solar Technology Company Limited is wholly-owned by China Technology Development Group Corporation.
8. Ms. Huang Xiulan is the spouse of Mr. Qin Zhongde. Accordingly, Ms. Huang Xiulan is deemed, by virtue of SFO, to be interested in all the shares in which Mr. Qin Zhongde is interested.

Save as disclosed above, as at 30 June 2011, 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. Zhou Jing and Mr. Yang Guocai. The unaudited consolidated results of the Group for the three months ended 30 June 2011 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 has an interest in a business which competes or may compete with the business of the Group.

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

The Company had not redeemed any of its shares during the three months ended 30 June 2011. Neither the Company nor any of its subsidiaries purchased or sold any of the shares during the three months ended 30 June 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On behalf of the Board

Chiu Tung Ping

Chairman and executive Director

Hong Kong, 9 August 2011

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

Executive Directors:

Chiu Tung Ping (Chairman)

Yuen Hing Lan

Hou Hsiao Bing

Hou Hsiao Wen

Zeng Xiangyi

Wang Daling

Xu Wei

Leung King Pak

Ren Huiye

Independent non-executive Directors:

Tam Kam Biu, William

Zhou Jing

Yang Guocai