ANNUAL REPORT **2008**

SOLUTECK

SOLUTECK HOLDINGS LIMITED

一創科技集團有限公司

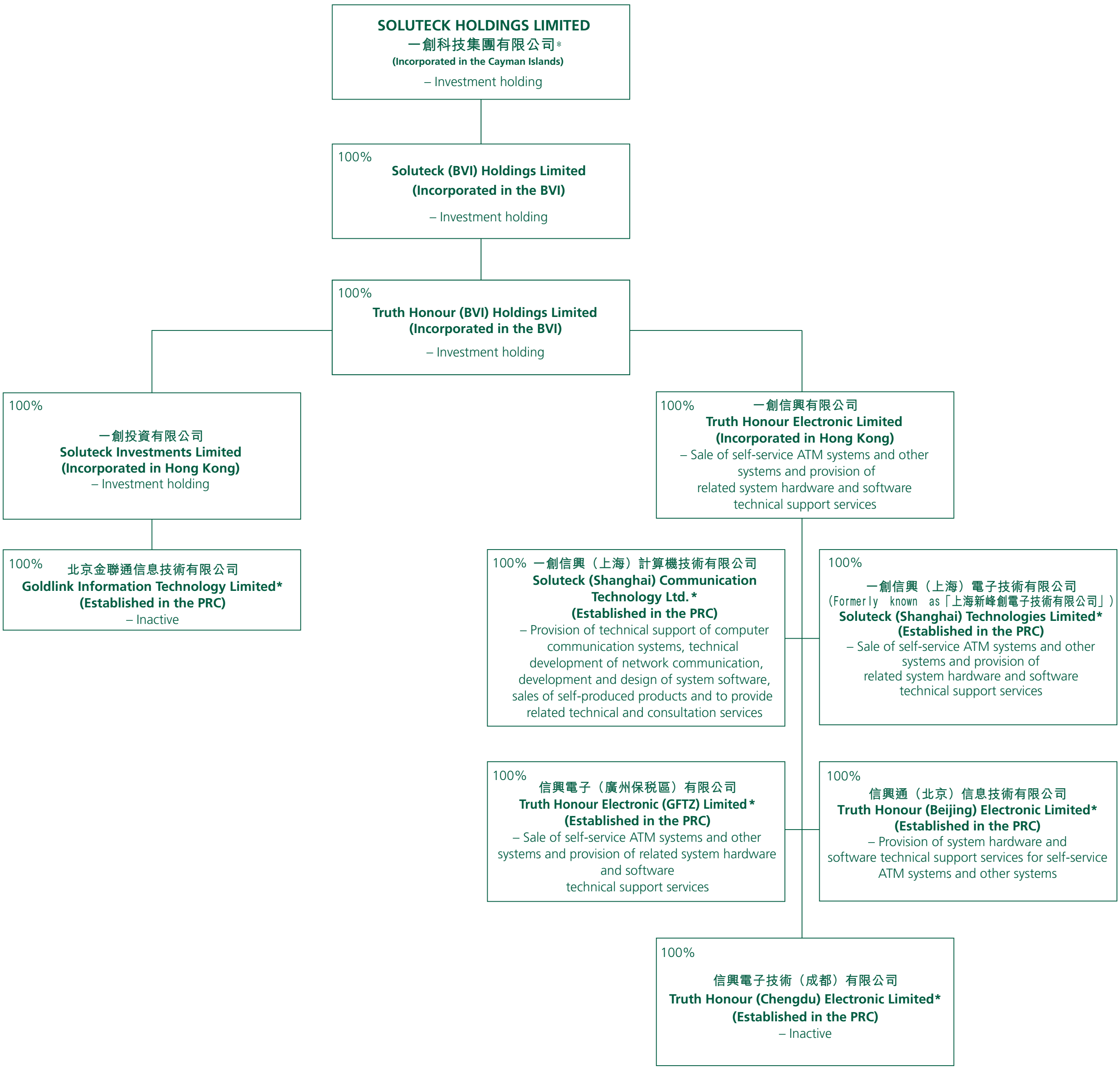
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

CONTENTS

CORPORATE STRUCTURE

The following chart illustrates the corporate structure of the subsidiaries of the Company and their respective principal business activities:



* *For identification purpose only*

FINANCIAL CALENDAR HIGHLIGHTS

Announcement of final results for the year	**17 June 2008**	14 June 2007
Annual General Meeting for the year	**31 July 2008**	27 July 2007

CORPORATE INFORMATION

Executive Directors	Hou Hsiao Bing *(Chairman)* Hou Hsiao Wen
Independent non-executive Directors	Lui, Ming Rosita Ho Wai Wing, Raymond Tam Kam Biu, William
Company secretary	Chan Mi Ling, Anita, FCCA, CPA, ACA
Members of audit committee	Lui, Ming Rosita *(Chairperson)* Ho Wai Wing, Raymond Tam Kam Biu, William
Members of remuneration committee	Hou Hsiao Bing *(Chairman)* Lui, Ming Rosita Ho Wai Wing, Raymond Tam Kam Biu, William
Authorised representatives	Hou Hsiao Wen Chan Mi Ling, Anita, FCCA, CPA, ACA
Compliance officer	Hou Hsiao Wen
Qualified accountant	Chan Mi Ling, Anita, FCCA, CPA, ACA
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong registered under Part XI of the Companies Ordinance	Room 1104, SUP Tower 75 King's Road Hong Kong
Company homepage/website	www.soluteck.com

CORPORATE INFORMATION

Principal bankers	DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Central, Hong Kong
	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	Standard Chartered Bank (HK) Limited 10th Floor 4-4A Des Voeux Road Central Hong Kong
	Bank of Communications Ground Floor 67-71 King's Road Hong Kong
Principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited 46/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Auditors	W. H. Tang & Partners CPA Limited Level 7, Parkview Centre 7 Lau Li Street Causeway Bay, Hong Kong
GEM Stock Code	8111

LETTER FROM THE CHAIRMAN

ANNUAL RESULTS HIGHLIGHTS

The net profit of the Group for the financial year ended 31 March 2008 was approximately HK$2.3 million (net profit of the Group for the financial year ended 31 March 2007 was approximately HK$2.1 million).

The revenue of the Group for the financial year ended 31 March 2008 was approximately HK$72.1 million, representing an increase of approximately 13.0 per cent. as compared to the financial year ended 31 March 2007.

Gross profit margin of the Group was approximately 24.4 per cent. in the financial year ended 31 March 2008, compared to approximately 26.5 per cent. in the financial year ended 31 March 2007.

Earnings per share for the financial year ended 31 March 2008 was approximately HK0.51 cents (earnings per share for the financial year ended 31 March 2007 was approximately HK0.46 cents).

The Directors do not recommend the payment of a dividend for the financial year ended 31 March 2008 (dividend per Share for the financial year ended 31 March 2007: Nil).

BUSINESS REVIEW

On behalf of the board of Directors (the "Board") of Soluteck Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), I am pleased to announce the results of the Group for the year ended 31 March 2008. Buoyed by economic prosperity in the People's Republic of China (the "PRC" or "China"), the Group enjoyed steady business growth during the year ended 31 March 2008. The Group recorded an increase in its revenue to approximately HK$72.1 million, representing an increase of approximately 13.0 per cent., as compared with the revenue for the year ended 31 March 2007 of approximately HK$63.8 million. The management believes that such an increase should be a result on the marketing effort the Group has put during the year.

The Group continued to specialize in the provision of implementation and upgrading of self-service automatic teller machine ("ATM") systems and other systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in China during the year ended 31 March 2008.

Pro-active efforts to explore and ascertain the Group's business development thrust started to show encouraging signs of fruition in 2008 – a year that witnessed a steady growth and business development for the Group in that the Group had made progress in the sales of ATMs to commercial banks, the China State Postal Bureau and the Rural Credit Cooperatives of China in the PRC. The successful bid of the tenders of the Rural Credit Cooperatives of China in Hubei and the Postal Bureaus in Shaoxing and Anhui as well as the obtaining of the orders from the Postal Bureaus in Jiangsu and Xinjiang, the Commercial Bank and the Bank of Jiangsu represented breakthroughs in implementing the Group's marketing strategy. On top of that, new contracts were successfully and successively secured with a number of financial institutions and postal bureaus like the Commercial Bank, the Bank of Communications, Shanghai Pudong Development Bank and several postal bureaus for the provision of system maintenance and enhancement services during the year under review.

The Group had established its position as an "ATM Total Solutionist" in the information technology market in the banking and postal industry in the PRC. Leveraging its extensive experience in the applications of information technology in both the banking and postal sectors and the long-term business relationships with reputable commercial banks and postal bureaus in the PRC, the Group expanded its business in the PRC at a steady pace.

LETTER FROM THE CHAIRMAN

Internally, two subsidiaries of the Group, namely, Soluteck (Shanghai) Communication Technology Ltd. and Soluteck (Shanghai) Technologies Limited, had reaffirmed their ISO9001:2000 quality management certification through strict controls on organizational structure, staff number and operating procedures to ensure that optimum management standards and operational capabilities are always in place during the year ended 31 March 2008.

Externally, besides making strides in customer and market development, the Group has also achieved geographical extension of its business across huge nation of China during the year under review. To support the wider customers, the Group bolstered its infrastructure by adding 8 service centers countrywide, for a total of 37.

BUSINESS PROSPECTS

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

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

The Group anticipates huge growth potential in China for the provision of implementation and upgrading of self-service ATM systems and its related services in the years ahead. This is because financial and banking institutions must remain geared to improve their competitiveness, cost efficiency and service quality in the face of increasing challenges from the gradual opening of China's financial market to foreign banks. Furthermore, given China's fast economic development and accelerated transformation of its urban and rural areas, the financial industry is poised for tremendous growth in the coming years.

DIVIDEND

The Board does not recommend the payment of a dividend for the financial year ended 31 March 2008 (2007: Nil).

APPRECIATION

As at 31 March 2008, the Group employed 11 and 143 staff in Hong Kong and the PRC, respectively. We treasure the harmonious relationship with our staff and would like to take this opportunity to express our gratitude to the management and staff of the Group for their dedicated performance which is instrumental to the future development of the Group. We would also like to take this opportunity to thank our shareholders, suppliers and customers for their continuous support to the Group.

Hou Hsiao Bing
Chairman

Hong Kong, 17 June 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

REVIEW OF OPERATIONS

During the financial year ended 31 March 2008, the Group recorded an increase in its revenue to approximately HK$72.1 million (2007: approximately HK$63.8 million), representing an increase of approximately 13.0 per cent. compared with the previous year. The management believed that the growth in the revenue of the Group was principally attributable to the application of successful marketing strategies in the People's Republic of China (the "PRC" or "China").

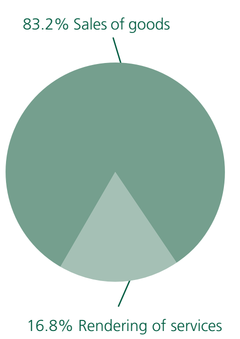
During the year under review, the net profit attributable to shareholders amounted to approximately HK$2.3 million (2007: profit attributable to shareholders of approximately HK$2.1 million), attributable to an earnings per share of approximately HK0.51 cents (2007: earnings per share of approximately HK0.46 cents).

REVENUE

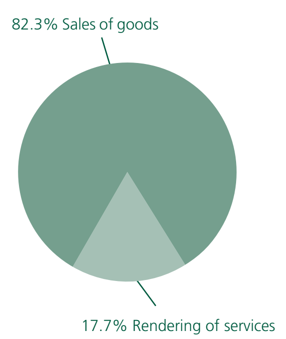
The Group is principally engaged in the sale of self-service ATM systems and other banking equipments, and the provision of hardware and software technical support services. Revenues recognized during the financial year are as follows:

	Financial year ended 31 March	
	2008	2007
	HK$'000	HK$'000
Revenue		
Sales of goods	**60,015**	52,521
Rendering of services	**12,085**	11,287
	72,100	63,808
Other revenue		
Government subsidies for business development	**412**	413
Interest income	**61**	85
Total revenue	**72,573**	64,306

Analysis of business segments for the financial year ended 31 March 2008



Analysis of business segments for the financial year ended 31 March 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

IMPLEMENTATION OF SELF-SERVICE ATM SYSTEMS

During the financial year ended 31 March 2008, the Group continued to target at the growing banking and finance sectors of China, with the implementation of self-service ATM systems as the core operation and accounted for approximately 100.0 per cent. (2007: approximately 99.7 per cent.) of the Group's total revenue, including the income derived from the provision of technical consultancy and support services.

2008 was a year of solid business development for the Group. The revenue generated from the implementation of self-service ATM systems amounted to approximately HK$72.1 million, representing an increase of approximately 13.3 per cent. compared with the previous financial year. The management believes that such an increase should be a result on the marketing effort the Group has put during the year.

The Group achieved encouraging business growth with the China State Postal Bureau, the Rural Credit Cooperatives of China, the Commercial Bank and the Bank of Jiangsu when it successfully secured sales and/or service tenders and contracts for self-service ATM systems for the branches of the China State Postal Bureau in Jiangsu, Anhui, Shaoxing, Xinjiang, etc., the Rural Credit Cooperatives of China, the Commercial Bank and the Bank of Jiangsu during the financial year ended 31 March 2008. On top of that, new contracts were successfully and successively secured with a number of financial institutions like the Commercial Bank, the Bank of Communications and Shanghai Pudong Development Bank for the provision of system maintenance and enhancement services during the year under review.

As an authorised value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited ("NCR") and related applications software for commercial banks in China, the Group is fully committed itself as a reliable and reputable vendor and a Total Solution Provider for self-service ATM systems. With China's entry into the World Trade Organisation ("WTO"), more banks and postal bureaus in the PRC will need to offer additional services and expand their branch networks to compete with international facilities in order to operate in the market. They have to gear up to improve their information technology infrastructure and operating efficiency, so as to consolidate and strengthen their respective market standing. The Group believes that demand for the implementation of self-service ATM systems will continue to grow in China, especially with China's fast economic growth.

By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Hangzhou, Jinan, Chuanzhou, Guangzhou, Shanghai, Beijing, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Fuzhou, Wuxi, Tianjin, Shenzhen, Yantai, Sanming, Suzhou, Dalian, Jinhua and Hubei, and new ATM service centres opened up in Yingkou, Yancheng, Taizhou, Harbin, Jingzhou, Luoyang, Wuhu, Xiamen, Xuzhou and Bengbu during the year, the network of ATM services was strategically recreated and the Group has ATM service centres to cover a total of 37 strategic cities and locations currently.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

PROVISION OF INFORMATION TECHNOLOGY AND BUSINESS SOLUTIONS

The revenue generated from the provision of information technology and business solutions is insignificant for the financial year ended 31 March 2008, as compared with approximately 0.3 per cent. of the total revenue of the Group in last year. With China's fast economic growth, the Group believes that the economic activities will be fueled which in turn will create demand from banking and financial institutions in China for the Group's information technology and business solutions. The Group has already succeeded in developing software applications for converging banking business platforms and other state-of-the-art application software for banking and financial institutions and postal bureaus.

PROVISION OF TECHNICAL CONSULTANCY AND SUPPORT SERVICES

The provision of technical consultancy and support services, which were already included in the above-mentioned businesses, contributed to a stable and recurrent source of income for the Group and accounted for approximately 16.8 per cent. (2007: approximately 17.7 per cent.) of the total revenue of the Group for the financial year ended 31 March 2008. Actual income derived from the provision of technical consultancy and support services increased by approximately 7.1 per cent. during the financial year ended 31 March 2008.

INTEREST INCOME

The bank interest income of the Group decreased slightly by approximately 28.2 per cent. to approximately HK$61,000 during the financial year ended 31 March 2008 (2007: approximately HK$85,000).

GROSS PROFIT

The Group's gross profit margin was approximately 24.4 per cent. in the financial year ended 31 March 2008 (2007: approximately 26.5 per cent.), albeit that there was an increase in the amount of actual gross profit by approximately HK$0.7 million, as compared to the same for the financial year ended 31 March 2007.

SELLING EXPENSES

The Group had implemented successful cost control measures during the year under review, which contributed to a reduction in selling expenses by approximately 32.8 per cent. to approximately HK$1.9 million (2007: approximately HK$2.9 million).

ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Group for the financial year ended 31 March 2008 amounted to approximately HK$11.9 million (2007: approximately HK$11.0 million), representing an increase of approximately 7.0 per cent. primarily due to the increase in salary costs as a result of the increase in the number of employees and the salary adjustment during the year under review as well as the increase in rental under the renewal of certain leases and the increase in the number of service centres from 29 to 37.

Staff costs (including Directors emoluments) which were included in both selling expenses and administrative expenses increased by approximately 10.1 per cent. to approximately HK$9.4 million (2007: approximately HK$8.6 million) mainly because of the increase in the average number of employees from 134 during the financial year ended 31 March 2007 to 147 during the financial year ended 31 March 2008 and the salary adjustment during the year under review.

Operating leases for land and building increased by approximately 14.2 per cent. to approximately HK$1.5 million (2007: approximately HK$1.3 million) mainly because of the increase in rental under the renewal of certain leases and the increase in the number of service centres from 29 to 37.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

Depreciation expenses decreased by approximately 20.2 per cent. to approximately HK$154,000 (2007: approximately HK$193,000) as compared to that of last financial year mainly because certain fixed assets became fully depreciated in previous years.

FINANCE COSTS

The finance costs of the Group for the financial year ended 31 March 2008 was approximately HK$386,000 (2007: approximately HK$389,000).

INCOME TAX EXPENSES

The Group's income tax expenses for the financial year ended 31 March 2008 increased to approximately HK$1,613,000 (2007: approximately HK$992,000) primarily due to an increase in profit from operations during the current financial year.

LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

The Group generally finances its operations with internally generated cash flow. As at 31 March 2008, the Group had cash and bank balances amounting to a total of approximately HK$1.8 million (2007: approximately HK$1.1 million) and had outstanding bank overdraft and outstanding short-term bank loan of approximately HK$2.4 million and HK$nil respectively (2007: approximately HK$2.1 million and HK$4.5 million respectively) which represented the total borrowings of the Group as at that date and are repayable within one year. The bank overdraft was at Hong Kong Dollar prime rate (2007: 0.75 per cent. per annum over Hong Kong Dollar prime rate) while the short-term bank loan was made in Renminbi and at an annual interest rate of approximately 8.5 per cent. (2007: annual interest rate of approximately 8.5 per cent.).

CURRENT RATIO

As at 31 March 2008, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 7.2 (2007: approximately 4.0).

GEARING RATIO

As at 31 March 2008, the gearing ratio of the Group, based on total liabilities over total assets was approximately 16.6 per cent. (2007: approximately 26.8 per cent.).

DIRECTORS' OPINION ON SUFFICIENCY OF WORKING CAPITAL

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

BANKING FACILITIES

As at 31 March 2008, the Group's banking facilities of approximately HK$5.6 million (2007: approximately HK$7.1 million) are secured by corporate guarantees granted by the Company and several subsidiaries of the Group of approximately HK$15.0 million (2007: approximately HK$15.0 million) and leasehold property held by a related party.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

CHARGES ON ASSETS

As at 31 March 2008, total banking facilities available to the Company and its subsidiaries amounted to approximately HK$5.6 million (2007: approximately HK$7.1 million), of which approximately HK$2.4 million (2007: approximately HK$6.7 million) had been utilized. As of 31 March 2008, the Company and its subsidiaries pledged no assets to banks as security for bank loans and overdraft (2007: HK$Nil).

CONTINGENT LIABILITIES

As at 31 March 2008, 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 year.

EMPLOYEES

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.

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 were no significant acquisitions and disposals of investments by the Group during the year under review.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its Shares during the financial year ended 31 March 2008. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year ended 31 March 2008.

CORPORATE GOVERNANCE REPORT

(1) CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to the principles of Corporate Governance and have dedicated significant efforts to provide transparency, accountability and independence.

The Company has adopted the Code on Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 effective from the accounting periods from 1 January 2005, save as disclosed in section (3) Chairman and Chief Executive Officer regarding code provision A.2.1.

(2) BOARD OF DIRECTORS

The Board of Directors is accountable to shareholders for the activities and performance of the Group and for the preparation of financial statements which give a true and fair view. It oversees the Group's overall strategic plans, reviews the financial performance, supervises the management of the business and affairs and approves the strategic plans. The Board delegates corporate matters to the Management of the Group under the leadership of the Chief Executive Officer, including preparation of annual, interim and quarterly accounts, execution of business strategies adopted by the Board, implementation of internal controls system and compliance with relevant statutory requirements, rules and regulations. Management is required to present an annual budget, and any proposal for major investment, addition of capital assets, and change in business strategies for the Board's approval.

BOARD COMPOSITION

The Board currently comprises of the following members:

Executive Directors:
Hou Hsiao Bing
Hou Hsiao Wen

Independent Non-Executive Directors:
Lui, Ming Rosita
Tam Kam Biu, William
Ho Wai Wing, Raymond

Currently, at every annual general meeting of the Company, one-third of all the Directors including the Independent Non-Executive Directors shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

CORPORATE GOVERNANCE REPORT

BOARD MEETING

The Board meets at least four times a year to review financial and operating performance and discuss Group direction and strategy.

Details of the attendance of the board of Directors are as follows:

	14 Jun 2007	**6 Aug 2007**	**7 Nov 2007**	**4 Feb 2008**
Hou Hsiao Bing	✓	✓	✓	✓
Hou Hsiao Wen	✓	✓	✓	✓
*Lui, Ming Rosita	n/a	n/a	n/a	n/a
*Tam Kam Biu, William	n/a	n/a	n/a	n/a
*Ho Wai Wing, Raymond	n/a	n/a	n/a	n/a

* *Independent Non-Executive Directors who will not attend the Company's regular Board Meetings.*

Directors are given notice of regular Board Meetings of at least 14 days in advance. The Directors will receive details of agenda items for decision in advance of each Board Meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Non-Executive Directors has a well balance of expertise in corporate finance, accounting, and business matters. They bring independent and invaluable advice and judgement on the Group's business expansion and risk management issues. The Executive Directors are seasoned practitioners in the information technology field and contribute to the Company with their industry and domain knowledge and management experience.

The Company confirmed that annual confirmations of independence were received from each of the Company's Independent Non-Executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all Independent Non-Executive Directors are considered to be independent.

CORPORATE GOVERNANCE REPORT

(3) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated.

Before 1 January 2008, the Company has achieved a high compliance level with the exception of the separation of Mr. Hou Hsiao Bing serving the dual role of Chairman and Chief Executive Officer.

This exception was discussed and the dual role was approved by the Board based on the following reasons:

- The Company size is relatively small and thus not justified in separating the role of Chairman and Chief Executive Officer.

- The Company has in place internal controls to provide check and balance on the functions.

Mr. Hou Hsiao Bing has been the Chairman and Chief Executive Officer of the Company starting from 5 August 2002 and 31 December 2004 respectively.

For the compliance with the Code on Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and 16, Mr. Hou Hsiao Bing resigned to act as the Chief Executive Officer of the Company starting from 1 January 2008 and Mr. Hou Hsiao Wen was appointed the Chief Executive Officer on 1 January 2008.

Accordingly, starting from 1 January 2008, Mr. Hou Hsiao Bing is the Chairman and Mr. Hou Hsiao Wen is the Chief Executive Officer of the Company. The roles of Chairman and Chief Executive Officer are segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, while the Chief Executive Officer, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

(4) AUDIT COMMITTEE

The Company established an Audit Committee on 13 December 2000 with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee comprises three members – Ms. Lui, Ming Rosita, Mr. Tam Kam Biu, William and Mr. Ho Wai Wing, Raymond, all of whom are Independent Non-Executive Directors. Ms. Lui, Ming Rosita is the Chairman of the Audit Committee. Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee meets four times a year to review with senior management and at least once a year with the Company's auditors for the Company's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to listing rules, internal and audit control, and budget and cash flow forecast.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 March 2008 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

CORPORATE GOVERNANCE REPORT

Details of the attendance of members at Audit Committee meeting are as follows:

	8 Jun 2007	24 Jul 2007	2 Nov 2007	31 Jan 2008
Lui, Ming Rosita	✓	✓	✓	✓
Tam Kam Biu, William	✓	✓	✓	✓
Ho Wai Wing, Raymond	✓	✓	✓	✓

(5) 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 deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provision B.1.3. Currently, it comprises the Chairman, Mr. Hou Hsiao Bing, and three Independent Non-Executive Directors, Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William with the Chairman as the Chairman of the Committee.

The Committee held one meeting during the financial year under review to discuss the policy and structure of the remuneration of the Directors and senior management.

During the year under review, a meeting of the remuneration committee was held in June 2007. Details of the attendance of members at remuneration committee meeting are as follows:

	8 Jun 2007
Mr. Hou Hsiao Bing	✓
Ms. Lui, Ming Rosita	✓
Mr. Ho Wai Wing, Raymond	✓
Mr. Tam Kam Biu, William	✓

The policy for the remuneration of Executive Directors is:

- To ensure that none of the Directors should determine their own remuneration;
- The remuneration should be broadly aligned with companies with which the Company competes for human resources;
- The Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance;
- The remuneration should reflect the performance, complexity of duties and responsibility of the individual.

CORPORATE GOVERNANCE REPORT

(6) NON-EXECUTIVE DIRECTOR

Code provision A.4.1 provides that Non-Executive Director should be appointed for a specific term and subject to re-election. The Company's Non-Executive Director is subject to retirement by rotation and re-election in accordance with the Company's Article of Association.

(7) COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the twelve months ended 31 March 2008.

(8) AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the independent auditor. During the year under review, the Group has incurred an aggregate of HK$200,000 to the independent auditor for its services of auditing and taxation.

(9) INTERNAL CONTROLS

The Board recognises that a sound and effective internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

Management has established the Group's Internal Control Policies and Guidance for monitoring the internal control system.

The Board has delegated to the Management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel and individual department heads throughout the Group maintain and monitor the compliance to these controls on an ongoing basis and report variance to senior management.

Based on the assessment and review made by the Board and senior management on the effectiveness of the internal control system, the Audit Committee is satisfied that:

- The internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the accounts are reliable for publication; and

- There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 18 to the financial statements.

An analysis of the Group's performance for the financial year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year are set out in the consolidated income statement on page 27.

No interim dividend have been paid or declared by the Company during the financial year. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2008 (2007: Nil).

RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital are set out in note 25 to the financial statements.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Mr. Hou Hsiao Bing *(Chairman)*
Mr. Hou Hsiao Wen
Ms. Lui, Ming Rosita*
Mr. Ho Wai Wing, Raymond*
Mr. Tam Kam Biu, William*

* *Independent Non-Executive Directors*

In accordance with Articles 108(A) of the Company's Articles of Association, the Executive Director, Mr. Hou Hsiao Bing, and the Independent Non-Executive Director, Mr. Tam Kam Biu, William, retire as Directors by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

HOU Hsiao Bing, aged 53, the elder brother of Mr. Hou Hsiao Wen, has been the Chairman of the Group starting from 5 August 2002. He was appointed Chief Executive Officer of the Group on 31 December 2004 and resigned on 31 December 2007 for the compliance with the Code on Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and 16. He is in charge of the Group's strategic business development and executive management. Prior to joining the Group in April 2000, Mr. Hou was the Managing Director of a private company focusing on selling satellite TV products network in the PRC. He has more than 27 years' experience in China business. Mr. Hou graduated from the Hong Kong Polytechnic University with a Diploma in Marketing.

HOU Hsiao Wen, aged 48, is appointed on the Chief Executive Officer of the Group starting from 1 January 2008, and is the Compliance Officer and one of the Authorized Representatives of the Group. He is in charge of the Group's business development, business management and monitoring of the Group's day-to-day operation. Mr. Hou has over 21 years' experience in the information technology industry in the PRC. Mr. Hou holds a Bachelor of Science degree in Information System from the Ohio State University in the United States ("U.S."). Prior to joining the Group in January 2000, he was the Managing Director of a private company principally engaged in providing satellite TV network solutions in the PRC. Mr. Hou is the younger brother of Mr. Hou Hsiao Bing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

HO Wai Wing, Raymond, aged 45, was appointed as an Independent Non-Executive Director in August 2000. Mr. Ho holds a Bachelor of Arts degree from the University of Hong Kong and a Master of Business Administration degree from the University of East Asia in Macau. Mr. Ho is currently a marketing head of a telecommunication company in Hong Kong. Mr. Ho has 22 years' experience in sales and marketing in Hong Kong and Asia.

LUI, Ming Rosita, aged 44, was appointed as an Independent Non-Executive Director in August 2000. Ms. Lui earned her Bachelor degree in Economics and Finance from the University of Oregon in the U.S. and a Master of Business Administration degree from the University of Queensland in Australia. While living in Australia, Ms. Lui joined Andersen Consulting as a strategy consultant. She is working for a multinational petroleum company in Hong Kong for approximately 15 years. Her expertise is in business development, sales and marketing.

TAM Kam Biu, William, aged 51, is an Associate member of the Hong Kong Institute of Certified Public Accountants since 1987 and an Associate member of the Association of Chartered Certified Accountants since 1988. He graduated from the York University of Canada and holds a Master Degree of Business Administration major in finance and a Bachelor Degree of Business Administration major in Accounting. He has got more than 13 years' experience taking the positions as Chief Financial Officer in a number of large listed companies and is currently an executive director of Bio Cassava Technology Holdings Ltd (formerly known as Q9 Technology Holdings Limited), a GEM board listed company, a non-executive director of ViaGOLD Capital Limited, a company listed on the Australia Stock Exchange, and also an independent non-executive Director of China Solar Energy Holdings Limited, a Main Board listed company.

Saved as disclosed above, none of the above-mentioned Directors have any relationship with the Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

The Board has also confirmed that it has received the annual confirmation by each of the aforesaid three Independent Non-Executive Directors confirming their independence pursuant to Rule 5.09 of the GEM Listing Rules and so the Board still consider each of them to be independent.

REPORT OF THE DIRECTORS

SENIOR MANAGEMENT OF THE GROUP

CHAN Mi Ling, Anita, is the Chief Financial Officer, the Qualified Accountant, Company Secretary and one of the Authorised Representatives of the Group. She is in charge of the Group's financial and accounting management. Ms. Chan holds a Master degree in Business Administration from the University of Western Sydney in Australia and a Master degree in Professional Accounting from Jinan University in the PRC. Ms. Chan is also a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England & Wales and a fellow member of Association of Chartered Certified Accountants. Ms. Chan has over 16 years' experience in the fields of auditing, accounting and finance and have been engaged in international certified public accountants firms, Hong Kong listed companies and multinational company listed overseas. Ms. Chan joined the Group in July 2000.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Mr. Hou Hsiao Bing and Mr. Hou Hsiao Wen, both being Executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 1 December 2000 (which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other).

The Independent Non-Executive Directors have been reappointed for a further term of 1 year renewable automatically for successive term of 1 year each commencing from the next day after the expiry of the then current term of the aforesaid appointment, unless terminated by not less than three months' notice in writing served by either party on the other during the term of the renewed appointment. Save for Directors' fees, none of the Independent Non-Executive Directors is expected to receive any other remuneration for holding their office as an Independent Non-Executive Director.

Save as disclosed herein, there are no existing or proposed service contracts with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS

The connected transactions (also known as "Related Party Transactions") undertaken by the Group are set out in note 30 to the financial statements.

The Independent Non-Executive Directors have examined and confirmed that:

(i) these transactions were executive in the ordinary and usual course of business of the Company;

(ii) these transactions were executed on normal commercial terms or on terms not less favorable than those given to (or obtained from, wherever applicable) independent third parties (if no comparable transaction can be referred to judge whether the transaction was executed on normal commercial terms);

(iii) these transactions were executed in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole;

(iv) the aggregate amount of each of these transactions has not exceeded the cap amount as agreed with the Stock Exchange in this regard; and

(v) the Company should continue with these transactions.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in this report, no contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

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 31 March 2008, 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 *(Executive Director)*	The Company	Beneficial owner	131,150,000 ordinary shares (L) *(Note 1 and 2)*	28.94%
	The Company	Beneficial owner	2,000,000 ordinary shares *(Note 3)*	0.44%
Mr. Hou Hsiao Wen *(Executive Director)*	The Company	Beneficial owner	33,160,000 ordinary shares (L) *(Note 1)*	7.32%
	The Company	Beneficial owner	2,000,000 ordinary shares *(Note 3)*	0.44%

REPORT OF THE DIRECTORS

Notes:

1. The letter "L" represents the Director's interests in the Shares and underlying Shares of the Company.

2. Following his acquisition of 54,690,000 Shares in February 2007, Mr. Hou Hsiao Bing's shareholding increased to 131,150,000 Shares representing approximately 28.94 per cent of the Shares in issue.

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

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

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

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

SHARE OPTION SCHEMES

1. PRE-IPO SHARE OPTIONS

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

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

REPORT OF THE DIRECTORS

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.

	Number of Options					
Pre-IPO Share Options	**Outstanding at 1.4.2007**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.3.2008**	**Closing price per Share immediately before the date of grant** (HK$) (Note 2)
Exercise price at HK$0.20:						
– Other Employees	800,000	Nil	(550,000) *(Note 3)*	(250,000) *(Note 1)*	Nil	Nil
Exercise price at HK$0.40:						
– Executive Directors						
HOU Hsiao Bing	2,000,000	Nil	Nil	Nil	2,000,000	Nil
HOU Hsiao Wen	2,000,000	Nil	Nil	Nil	2,000,000	Nil
– Other Employees	2,400,000	Nil	Nil	Nil	2,400,000	Nil
	7,200,000	Nil	(550,000)	(250,000)	6,400,000	

Notes:

1. During the financial year ended 31 March 2008, 250,000 share options were lapsed upon the resignation of the relevant employees of the Group.

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

3. The Company received a consideration of HK$0.20 per Share from each of the grantees of the Share Option Scheme.

REPORT OF THE DIRECTORS

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 31 March 2008, 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 31 March 2008, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

PURCHASES

- the largest supplier: Approximately 95.9 per cent.
- five largest suppliers in aggregate: Approximately 98.1 per cent.

SALES

- the largest customer: Approximately 66.6 per cent.
- five largest customers in aggregate: Approximately 96.2 per cent.

None of the Directors or their respective associates (as defined in the GEM Listing Rules) or shareholders which to the knowledge of the Directors, owns more than 5 per cent. of the Company's issued share capital, had any interest in the major suppliers or customers noted above.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company has complied with the minimum standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its Shares during the financial year. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the financial year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 70.

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 Audit Committee of the Board 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 Committee comprises three Independent Non-Executive Directors, namely Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William. Four Meetings were held during the current financial year. This report has been reviewed and approved by the Audit Committee of the Board.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Tam Kam Biu, William, an Independent Non-Executive Director of the Company, is an Executive Director of Bio Cassava Technology Holdings Ltd (formerly known as Q9 Technology Holdings Limited). As Bio Cassava Technology Holdings Ltd is also a Company which is engaged in business related to research and development of information technology, Bio Cassava Technology Holdings Ltd 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 complete or may complete with the business of the Group.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on page 12 to 16 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2008.

AUDITORS

The financial statements have been audited by W.H. Tang & Partners CPA Limited who was appointed as auditors of the Company on 7 March 2006 to fill the causal vacancy following the resignation of Albert Lam & Co. on 7 March 2006. In accordance with the articles of association of the Company, W.H. Tang & Partners CPA Limited will retire in the forthcoming annual general meeting and the Board will propose in the forthcoming annual general meeting to re-appoint W.H. Tang & Partners CPA Limited as auditors to hold office until the conclusion of the annual general meeting which to be held after the forthcoming annual general meeting.

On behalf of the Board
Hou Hsiao Bing
Chairman

Hong Kong, 17 June 2008

INDEPENDENT AUDITORS' REPORT

鄧偉雄會計師事務所有限公司

Level 7, Parkview Centre,
7 Lau Li Street,
Causeway Bay, Hong Kong.

香港銅鑼灣琉璃街七號
栢景中心七樓

Tel : (852) 23426130
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W.H. TANG & PARTNERS CPA LIMITED

To the shareholders of Soluteck Holdings Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Soluteck Holdings Limited (the "Company") set out on pages 27 to 69, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

W.H. Tang & Partners CPA Limited
Certified Public Accountants (Practising)

LAI Kin Wai
Practising Certificate Number: P04164
Hong Kong

17 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	**2008** HK$'000	2007 HK$'000
Revenue	7	**72,100**	63,808
Cost of sales		**(54,510)**	(46,913)
Gross profit		**17,590**	16,895
Other revenue	7	**473**	498
Selling expenses		**(1,915)**	(2,851)
Administrative expenses		**(11,858)**	(11,083)
Profit from operations	8	**4,290**	3,459
Finance costs	9	**(386)**	(389)
Profit before taxation		**3,904**	3,070
Income tax expenses	10	**(1,613)**	(992)
Profit for the year		**2,291**	2,078
Attributable to:			
Equity holders of the Company		**2,291**	2,078
Dividend	11	**–**	–
Earnings per share			
– Basic	13	**0.51 cents**	0.46 cents
– Diluted	13	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	16	**344**	375
Available-for-sale financial assets	17	**–**	–
		344	375
Current assets			
Inventories	19	**7,010**	9,229
Accounts receivables	20	**30,353**	33,278
Other receivables, deposits and prepayments		**7,401**	1,314
Bank balances and cash	21	**1,842**	1,148
		46,606	44,969
Current liabilities			
Accounts payables	22	**884**	1,715
Other payables and accruals		**2,338**	2,037
Receipt in advance		**854**	682
Bank overdrafts	23	**2,430**	2,148
Short-term bank loans, secured	23	**–**	4,546
		6,506	11,128
Net current assets		**40,100**	33,841
Total assets less current liabilities		**40,444**	34,216
Non-current liabilities			
Deferred tax liabilities	24	**1,296**	1,035
Net assets		**39,148**	33,181
Capital and reserves			
Share capital	25	**45,316**	45,261
Reserves	26	**(6,168)**	(12,080)
Shareholders' funds		**39,148**	33,181

The consolidated financial statements on page 27 to 69 were approved and authorized for issue by the Board of Directors on 17 June 2008 and are signed on its behalf by:

Hou Hsiao Bing
Director

Hou Hsiao Wen
Director

BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment in subsidiaries	18	**45,027**	45,931
Current assets			
Other receivables, deposits and prepayments		**241**	126
Current liabilities			
Other payables and accruals		**131**	947
Net current assets (liabilities)		**110**	(821)
Net assets		**45,137**	45,110
Capital and reserves			
Share capital	25	**45,316**	45,261
Reserves	26	**(179)**	(151)
Shareholders' funds		**45,137**	45,110

Hou Hsiao Bing
Director

Hou Hsiao Wen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Equity attributable to equity holders of the Company					
	Share capital	**Share premium**	**Reserve arising from reorganization**	**Exchange reserve**	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	45,261	1,194	(24,317)	757	6,795	29,690
Exchange differences arising on translation of foreign operations	–	–	–	1,413	–	1,413
Profit for the year	–	–	–	–	2,078	2,078
At 31 March 2007 and At 1 April 2007	45,261	1,194	(24,317)	2,170	8,873	33,181
Shares issued on exercise of options	55	55	–	–	–	110
Exchange differences arising on translation of foreign operations	–	–	–	3,566	–	3,566
Profit for the year	–	–	–	–	2,291	2,291
At 31 March 2008	**45,316**	**1,249**	**(24,317)**	**5,736**	**11,164**	**39,148**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	3,904	3,070
Adjustment for:		
Depreciation	154	193
Interest income	(61)	(85)
Interest expenses	386	389
Operating cash flows before movements in working capital	4,383	3,567
Decrease in inventories	2,219	7,303
Decrease (Increase) in accounts receivables	2,925	(18,014)
(Increase) Decrease in other receivables, deposits and prepayments	(6,087)	4,322
Decrease in accounts payables	(831)	(271)
Increase (Decrease) in other payables and accruals	301	(966)
Increase (Decrease) in receipt in advance	172	(2,340)
Cash from (used in) operations	3,082	(6,399)
Interest expenses	386	(389)
Overseas tax refund	–	171
Overseas taxation paid	(1,413)	(760)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	2,055	(7,377)
INVESTING ACTIVITIES		
Interest received	61	85
Purchase of property, plant and equipment	(98)	(110)
NET CASH USED IN INVESTING ACTIVITIES	(37)	(25)
FINANCING ACTIVITIES		
Shares issued on exercise of options	110	–
New bank loan drawn down	–	4,546
Repayment of amounts borrowed	(4,546)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(4,436)	4,546

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,418)**	(2,856)
CASH AND CASH EQUIVALENTS AT 1 APRIL	**(1,000)**	443
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,830**	1,413
CASH AND CASH EQUIVALENTS AT 31 MARCH	**(588)**	(1,000)
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by		
Bank balances and cash	**1,842**	1,148
Bank overdrafts	**(2,430)**	(2,148)
	(588)	(1,000)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liabilities and its shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business is located at Room 1104, SUP Tower, 75 King's Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the sale of electronic banking systems, other systems and provision of hardware and software technical support services of computer communication systems, technical development of network communication, development and design of system software.

The financial statements on pages 27 to 69 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("Listing Rules").

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are effective for accounting periods beginning on or after 1 January 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation ("Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective as at 31 March 2008. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKFRS 8	Operating Segments[1]
HKFRS 3 (Revised)	Business combinations[4]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 January 2008.
[3] Effective for annual periods beginning on or after 1 July 2008.
[4] Effective for annual periods beginning on or after 1 July 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below. The measurement bases are fully described in the accounting policies below. It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from the provision of technical support services is recognized when the services are rendered. The unrecognized portion is recorded as receipt in advance when deposits and instalment payments are received.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life on the financial asset to that asset's net carrying amount.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, comprising leasehold improvements, office equipment, furniture and fixtures and motor vehicles, are stated as cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the item of property, plant and equipment to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalized as an additional cost of that item of property, plant and equipment.

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Office equipment, furniture and fixtures	20%
Motor vehicles	20%

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT (Continued)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that items included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the item of property, plant and equipment is estimated and where relevant, an impairment loss is recognized to reduce the item of property, plant and equipment to its recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

INVENTORIES

Inventories, comprising merchandise and spare parts, are stated at the lower of cost and net realizable value. Cost, calculated on the first-in, first-out basis, comprises cost of purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of balance sheet, cash and cash equivalents comprise cash on hand and at bank, including term deposits, which are not restricted as to use.

EMPLOYMENT BENEFITS

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

Pension obligations

The Company and subsidiaries incorporated/operated in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the Pension Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

EMPLOYMENT BENEFITS (Continued)

Pension obligations (Continued)

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contribution upon their retirement at the age of 65 years old, death or total incapacity.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The employer's contributions vest fully with the employees when they are contributed to the MPF Scheme, except for the portion of voluntary contributions made by the employer, which will be refunded to the Group when the employees cease employment prior to vesting fully in the contributions, in accordance with the rules of the MPF Scheme.

The subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes, organized by the relevant local government authorities. The subsidiaries are required to make contributions to the retirement schemes, at a rate of 11.0 per cent. to 22.5 per cent. of the basic salary of their employees and there will be no other future obligations of the Group towards the employees' retirement benefits.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

SEGMENT REPORTING

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment (Note 7).

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

No geographical analysis is provided as less than 10% of the consolidated revenue and less than 10% of the operating results of the Group are attributable to markets outside the PRC.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operating is disposed of.

DIVIDENDS

Dividends proposed or declared after the balance sheet date is not recognized as a liability at the balance sheet date.

GOVERNMENT GRANTS

Government grants are recognised as income over the periods necessary to march them with the related costs. Grants related to depreciable assets are presented as deferred revenue and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other operating income.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The financial assets of the Group are mainly loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS (Continued)

Effective interest method (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivables, other receivables, deposits and prepayments, bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or a loss recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrowing will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average of credit period of two to six months, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit and loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS (Continued)

Impairment of financial assets (Continued)

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

For financial assets carried cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the profit and loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit and loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The financial liabilities of the Group are mainly other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognized on an effective interest basis.

Other financial liabilities
Other financial liabilities including bank overdrafts and other borrowings, accounts payables, other payables and accrued charges, receipts in advance are subsequently measured at amortized cost, using the effective interest method.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS (Continued)

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the assets' carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit and loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortized on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortization and any accumulated impairment loss.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit and loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

RELATED PARTIES

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Company or Group;
- has an interest in the Company that gives it significant influence over the Company or Group; or
- has joint control over the Company or Group;

(ii) the party is an associate;

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RELATED PARTIES (Continued)

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company or Group, or of any entity that is a related party of the Company or Group.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are disclosed in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

ALLOWANCE FOR INVENTORIES

The management of the Group reviews an ageing analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow moving items.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

ESTIMATED ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realizable of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, addition allowance may be required.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in Note 23, and cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves and retained earnings.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments to raise finance for the Group's operations comprise bank borrowings. The Group has various other financial instruments such as accounts receivables, other receivables, deposits and prepayments, bank balances, accounts payables, other payables and accruals, receipt in advance which arise directly from its operations.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

CREDIT RISK

The Group's credit risk is primarily attributable to its accounts receivables, other receivables and bank balances. At the respective balance sheet dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognized financial assets stated in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK (Continued)

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are authorized banks in the Hong Kong and the PRC.

FOREIGN CURRENCY RISK

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

The Group does not currently have a foreign currency hedging policy in respect of foreign currency debts. The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

INTEREST RATE RISK

The Group has exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings, which carry at prevailing market, interest rates.

The Group's fair value interest rate risk relates primarily to its variable and fixed rate bank borrowings (see Note 23). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

At 31 March 2008, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$24,300 for the year ended 31 March 2008.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surplus and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

2008

	Within 1 year HK$'000	**Total undiscounted cash flows HK$'000**	**Carrying amounts at 31/3/2008 HK$'000**
Non-derivative financial liabilities			
Accounts payables	**884**	**884**	**884**
Other payables and accruals	**2,338**	**2,338**	**2,338**
Receipt in advance	**854**	**854**	**854**
Bank overdrafts	**2,430**	**2,430**	**2,430**
	6,506	**6,506**	**6,506**

2007

	Within 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31/3/2007 HK$'000
Non-derivative financial liabilities			
Accounts payables	1,715	1,715	1,715
Other payables and accruals	2,037	2,037	2,037
Receipt in advance	682	682	682
Bank overdrafts	2,148	2,148	2,148
Short-term bank loans, secured	4,546	4,546	4,546
	11,128	11,128	11,128

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

FAIR VALUE

The fair value of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

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

	The Group	
	2008	2007
	HK$'000	HK$'000
Revenue		
Sales of goods	**60,015**	52,521
Rendering of services	**12,085**	11,287
	72,100	63,808
Other revenue		
Government subsidies for business development	**412**	413
Interest income	**61**	85
	473	498
Total revenue	**72,573**	64,306

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

The Group is organized into two main business segments:

i. Sales of goods – sales of self-service ATM systems and other systems

ii. Rendering of services – provision of hardware and software technical support services

	Sales of goods 2008 HK$'000	Rendering of services 2008 HK$'000	The Group 2008 HK$'000
Revenue	60,015	12,085	72,100
Segment results	7,235	3,744	10,979
Other revenue			473
Unallocated costs			(7,162)
Profit from operations			4,290
Finance costs			(386)
Profit before taxation			3,904
Income tax expenses			(1,613)
Profit for the year			2,291
Segment assets	27,009	11,827	38,836
Unallocated assets			8,114
Total assets			46,950
Segment liabilities	895	1,236	2,131
Unallocated liabilities			5,671
Total liabilities			7,802
Capital expenditure	–	–	–
Unallocated capital expenditure			98
			98
Depreciation	–	32	32
Unallocated depreciation			122
			154
Other non-cash expenses			108

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (Continued)

	Sales of goods 2007 HK$'000	Rendering of services 2007 HK$'000	The Group 2007 HK$'000
Revenue	52,521	11,287	63,808
Segment results	6,764	3,914	10,678
Other revenue			498
Unallocated costs			(7,717)
Profit from operations			3,459
Finance costs			(389)
Profit before taxation			3,070
Income tax expenses			(992)
Profit for the year			2,078
Segment assets	35,171	7,967	43,138
Unallocated assets			2,206
Total assets			45,344
Segment liabilities	1,715	814	2,529
Unallocated liabilities			9,634
Total liabilities			12,163
Capital expenditure	–	21	21
Unallocated capital expenditure			89
			110
Depreciation	–	44	44
Unallocated depreciation			149
			193
Other non-cash expenses			–

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

8. PROFIT FROM OPERATIONS

Profit from operations is stated after crediting and charging the following:

	The Group	
	2008	2007
	HK$'000	HK$'000
Crediting:		
Net foreign exchange gains	**391**	129
Charging:		
Auditors' remuneration	**233**	226
Cost of inventories	**48,280**	43,248
Depreciation	**154**	193
Operating leases for land and building	**1,522**	1,333
Bad debts written off	**45**	10
Research and development costs	**251**	325
Staff costs (including directors' emoluments and research and development costs)	**9,422**	8,554

9. FINANCE COSTS

	The Group	
	2008	2007
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**386**	389

10. INCOME TAX EXPENSES

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands is incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, is exempted from payment of the British Virgin Islands income taxes.

The Company's subsidiaries established in the PRC are subject to enterprise income tax ("EIT") rate of 15% – 30%.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The directors anticipated that there is no material impact on the Group's operating results in applying the New Law as the taxation losses of PRC subsidiaries were not recognized as deferred tax assets by the Group at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

10. INCOME TAX EXPENSES *(Continued)*

No provision for Hong Kong profits tax has been made as there is no assessable profit (2007: nil) for the subsidiaries operating in Hong Kong during the year ended 31 March 2008.

The amount of taxation (credited)/charged to the consolidated income statement represents:

	The Group	
	2008	2007
	HK$'000	HK$'000
Current income tax:		
– Hong Kong Profits Tax	**–**	–
– Overseas taxation	**1,380**	763
– Underprovision (Overprovision) in prior years	**33**	(171)
Deferred taxation *(Note 24)*	**200**	400
Income tax expenses	**1,613**	992

The income tax (credit)/expense can be reconciled to the profit before taxation as per the consolidated income statement as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Profit before taxation	**3,904**	3,070
Calculated at a rate of income tax of 17.5%	**683**	537
Effect of difference rate of income tax in other countries	**(290)**	(211)
Tax effect on income not subject to taxation	**(242)**	(8)
Tax effect on expenses not deductible for taxation purposes	**194**	2
Tax effect on tax losses not recognized	**845**	703
Underprovision (Overprovision) in prior years	**33**	(171)
Others	**390**	140
	1,613	992

11. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2008 and 2007 nor has any dividend been proposed since the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

12. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$83,000 (2007: HK$486,000).

13. BASIC EARNINGS PER SHARE

BASIC

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of approximately HK$2,291,000 (2007: HK$2,078,000) and 453,162,072 (2007: 452,612,072) ordinary shares in issue during the year.

No diluted earnings per share for the years 31 March 2008 and 2007 is presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

14. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 **HK$'000**	2007 HK$'000
Wages and salaries	**8,737**	7,966
Termination benefits	**–**	22
Pension costs – defined contribution plans	**685**	566
	9,422	8,554

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the five (2007: five) directors of the Company during the year were as follows:

2008	**Fees** **HK$'000**	**Salaries and other emoluments** **HK$'000**	**Contribution to retirement benefits scheme** **HK$'000**	**Total** **HK$'000**
Executive Directors				
Hou Hsiao Bing	**–**	**810**	**12**	**822**
Hou Hsiao Wen	**–**	**540**	**12**	**552**
Independent Non-Executive Directors				
Ho Wai Wing, Raymond	**–**	**60**	**–**	**60**
Lui, Ming Rosita	**–**	**60**	**–**	**60**
Tam Kam Biu, William	**–**	**60**	**–**	**60**
	–	**1,530**	**24**	**1,554**

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(A) DIRECTORS' EMOLUMENTS (Continued)

2007	Fees HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive Directors				
Hou Hsiao Bing	–	810	12	822
Hou Hsiao Wen	–	540	12	552
Independent Non-Executive Directors				
Ho Wai Wing, Raymond	–	60	–	60
Lui, Ming Rosita	–	60	–	60
Tam Kam Biu, William	–	60	–	60
	–	1,530	24	1,554

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2007: two) directors whose emoluments have been disclosed in the preceding paragraph. The emoluments payable to the remaining three (2007: three) individual during the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Basic salaries, allowances and benefits in kind	**1,336**	1,276

The emoluments fell with the following bands:

	Number of Individuals	
	2008	2007
Emoluments bands		
Nil – HK$1,000,0000	**3**	3

During the year ended 31 March 2008, no emoluments have been paid by the Group to the Directors and the highest paid individuals other than the Directors above as bonus, as inducement to join the Group or as compensation for loss of office (2007: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

16. PROPERTY, PLANT AND EQUIPMENT

	The Group			
	Leasehold Improvements	**Office equipment, furniture and fixtures**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
At 1 April 2006	84	4,873	340	5,297
Additions	–	110	–	110
Disposals	–	(455)	–	(455)
Exchange adjustment	4	72	–	76
At 31 March 2007 and At 1 April 2007	88	4,600	340	5,028
Additions	–	98	–	98
Exchange adjustment	9	135	–	144
At 31 March 2008	**97**	**4,833**	**340**	**5,270**
Accumulated depreciation				
At 1 April 2006	76	4,437	340	4,853
Charge for the year	9	184	–	193
Eliminated on disposals	–	(455)	–	(455)
Exchange adjustment	3	59	–	62
At 31 March 2007 and At 1 April 2007	88	4,225	340	4,653
Charge for the year	–	154	–	154
Exchange adjustment	9	110	–	119
At 31 March 2008	**97**	**4,489**	**340**	**4,926**
Net book values				
At 31 March 2008	**–**	**344**	**–**	**344**
At 31 March 2007	–	375	–	375

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2008	2007
	HK$'000	HK$'000
Unlisted investment, at cost	**190**	190
Less: Impairment loss	**(190)**	(190)
	–	–

18. INVESTMENTS IN SUBSIDIARIES

	2008	2007
	HK$'000	HK$'000
Unlisted investments, at cost	**27,826**	27,826
Amounts due from subsidiaries	**17,201**	18,105
	45,027	45,931

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of subsidiaries as at 31 March 2008:

Name of company	Place of Incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particular of issued shares capital/ Registered capital	Interest held %
Subsidiary held directly:				
Soluteck (BVI) Holdings Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	100
Subsidiary held indirectly:				
Soluteck Investments Limited	Hong Kong, limited liability company	Investment holding in PRC	2 ordinary shares of HK$1 each and 500,000 non-voting deferred shares of HK$1 each	100
Truth Honour Electronic Limited	Hong Kong, limited liability company	Sale of electronic banking systems and other systems and provision of related hardware and software technical support services in Hong Kong	2 ordinary shares of HK$1 each and 3,000,000 non-voting deferred shares of HK$1 each	100
Truth Honour Electronic (GFTZ) Limited	PRC, limited liability company	Sale of electronic banking systems and other systems and provision of related hardware and software technical support services in PRC	Registered capital of US$200,000	100

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of Incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particular of issued shares capital/ Registered capital	Interest held %
Truth Honour (BVI) Holdings Limited	BVI, limited liability company	Investment holdings in Hong Kong	100 ordinary shares of US$1 each	100
北京金聯通信息技術有限公司	PRC, limited liability company	Inactive	Registered capital of US$150,000	100
一創信興（上海）計算機技術有限公司	PRC, limited liability company	Provision of technical support of computer communication systems, technical development of network communications, development and design of system software, sales of self-produced products and provision of related technical and consultation services	Registered capital of US$1,300,000	100
信興通（北京）信息技術有限公司	PRC, limited liability company	Provision of hardware and software technical support services for electronic banking systems and other systems in the PRC	Registered capital of US$150,000	100

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of Incorporation/ establishment and type of legal entity	Principal activities and place of operation	Particular of issued shares capital/ Registered capital	Interest held %
一創信興（上海）電子技術有限公司	PRC, limited liability company	Sale of electronic banking systems and other systems and provision of related hardware and software technical support services in the PRC	Registered capital of US$1,400,000	100
信興電子技術（成都）有限公司	PRC, limited liability company	Inactive	Registered capital of US$150,000	100

19. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Merchandize for re-sale	**4,502**	7,450
Spare parts	**4,508**	3,779
	9,010	11,229
Less: Provision for slow moving and obsolete inventories	**(2,000)**	(2,000)
	7,010	9,229

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

20. ACCOUNTS RECEIVABLES

	The Group	
	2008	2007
	HK$'000	HK$'000
Accounts receivables	**32,119**	34,978
Less: Allowance for doubtful debts	**(1,766)**	(1,700)
	30,353	33,278

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 31 March 2008 the ageing analysis of the Group's accounts receivables was as follows:

	2008	2007
	HK$'000	HK$'000
Current to 60 days	**6,641**	21,453
61 – 90 days	**1,331**	786
Over 90 days	**24,147**	12,739
	32,119	34,978
Less: Allowance for doubtful debts	**(1,766)**	(1,700)
	30,353	33,278

As at 31 March 2008, the top five customers accounted for 96.4% (2007: 91.2%) of the Group's accounts receivables. The overdue but not impaired balances are approximately HK$2,035,000 (2007: HK$1,422,000).

Movement in the allowance for doubtful debts

	2008	2007
	HK$'000	HK$'000
Balance at the beginning of the year	**1,700**	1,700
Impairment loss recognized	**66**	–
Impairment loss reversed	**–**	–
Balance at end for the year	**1,766**	1,700

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

20. ACCOUNTS RECEIVABLES *(Continued)*

At 31 March 2008 and 2007, the analysis of trade and note receivables that were past due but not impaired are as follows:

	2008	2007
	HK$'000	HK$'000
Over 90 days	**2,035**	1,422

Accounts receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Accounts receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

21. BANK BALANCES AND CASH

	The Group	
	2008	2007
	HK$'000	HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	**808**	857
Chinese Renminbi	**1,011**	256
United States dollar	**23**	35
	1,842	1,148

Included in the balance was approximately HK$867,000 (2007: HK$256,000), representing bank deposits denominated in Renminbi placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

The effective interest rates on short-term bank deposits ranged from 0.25% to 4.2% (2007: from 3.3% to 4.12%).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

22. ACCOUNTS PAYABLES

	The Group	
	2008	2007
	HK$'000	HK$'000
Accounts payables	**884**	1,715

At 31 March 2008, the ageing analysis of the Group's accounts payables was as follows:

	2008	2007
	HK$'000	HK$'000
Current to 60 days	**779**	1,320
61 – 90 days	**76**	241
Over 90 days	**29**	154
	884	1,715

23. BANK BORROWINGS

	The Group	
	2008	2007
	HK$'000	HK$'000
Secured:		
Bank overdrafts *(Note i)*	**2,430**	2,148
Short-term bank loans *(Note ii)*	**–**	4,546
	2,430	6,694
Carrying amount and repayable:		
Carrying amount or within one year	**2,430**	6,694
Less: Amount due within one year show under current liabilities	**(2,430)**	(6,694)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

23. BANK BORROWINGS *(Continued)*

The carrying amounts of the borrowings are denominated in Hong Kong dollars.

	2008 **HK$'000**	2007 HK$'000
Hong Kong dollars	**2,430**	2,148
Chinese Renminbi	**–**	4,546
	2,430	6,694

Note i: Bank overdrafts of the Group bore interest at effective interest rates ranging from 4% to 5.25%.

Note ii: Bank loans of the Group bore interest at fixed effective interest rates at 8.5%

24. DEFERRED TAXATION

The movement on the deferred tax liabilities account is as follows:

	The Group	
	2008 **HK$'000**	2007 HK$'000
At 1 April	**1,035**	608
Exchange adjustment	**61**	27
Deferred taxation charged to income statement *(Note 10)*	**200**	400
At 31 March	**1,296**	1,035

Deferred tax assets are recognized for tax losses carry forwards to the extent that the realization of related tax benefits through the future taxable profits is probable. The Group did not recognize deferred tax assets of approximately HK$5,816,000 (2007: HK$4,760,000) that can be carried forward against future taxable income. Losses amounting to approximately HK$33,236,000 (2007: HK$27,190,000). The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

24. DEFERRED TAXATION *(Continued)*

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

DEFERRED TAX LIABILITIES

	Accelerated tax depreciation		**Other temporary difference**		**Total**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
At 1 April	**–**	–	**2,278**	2,698	**2,278**	2,698
Exchange adjustment	**–**	–	**200**	118	**200**	118
Charged (credited) to consolidated income statement	**–**	–	**(334)**	(538)	**(334)**	(538)
At 31 March	**–**	–	**2,144**	2,278	**2,144**	2,278

DEFERRED TAX ASSETS

	Provision		**Tax losses**		**Other temporary differences**		**Total**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
At 1 April	**–**	–	**–**	–	**1,243**	2,090	**1,243**	2,090
Exchange adjustment	**–**	–	**–**	–	**139**	91	**139**	91
Charged (credited) to consolidated income statement	**–**	–	**–**	–	**(534)**	(938)	**(534)**	(938)
At 31 March	**–**	–	**–**	–	**848**	1,243	**848**	1,243

	2008 HK$'000	2007 HK$'000
Deferred tax assets	**848**	1,243
Deferred tax liabilities	**(2,144)**	(2,278)
	(1,296)	(1,035)

Deferred tax liabilities are to be recovered and settled after more than 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

25. SHARE CAPITAL

	Authorized Ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 31 March 2007 and 2008	1,000,000,000	100,000

	Issued and fully paid Ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 1 April 2006, 31 March 2007 and At 1 April 2007	452,612,072	45,261
Shares issued on exercise of options	550,000	55
At 31 March 2008	453,162,072	45,316

SHARE OPTIONS

(a) Under a share option scheme approved and adopted by the shareholders on 13 December 2000 (the "Share Option Scheme"), the Director of the Company may, at their discretion, invite full-time employees including executive directors to take up options to subscribe for shares in the Company representing up to a maximum of 30% of the shares in issue from time to time (excluding shares issued up on the exercise of options granted under the share option scheme).

(b) On 13 December 2000, Pre-IPO share options (the "Pre-IPO share options") were granted to certain Directors of the Company and employees of the Group, respectively under the Share Option Scheme to subscribe for the shares of the Company. The exercise prices of these share options range from HK$0.2 to HK$0.4 per share. All options are only exercisable 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 of the Company on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, respectively. These options have a life of 10 years from the date on which the grant was made.

(c) During the year, 550,000 options were exercised under the Share Option Scheme (2007: Nil) and there was no options granted under the Share Option Scheme for the year ended 31 March 2008 and 31 March 2007 respectively. In addition, 250,000 (2007: 450,000) options were lapsed upon resignation of the relevant employees of the Group. As at 31 March 2008, options to subscribe for 6,400,000 (2007: 7,200,000) shares of the Company were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

25. SHARE CAPITAL *(Continued)*

SHARE OPTIONS (Continued)

(d) 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. No option shares have been granted under the New Scheme to any person since its adoption.

26. RESERVES

(A) THE GROUP

	Share premium HK$'000	**Reserve arising from reorganization** HK$'000	**Exchange reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2006	1,194	(24,317)	757	6,795	(15,571)
Exchange differences arising on translation of foreign operations	–	–	1,413	–	1,413
Profit for the year	–	–	–	2,078	2,078
At 31 March 2007 and At 1 April 2007	1,194	(24,317)	2,170	8,873	(12,080)
Exchange differences arising on translation of foreign operations	–	–	3,566	–	3,566
Shares issued on exercise of options	55	–	–	–	55
Profit for the year	–	–	–	2,291	2,291
At 31 March 2008	**1,249**	**(24,317)**	**5,736**	**11,164**	**(6,168)**

Note:

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

26. RESERVES *(Continued)*

(B) THE COMPANY

	Share premium HK$'000	Deficit HK$'000	Total HK$'000
At 1 April 2006	1,194	(859)	335
Loss for the year	–	(486)	(486)
At 31 March 2007 and At 1 April 2007	1,194	(1,345)	(151)
Shares issued on exercise of options	55	–	55
Loss for the year	–	(83)	(83)
At 31 March 2008	**1,249**	**(1,428)**	**(179)**

27. BANKING FACILITIES

As at 31 March 2008, the Group's banking facilities of HK$5,600,000 (2007: HK$7,146,000) are secured and supported by corporate guarantees granted by the Company and several subsidiaries of the Group of HK$15,000,000 (2007: HK$15,000,000) and leasehold property held by a related party.

As at 31 March 2008, the aforesaid banking facilities were utilized to the extent of approximately HK$2,430,000 (2007: HK$6,694,000).

28. COMMITMENTS UNDER OPERATING LEASES – LAND AND BUILDINGS

At 31 March 2008, the Group had future aggregate minimum lease payments under operating leases as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
Not later than one year	**1,335**	474
Later than one year and not later than five years	**576**	282
	1,911	756

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases and rentals are negotiated and fixed for an average of one year.

The Company did not have significant lease commitment as at 31 March 2008.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

29. CAPITAL COMMITMENTS

The Group and the Company did not have significant capital commitment as at 31 March 2008.

30. RELATED PARTY TRANSACTIONS

During the year, the Group undertook the following material transactions with the Directors and/or related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The transactions during the year are as follows:

(A) TRANSACTION WITH CONNECTED OR RELATED PARTIES

		The Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Rental paid to Directors	(i)	**75**	69
Rental paid to the related parties	(ii)	**405**	397

Note:

(i) The Group leased an office premise from Mr. Hou Hsiao Wen (an Executive Director of the Company) and Ms. Chung Yuk Hung (a former Executive Director resigned on 10 January 2005), in Beijing of the PRC for the Group's use.

(ii) The Group leased office premises from Dynatek Limited ("Dynatek") in Hong Kong at an annual rental of HK$279,072 (2007: HK$279,072) for the Group's use for the year ended 31 March 2008. Besides, the Group leased office premises from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, at an annual rental of HK$125,958 (2007: HK$118,367) for the Group's use. Dynatek is owned by Mr. Hou Hsiao Bing, the Chairman of the Group. Mr. Chung Lok Fai was a former Director of the Company. Ms. Tsou Lo Nien and Ms. Chung Po Chu are the present and previous shareholders of the Company respectively.

(B) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2008	2007
	HK$'000	HK$'000
Short-term benefits	**3,136**	3,064
Post-employment benefits	**36**	36
	3,172	3,100

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2008

31. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current year's presentation.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 17 June 2008.

FIVE YEARS FINANCIAL SUMMARY

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results:					
Revenue	**72,100**	63,808	34,068	66,986	103,062
Profit/(Loss) attributable to shareholders	**2,291**	2,078	(2,645)	(11,886)	(437)
Assets and liabilities					
Total assets	**46,950**	45,344	41,675	50,600	62,837
Total liabilities	**(7,802)**	(12,163)	(11,985)	(19,013)	(17,114)
Net assets	**39,148**	33,181	29,690	31,587	45,723