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This announcement, for which the directors (the “Directors”) of Soluteck Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



SOLUTECK HOLDINGS LIMITED

一創科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

**FIRST QUARTERLY RESULT ANNOUNCEMENT 2009
FOR THE THREE MONTHS ENDED 30 JUNE 2009**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

* *For identification purpose only*

QUARTERLY RESULTS HIGHLIGHTS

- The revenue of the Group during the three months ended 30 June 2009 was approximately HK\$7.3 million, representing a decrease of approximately 34.4 per cent., as compared to the same period last year.
- The net loss attributable to shareholders of the Company during the three months ended 30 June 2009 was approximately HK\$2.7 million.
- The Board does not recommend the payment of quarterly dividend for the three months ended 30 June 2009.

The Board (the “Board”) of Directors announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 30 June 2009.

CHAIRMAN’S STATEMENT

Financial performance

The revenue of the Group during the three months ended 30 June 2009 was approximately HK\$7.3 million, representing a decrease of approximately 34.4 per cent., as compared to the same period last year. The management believes that the decrease in the revenue of the Group was mainly attributable to the keen competition among different suppliers of automatic teller machine (“ATM”) systems in the People’s Republic of China (the “PRC” or “China”) during the period under review.

The Group recorded a loss attributable to shareholders of approximately HK\$2.7 million in the three months ended 30 June 2009, compared with the loss attributable to shareholders of approximately HK\$1.4 million for the corresponding period in last year. Loss per share during the three months ended 30 June 2009 was approximately HK0.59 cents, compared with the loss per share of approximately HK0.31 cents for the corresponding period in last year.

The Group’s gross profit margin for the three months ended 30 June 2009 was approximately 16.6 per cent., compared with approximately 26.5 per cent. for the corresponding period in last year.

Business review

The Group continued to specialize in the provision of implementation and upgrading of self-service ATM systems and other systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the PRC during the three months ended 30 June 2009.

Implementation of self-service ATM systems

During the three months ended 30 June 2009, implementation of self-service ATM systems remained the Group's core business and accounted for approximately 100.0 per cent. (3 months ended 30 June 2008: approximately 100.0 per cent.) of the Group's total revenue, including the income derived from the provision of technical consultancy and support services.

The revenue generated from the implementation of self-service ATM systems amounted to approximately HK\$7.3 million, representing a decrease of approximately 34.4 per cent., as compared with the corresponding period in last year. Such a drop was mainly attributable to the keen competition among different suppliers of ATM systems in the PRC during the period under review.

Provision of technical consultancy and support services

The provision of technical consultancy and support services, which were already included in the above-mentioned implementation of self-service ATM systems business, contributed to a stable and recurrent source of income for the Group and accounted for approximately 21.3 per cent. of the total revenue of the Group for the three months ended 30 June 2009, compared with approximately 25.0 per cent. for the corresponding period in last year. Actual income derived from the provision of technical consultancy and support services decreased by approximately 44.0 per cent..

By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Taiyuan, Jinan, Pingdingshan, Shanghai, Beijing, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Zhoukou, Yiwu, Chongqing, Jiaozuo, Urumqi, Wuxi, Tianjin, Yantai, Sanming, Suzhou, Dalian, Jinhua, Hubei, Yingkou, Yancheng, Taizhou, Harbin, Jingzhou, Datong, Anhui, Sanmenxia, Xuzhou and Bengbu, the Group has ATM service centres to cover a total of 38 strategic cities and locations currently.

In respect of marketing and sales of self-service ATM systems and the provision of system maintenance and enhancement services to financial institutions, the Group maintained its leading position with new contracts clinched with the 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 OUTLOOK

The Group is recognised as a prestigious and experienced professional ATM software, hardware and services company in the ATM sector, and is an authorized value-added reseller of self-service ATM systems of NCR (Beijing) Financial Equipment System Co., Ltd ("NCR") and related applications hardware and software for commercial banks in China.

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

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

Hou Hsiao Bing
Chairman
Soluteck Holdings Limited

Hong Kong, 11 August 2009

RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June 2009 (the “Period”) together with comparative unaudited consolidated results of the Group for the corresponding period in 2008 as follows:

		From 1 April 2009 to 30 June 2009 (unaudited) HK\$'000	From 1 April 2008 to 30 June 2008 (unaudited) HK\$'000
	<i>Notes</i>		
Revenue	2	7,261	11,062
Cost of sales		<u>(6,059)</u>	<u>(8,132)</u>
Gross profit		1,202	2,930
Other revenue	2	117	210
Selling expenses		(405)	(531)
Administrative expenses		<u>(3,567)</u>	<u>(3,532)</u>
Operating loss	3	(2,653)	(923)
Finance costs	4	<u>–</u>	<u>(39)</u>
Loss before taxation		(2,653)	(962)
Income tax expenses	5	<u>–</u>	<u>(445)</u>
Loss attributable to shareholders		<u><u>(2,653)</u></u>	<u><u>(1,407)</u></u>
Basic loss per share	6	<u><u>HK(0.59 cents)</u></u>	<u><u>HK(0.31 cents)</u></u>

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 2009.

The consolidated results of the Group for the three months ended 30 June 2009 are unaudited but have been reviewed by the Company's Audit Committee.

2. REVENUE

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

	From 1 April 2009 to 30 June 2009 HK\$'000	From 1 April 2008 to 30 June 2008 HK\$'000
Revenue		
Sales of goods	5,712	8,294
Rendering of services	<u>1,549</u>	<u>2,768</u>
	<u>7,261</u>	<u>11,062</u>
Other revenue		
Government subsidies for business development	113	201
Interest income	<u>4</u>	<u>9</u>
	<u>117</u>	<u>210</u>
Total revenue	<u><u>7,378</u></u>	<u><u>11,272</u></u>

3. OPERATING LOSS

The Group's operating loss is arrived at after charging:

	From 1 April 2009 to 30 June 2009 HK\$'000	From 1 April 2008 to 30 June 2008 HK\$'000
Cost of inventories	4,582	6,444
Depreciation	<u>19</u>	<u>37</u>

4. FINANCE COSTS

	From 1 April 2009 to 30 June 2009 HK\$'000	From 1 April 2008 to 30 June 2008 HK\$'000
Interest on bank overdraft	<u>-</u>	<u>39</u>

5. INCOME TAX EXPENSES

There was no provision for Hong Kong and overseas profits tax as the Group has no assessable profit for the three months ended 30 June 2009 (three months ended 30 June 2008: Nil).

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

	From 1 April 2009 to 30 June 2009 HK\$'000	From 1 April 2008 to 30 June 2008 HK\$'000
Current income tax		
– Hong Kong profits tax	-	-
– Overseas taxation	-	445
Deferred taxation	<u>-</u>	<u>-</u>
Income tax expenses	<u>-</u>	<u>445</u>

6. BASIC LOSS PER SHARE

The calculation of basic loss per share for the three months ended 30 June 2009 is based on the Group's loss attributable to shareholders of approximately HK\$2,653,000 (three months ended 30 June 2008: loss of approximately HK\$1,407,000) and the 453,162,072 (three months ended 30 June 2008: 453,162,072) ordinary shares in issue during the period.

No diluted loss per share for the three months ended 30 June 2009 and 2008 are presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. As at 30 June 2009, the Group had cash and bank balances amounting to a total of approximately HK\$6.4 million (31 March 2009: HK\$5.6 million). The Group has no outstanding bank overdraft as at 30 June 2009 (31 March 2009: HK\$Nil). The bank overdraft was at Hong Kong Dollar prime rate.

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

QUARTERLY DIVIDEND

The Board does not recommend the payment of quarterly dividend for the period from 1 April 2009 to 30 June 2009 (three months ended 30 June 2008: Nil).

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves					Total HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Reserve arising from reorganisation* HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2008	45,316	1,249	(24,317)	5,736	11,164	39,148
Exchange difference	–	–	–	1,076	–	1,076
Loss for the period	–	–	–	–	(1,407)	(1,407)
At 30 June 2008	<u>45,316</u>	<u>1,249</u>	<u>(24,317)</u>	<u>6,812</u>	<u>9,757</u>	<u>38,817</u>
At 1 April 2009	45,316	1,249	(24,317)	6,525	7,988	36,761
Exchange difference	–	–	–	(1)	–	(1)
Loss for the period	–	–	–	–	(2,653)	(2,653)
At 30 June 2009	<u>45,316</u>	<u>1,249</u>	<u>(24,317)</u>	<u>6,524</u>	<u>5,335</u>	<u>34,107</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.*

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

The following disclosure is made pursuant to Rule 17.10 of the Rules Governing the Listing of the Securities on the Growth Enterprise Market (the “**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited.

The Possible Acquisition

After trading hours on 22 June 2009, the Company has entered into a non-legally binding memorandum of understanding (the “**MOU**”) with (i) Max Success Group Limited, a company incorporated in the British Virgin Islands, (ii) Rus Energy Investment Group Ltd., a company incorporated in Hong Kong, and (iii) Mr. Yun Qin, a PRC national (together, the “**Vendors**”), pursuant to which the Company wishes to acquire, and the Vendors wish to sell, all of the equity interests in China-Rus Energy Investment Limited (the “**Target Company**”), a company incorporated in the British Virgin Islands (the “**Possible Acquisition**”). The Target Company is in the process of negotiating an acquisition of a majority stake in a company which is engaged in the exploration of natural gas business in Russia (the “**Subsidiary**”), and such acquisition may or may not be completed.

The MOU shall remain effective between the Company and the Vendors in relation to the Possible Acquisition until (i) the date ending three months after the date of the MOU, or (ii) the execution of a formal sale and purchase agreement (the “**Formal Agreement**”) between the Company and the Vendors in relation to the Possible Acquisition, whichever is earlier.

Major Terms of the MOU

Pursuant to the MOU, it is proposed that the consideration for the Possible Acquisition shall not exceed US\$90,000,000 (the “**Indicative Consideration**”) which shall be satisfied in the following manner:

- (i) the payment of US\$25,000,000 in cash;
- (ii) the issue of certain new shares at the issuance price of HK\$0.80 each, equivalent to an amount of US\$20,000,000; and
- (iii) the issue of certain convertible notes with the conversion price of HK\$0.80 each, equivalent to an amount of US\$45,000,000.

The Indicative Consideration is agreed upon on the basis that:

- (i) upon receipt of the Deposit, the Vendors shall provide a shareholder loan (the “**First Shareholder Loan**”) in the amount equivalent to US\$1,000,000 to the Target Company; and

- (ii) upon receipt of the Final Consideration (as defined below), the Vendors shall provide a shareholder loan (the “**Second Shareholder Loan**”, and together with the First Shareholder Loan, the “**Shareholder Loans**”) in the amount equivalent to US\$15,500,000 to the Target Company, solely for the purposes of the completion of the Possible Acquisition.

The Shareholder Loans shall be assigned to the Company upon completion of the Possible Acquisition.

The Indicative Consideration is purely indicative and for reference only. Pursuant to the MOU, the final consideration for the Possible Acquisition (the “**Final Consideration**”) shall be agreed upon between the Company and the Vendors based on the valuation price (the “**Valuation Price**”) as determined by an independent third party asset valuation firm (on the basis that the Target Company has completed the acquisition of the majority stake in the Subsidiary and fully paid the related consideration in respect thereof) and further negotiations between the Company and the Vendors. If the amount of the Valuation Price is less than the amount of the Indicative Consideration, the Valuation Price shall be the Final Consideration in the Formal Agreement.

After the signing of the MOU, the Company shall pay to the Vendors a refundable deposit of US\$2,000,000 (the “**Deposit**”) subject to the condition that the Company shall have successfully raised financing, through a placement of shares, of an amount exceeding US\$2,000,000. The Deposit shall be applied towards the Final Consideration, if the Possible Acquisition materializes.

The completion of the Possible Acquisition shall be subject to certain conditions precedent, including but not limited to:

- (i) The Company being reasonably satisfied with the results of the due diligence on the Target Company and the Subsidiary;
- (ii) The Company being reasonably satisfied with the British Virgin Islands legal opinion in respect of the Target Company and the Russian legal opinion in respect of the Subsidiary;
- (iii) Fulfillment of all the conditions precedent of the Target Formal Agreement; and
- (iv) Approvals by the Board, the shareholders of the Company and the Hong Kong Stock Exchange in respect of the Formal Agreement and the Proposed Acquisition.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendors are independent of and not connected with the Company or its subsidiaries, or any of the connected persons of the Company and their respective associates (as defined in the GEM Listing Rules).

Reasons for the Possible Acquisition

The Company has been exploring potential business opportunities with a view to enhancing its earning potential through diversification of business risks. The Company viewed the Possible Acquisition as a good opportunity to venture into a new business and broaden its revenue base, and on that basis, it decided to enter into the MOU. In the meantime, the Company will continue to explore further business opportunities to diversify into other industries with good business potential and growth prospects.

Placing and Subscription Agreement

On 23 June 2009, the Company has entered into a Placing and Subscription Agreement with the Placing Agent, China Merchants Securities (HK) Co., Limited, and the Subscriber, Mr. Hou Hsiao Bing, being the Director and shareholder of the Company. Pursuant to the Placing and Subscription Agreement and the Supplemental Agreement dated 25 June 2009, the Subscriber agreed to place, through the Placing Agent, 90,630,000 Shares (the “Placing Shares”), on a best efforts basis, to not fewer than six Placees who and whose ultimate beneficial owners will be third parties independent of and not acting in concert with the Subscriber or his concert parties, and will not be connected persons (as defined in the GEM Listing Rules) of the Company and its connected persons (as defined in the GEM Listing Rules), at a price of HK\$0.43 per Placing Share. Pursuant to the Placing and Subscription Agreement, the Subscriber conditionally agreed to subscribe for an aggregate of 90,630,000 Subscription Shares (the “Subscription Shares”) at a price of HK\$0.43 per Subscription Share.

The Placing Price (or the Subscription Price) of HK\$0.43 represents:

- (i) a discount of approximately 15.69% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on 22 June 2009, being the last full trading day for the Shares immediately prior to the date of the Placing and Subscription Agreement;
- (ii) a discount of approximately 15.35% to the average closing price of HK\$0.508 per Share as quoted on the Stock Exchange from 16 June 2009 to 22 June 2009, both dates inclusive, being the last five trading days immediately prior to the date of the Placing and Subscription Agreement; and
- (iii) a discount of approximately 14.68% to the average closing price of HK\$0.504 per Share as quoted on the Stock Exchange from 9 June 2009 to 22 June 2009, both dates inclusive, being the last ten trading days immediately prior to the date of the Placing and Subscription Agreement.

The Placing Shares (or the Subscription Shares) represent (i) approximately 20.0% of the existing issued share capital of the Company of 453,162,072 Shares as at 25 June 2009 and (ii) approximately 16.67% of the issued share capital of the Company of 543,792,072 Shares as enlarged by the Subscription.

The Subscription is conditional upon, among other things, (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; (ii) completion of the Placing; and (iii) the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the “SFC”) (the “Executive”) granting a waiver to the Subscriber and parties acting in concert with him from their obligation, as a result of completion of the Subscription, to make a general offer for all of the issued Shares other than those already owned by them under Note 6 to dispensation from Rule 26 of the Hong Kong Code on Takeovers and Mergers.

The Subscriber and parties acting in concert with him together hold 199,500,000 Shares representing approximately 44.02% of the issued share capital of the Company as at 25 June 2009. Upon completion of the Placing (but before completion of the Subscription), the aggregate shareholding of the Subscriber and parties acting in concert with him in the Company will be reduced to approximately 24.02% of the issued share capital of the Company. Upon completion of the Subscription, the aggregate shareholding of the Subscriber and parties acting in concert with him in the Company will be restored to approximately 36.69% of the enlarged issued share capital of the Company. An application has been made by the Subscriber to the Executive for a waiver from the obligation to make a general offer to the shareholders of the Company under Rule 26 of the Hong Kong Codes on Takeovers and Mergers.

Advance to Entity – Payment of Deposit

Pursuant to the MOU, the Deposit shall be paid by the Company to the Vendors subject to the condition that the Company shall have successfully raised financing, through a placement of shares, of an amount exceeding US\$2,000,000. Completion of the Placing and Subscription pursuant to the Placing and Subscription Agreement dated 23 June 2009 took place on 26 June 2009 and 7 July 2009, respectively. The gross proceeds from the Subscription were approximately HK\$39,000,000.

As at 10 July 2009 the Company has paid the Deposit to the Vendors. The Deposit exceeds 8% under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules) and constitutes an advance to an entity pursuant to Rule 17.15 of the GEM Listing Rules. As at 31 March 2009, the total assets of the Company were HK\$43,302,000.

The Board wishes to emphasize that no legally binding agreement in relation to the Possible Acquisition has been entered into by the Company and the Vendors up to now. **As the Possible Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.**

If the Possible Acquisition materializes, it will constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules. The Company will comply with relevant requirements under the GEM Listing Rules, including the making of announcements, if the Possible Acquisition materializes.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended from 2:30 p.m. on 11 June 2009 pending the release of an announcement relating to unusual price and trading volume movements and price sensitive information. Application has been made to the Stock Exchange for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 12 June 2009.

In addition, at the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 10:21 a.m. on Tuesday, 23 June 2009 pending the release of the announcement relating to the Placing and Subscription Agreement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on Friday, 26 June 2009.

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 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the 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 <i>(Executive Director)</i>	The Company	Beneficial owner	40,520,000 ordinary shares (L) <i>(Note 1 and 2)</i>	8.94%
	The Company	Beneficial owner	2,000,000 ordinary shares <i>(Note 3)</i>	0.44%
Mr. Hou Hsiao Wen <i>(Executive Director)</i>	The Company	Beneficial owner	33,160,000 ordinary shares (L) <i>(Note 1)</i>	7.32%
	The Company	Beneficial owner	2,000,000 ordinary shares <i>(Note 3)</i>	0.44%

Notes:

1. The letter “L” represents the Director’s interests in the Shares and underlying Shares of the Company.
2. Mr. Hou Hsiao Bing held 131,150,000 Shares on 25 June 2009 representing approximately 28.94% of the issued share capital of the Company. Upon completion of the Placing on 26 June 2009 (but before completion of the Subscription on 7 July 2009), the aggregate shareholding of Mr. Hou Hsiao Bing in the Company was reduced to approximately 8.94% of the issued share capital of the Company. Upon completion of the Subscription on 7 July 2009, the aggregate shareholding of Mr. Hou Hsiao Bing in the Company would be restored to approximately 24.12% of the enlarged issued share capital of the Company.
3. These Shares were the respective number of Shares which would be allotted and issued upon exercise in full of the options granted to each of the Company’s Executive Directors namely Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, pursuant to the share option scheme of the Company adopted on 13 December 2000. The exercise period and the exercise price of these options are set out in the section headed “Share Option Schemes” below.

(B) Directors’ and Chief Executive’s Interests/Short Positions in the Share Capital of the Company’s Associated Corporations

Name of Directors	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 <i>(Executive Director)</i>	Truth Honour Electronic Limited	3,000,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares
Mr. Hou Hsiao Bing <i>(Executive Director)</i>	Soluteck Investments Limited	500,000 non-voting deferred shares	Beneficial owner	100% of the non-voting deferred shares

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

SHARE OPTION SCHEMES

1. Pre-IPO Share Options

On 13 December 2000, the shareholders of the Company approved and adopted a share option scheme (the “Share Option Scheme”). Under the Share Option Scheme, the Directors may, at their discretion, grant to any employees of the Group, including Executive Directors, options to subscribe for the Shares.

The subscription price for options granted under the Share Option Scheme after the listing of the Shares on the GEM is determined by the Directors and will not be less than the higher of the closing price of the Shares on GEM on the date of grant of the options or the average of the closing price of the Shares on GEM for the five trading days immediately preceding the date of grant of the options. As regards the options granted before the listing of the Shares on the GEM (the “Pre-IPO Share Options”), the subscription price is to be determined by Directors and shall not be less than the nominal value of the Shares. The maximum number of Shares in which options may be granted under the Share Option Scheme may not exceed 30 per cent. of the ordinary share capital in issue from time to time. The maximum option term is ten years from the respective grant dates. Options may be exercised at any time during a period, generally three years but not later than ten years, to be determined and notified to each grantee.

Pursuant to the Pre-IPO Share Options granted under the above Share Option Scheme, certain Directors have interests in options to subscribe for Shares as set forth below. The options have a duration of 10 years from 18 December 2000, which is the date on which the offer of grant was made, and therefore will be exercisable during the period from the aforesaid date to 17 December 2010. Pursuant to the offer letters in respect of the grant of the Pre-IPO Share Options, the grantees can only exercise the options to the extent of an aggregate total of 25 per cent., 50 per cent., 75 per cent. and 100 per cent. of the Pre-IPO Share Options in each of the first to fourth anniversaries of the commencement of the trading of the Shares on GEM, respectively.

Pre-IPO Share Options	Number of Options			Outstanding at 30.6.2009	Closing price per Share immediately before the date of grant (HK\$) (Note)
	Outstanding at 1.4.2009	Granted during the period	Exercised during the period		
Exercise price at HK\$0.40:					
– Executive Directors					
HOU Hsiao Bing	2,000,000	Nil	Nil	Nil	2,000,000
HOU Hsiao Wen	2,000,000	Nil	Nil	Nil	2,000,000
– Other Employees	2,400,000	Nil	Nil	Nil	2,400,000
	<u>6,400,000</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>6,400,000</u>

Note: As the Shares of the Company were listed in the GEM of the Stock Exchange of Hong Kong Limited not earlier than the date of 3 January 2001, no closing price per Share of the Pre-IPO Share Options could be calculated.

2. New Share Option Scheme Adopted as at 30 July 2004

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

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

As at 30 June 2009, 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
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 June 2009, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 of the GEM Listing Rules during the Quarterly Period.

AUDIT COMMITTEE

The Company’s Audit Committee was formed on 13 December 2000. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with Reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures and risk evaluation of the Group and to provide advice and comments thereon. The Committee comprises three Independent Non-Executive Directors, namely Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William. The draft of this report has been reviewed and approved by the Audit Committee of the Board.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Tam Kam Biu, William, an Independent Non-Executive Director of the Company, is an Executive Director of China Bio Cassava Holdings Limited. As China Bio Cassava Holdings Limited is also a Company which is engaged in business related to research and development of information technology, China Bio Cassava Holdings Limited may be in competition with the Group.

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

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

The Company had not redeemed any of its Shares during the three months ended 30 June 2009. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the three months ended 30 June 2009.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On behalf of the Board

Hou Hsiao Bing

Chairman

Hong Kong, 11 August 2009

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

The announcement will remain on the Company's website and on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.