

Interim 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)

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

HIGHLIGHTS

- The net loss of the Group during the six months ended 30 September, 2008 was approximately HK\$3.3 million, as compared with the net profit of approximately HK\$2.3 million for the same period in last year.
- Loss per Share during the six months ended 30 September, 2008 was approximately HK0.72 cents.
- The revenue of the Group during the six months ended 30 September, 2008 was approximately HK\$22.9 million, representing a decrease of approximately 60.9 per cent. as compared with the corresponding period in 2007.

INTERIM RESULTS (UNAUDITED)

The board ("Board") of Directors announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September, 2008 (the "period") as follows:–

CONSOLIDATED INCOME STATEMENT

		From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
	Notes				
Revenue	2	11,807	22,869	39,783	58,495
Cost of sales		(9,249)	(17,381)	(31,473)	(46,056)
Gross profit		2,558	5,488	8,310	12,439
Other revenue	2	195	405	12	100
Selling expenses		(742)	(1,273)	(557)	(957)
Administrative expenses		(3,706)	(7,238)	(4,595)	(7,228)
Operating (loss)/profit	4	(1,695)	(2,618)	3,170	4,354
Finance costs	5	(31)	(70)	(253)	(400)
(Loss)/profit before taxation		(1,726)	(2,688)	2,917	3,954
Income tax expenses	3	(117)	(562)	(1,599)	(1,658)
(Loss)/profit attributable to shareholders		(1,843)	(3,250)	1,318	2,296
Basic (loss)/earnings per share	6	HK(0.41 cents)	HK(0.72 cents)	HK0.29 cents	HK0.51 cents

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 September, 2008 (unaudited) HK\$'000	As at 31 March, 2008 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	7	298	344
Available-for-sale financial assets		–	–
		298	344
Current assets			
Inventories	8	9,780	7,010
Accounts receivable	9	25,908	30,353
Other receivables, deposits and prepayments		4,343	7,401
Bank balances and cash	10	5,630	1,842
		45,661	46,606
Current liabilities			
Accounts payable	11	1,895	884
Other payables and accruals		2,628	2,338
Receipt in advance		543	854
Bank overdrafts		2,497	2,430
		7,563	6,506
Net current assets		38,098	40,100
Total assets less current liabilities		38,396	40,444
Non-current liabilities			
Deferred tax liabilities		1,317	1,296
Net assets		37,079	39,148
Capital and reserves			
Share capital	12	45,316	45,316
Reserves		(8,237)	(6,168)
Shareholders' funds		37,079	39,148

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Equity attributable to equity holders of the Company					
	Share Capital HK\$'000	Share premium HK\$'000	Reserve arising from reorganisation* HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April, 2007	45,261	1,194	(24,317)	2,170	8,873	33,181
Issue of shares	55	55	-	-	-	110
Exchange differences arising on translation of foreign operations	-	-	-	840	-	840
Profit for the period	-	-	-	-	2,296	2,296
At 30 September, 2007	45,316	1,249	(24,317)	3,010	11,169	36,427
At 1 April, 2008	45,316	1,249	(24,317)	5,736	11,164	39,148
Exchange differences arising on translation of foreign operations	-	-	-	1,181	-	1,181
Loss for the period	-	-	-	-	(3,250)	(3,250)
At 30 September, 2008	45,316	1,249	(24,317)	6,917	7,914	37,079

* *The reserve arising from reorganisation of HK\$24,317,000 represents the difference between the nominal value of the share capital of subsidiaries acquired and the cost of investments in these subsidiaries incurred by the Company in exchange thereof, and has been debited to the reserve of the Group.*

CONSOLIDATED CASH FLOW STATEMENT

		Six months ended 30 September,	
	Notes	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(2,688)	3,954
Adjustment for:			
Depreciation	4	68	77
Allowance for doubtful debts	4	–	500
Provision for slow moving and obsolete inventories	4	–	500
Interest income	2	(17)	(25)
Interest expenses	5	70	400
Operating cash flows before movements in working capital		(2,567)	5,406
(Increase)/Decrease in inventories		(2,770)	2,921
Decrease in accounts receivable		4,445	15
Decrease/(Increase) in other receivables, deposits and prepayments		3,058	(997)
Increase/(Decrease) in accounts payable		1,011	(335)
Increase in other payables and accruals		290	4,390
Decrease in receipt in advance		(311)	(197)
Cash generated from operations		3,156	11,203
Interest expenses	5	(70)	(400)
Overseas tax refund		–	84
Overseas taxation paid		(541)	(125)
Net cash generated from operating activities		2,545	10,762
INVESTING ACTIVITIES			
Interest received	2	17	25
Purchase of property, plant and equipment	7	(22)	(44)
Net cash used in investing activities		(5)	(19)
FINANCING ACTIVITIES			
Proceeds from issue of shares		–	110
Repayment of amounts borrowed		–	(4,546)
Net cash used in financing activities		–	(4,436)
Net increase in cash and cash equivalents		2,540	6,307
Cash and cash equivalents at the beginning of the period		(588)	(1,000)
Effect of foreign exchange rate changes		1,181	840
Cash and cash equivalents at the end of the period		3,133	6,147
Cash and cash equivalents at the end of the period, represented by			
Bank balances and cash		5,630	8,763
Bank overdrafts		(2,497)	(2,616)
		3,133	6,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

1. Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value. The unaudited consolidated results are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The principal accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2008.

In the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2008. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective, in the unaudited consolidated results. The directors of the Company anticipate that the application of these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

The unaudited consolidated results have been reviewed by the audit committee of the Company.

2. Revenue and segment information

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

	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
Revenue				
Sale of goods	8,345	16,639	35,899	52,442
Rendering of services	3,462	6,230	3,884	6,053
	11,807	22,869	39,783	58,495
Other revenue				
Government subsidies for business development	187	388	–	75
Interest income	8	17	12	25
	195	405	12	100
Total revenue	12,002	23,274	39,795	58,595

Segment reporting

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

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

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

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

Primary reporting format – business segments

The Group is organised into two main business segments:–

- i. Sales of goods – sale of self-service ATM systems and other systems
- ii. Rendering of services – provision of hardware and software technical support services

	Sales of goods From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	Rendering of services From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	Group From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000
Revenue	16,639	6,230	22,869
Segment results	226	1,366	1,592
Other revenue			405
Unallocated costs			(4,615)
Operating loss			(2,618)
Finance costs			(70)
Loss before taxation			(2,688)
Income tax expenses			(562)
Loss attributable to shareholders			(3,250)
Segment assets	24,597	14,720	39,317
Unallocated assets			6,642
Total assets			45,959
Segment liabilities	1,896	1,149	3,045
Unallocated liabilities			5,835
Total liabilities			8,880
Capital expenditure	-	-	-
Unallocated capital expenditure			22
			22
Depreciation	-	18	18
Unallocated depreciation			50
			68
Other non-cash expenses			-

	Sales of goods From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	Rendering of services From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000	Group From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
Revenue	52,442	6,053	58,495
Segment results	5,971	1,705	7,676
Other revenue			100
Unallocated costs			(3,422)
Operating profit			4,354
Finance costs			(400)
Profit before taxation			3,954
Income tax expenses			(1,658)
Profit attributable to shareholders			2,296
Segment assets	28,997	10,305	39,302
Unallocated assets			10,685
Total assets			49,987
Segment liabilities	1,380	1,020	2,400
Unallocated liabilities			11,160
Total liabilities			13,560
Capital expenditure	–	32	32
Unallocated capital expenditure			12
			44
Depreciation	–	16	16
Unallocated depreciation			61
			77
Other non-cash expenses			–

3. Income Tax Expenses

There was no provision for Hong Kong profits tax as the Group has no assessable profit for the six months ended 30 September, 2008 (six months ended 30 September, 2007: Nil).

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

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

	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
Current taxation:				
– Hong Kong profits tax	–	–	–	–
– Overseas taxation	117	562	1,683	1,742
– Over provisions in prior years	–	–	(84)	(84)
Deferred taxation	–	–	–	–
Income tax expenses	117	562	1,599	1,658

4. (Loss)/Profit from Operations

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

	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
Cost of inventories sold	6,764	13,208	28,747	41,912
Depreciation	31	68	36	77
Allowance for doubtful debts	–	–	500	500
Provision for slow moving and obsolete inventories	–	–	500	500

5. Finance costs

	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
Interest on bank loans and overdrafts	31	70	253	400

6. Basic (Loss)/Earnings per Share

The calculation of the basic (loss)/earnings per Share for the three months and six months ended 30 September, 2008 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$1,843,000 and HK\$3,250,000 respectively (three months and six months ended 30 September, 2007: profit of HK\$1,318,000 and HK\$2,296,000 respectively), and the weighted average number of 453,162,072 and 453,162,072 ordinary shares (three months and six months ended 30 September, 2007: 452,795,405 and 452,703,738 Shares) in issue throughout the relevant accounting periods, respectively.

No diluted (loss)/earnings per share for the six months ended 30 September, 2008 and 2007 are presented as the exercise of the outstanding options of the Company would have an anti-dilutive effect.

7. Property, plant and equipment

During the period, the Group spent approximately HK\$22,000 (six months ended 30 September, 2007: HK\$44,000) on the acquisition of property, plant and equipment.

8. Inventories

	As at 30 September, 2008 (unaudited) HK\$'000	As at 31 March, 2008 (audited) HK\$'000
Merchandise for re-sale	7,153	4,502
Spare parts	4,627	4,508
	11,780	9,010
Less: Provision for slow moving and obsolete inventories	(2,000)	(2,000)
	9,780	7,010

9. Accounts receivable

	As at 30 September, 2008 (unaudited) HK\$'000	As at 31 March, 2008 (audited) HK\$'000
Accounts receivable	27,674	32,119
Less: Allowance for doubtful debts	(1,766)	(1,766)
	25,908	30,353

The majority of the Group's revenue is on credit terms stipulated on the sale agreement between the customers and the Group. At 30 September, 2008, the ageing analysis of the accounts receivable was as follows:

	As at 30 September, 2008 (unaudited) HK\$'000	As at 31 March, 2008 (audited) HK\$'000
Current to 60 days	9,518	6,641
61 – 90 days	564	1,331
Over 90 days	17,592	24,147
	27,674	32,119
Less: Allowance for doubtful debts	(1,766)	(1,766)
	25,908	30,353

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

10. Bank balances and cash

Included in the balance was approximately HK\$5,012,000 (31 March, 2008: HK\$867,000), representing Renminbi deposits placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

11. Accounts payable

	As at 30 September, 2008 (unaudited) HK\$'000	As at 31 March, 2008 (audited) HK\$'000
Accounts payable	1,895	884

As at 30 September, 2008, the ageing analysis of the accounts payable was as follows:–

	As at 30 September, 2008 (unaudited) HK\$'000	As at 31 March, 2008 (audited) HK\$'000
Current to 60 days	1,161	779
61 – 90 days	729	76
Over 90 days	5	29
	1,895	884

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

12. Share capital

	Authorized Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 31 March, 2008 and 30 September, 2008	1,000,000,000	100,000
	Issued and fully paid Ordinary shares of HK\$0.1 each (unaudited)	
	No. of shares	HK\$'000
At 31 March, 2008 and 30 September, 2008	453,162,072	45,316

13. Commitments under operating leases – land and building

At 30 September, 2008, the Group had future aggregate minimum lease payments under operating leases as follows:

	As at 30 September, 2008 (unaudited) HK\$'000	As at 31 March, 2008 (audited) HK\$'000
Not later than one year	1,411	1,335
Later than one year and not later than five years	320	576
	1,731	1,911

14. Related party transactions

(A) During the six months ended 30 September, 2008, the Group undertook the following material transactions with its related companies during the course of its business at terms of underlying agreements:-

		From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
	Notes				
Rental paid to Directors	(a)	20	40	18	36
Rental paid to related companies	(b)	104	208	102	204

notes:

- (a) The Group leased an office premise from Mr. Hou Hsiao Wen (an executive director of the Company) and Ms. Chung Yuk Hung (a former executive director of the Company resigned on 10 January, 2005) in Beijing of the PRC for the Group's use at a half-year rental of HK\$39,764 (six months ended 30 September, 2007: HK\$36,000).

- (b) The Group leased office premises from Dynatek Limited (“Dynatek”) in Hong Kong for the six months ended 30 September, 2008 at a half-year rental of HK\$139,536 (six months ended 30 September, 2007: HK\$139,536) for the Group’s use. Besides, the Group leased office premises from Ms. Tsou Lo Nien and Ms. Chung Po Chu in Shanghai, the PRC, for the six months ended 30 September, 2008 at a half year rental of HK\$67,973 (six months ended 30 September, 2007: HK\$64,000) for the Group’s use. Dynatek is owned by Mr. Hou Hsiao Bing, the Chairman and the shareholder 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

	From 1 July, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 April, 2008 to 30 September, 2008 (unaudited) HK\$'000	From 1 July, 2007 to 30 September, 2007 (unaudited) HK\$'000	From 1 April, 2007 to 30 September, 2007 (unaudited) HK\$'000
Short-term benefits	788	1,576	767	1,533
Post-employment benefits	9	18	9	18
	797	1,594	776	1,551

15. Capital commitments

The Group and the Company did not have significant capital commitments as at 30 September, 2008.

16. Comparative figures

Certain comparative figures have been restated to conform with current period’s presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

On behalf of the board of directors (the "Board") of Soluteck Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), I announce the results of the Group for the six months ended 30 September, 2008.

The Group continued to specialize in the provision of implementation and upgrading of self-service automatic teller machine ("ATM") systems and other systems, related application hardware and software, technical support and consultancy services to commercial banks and postal bureaus in the People's Republic of China (the "PRC" or "China") during the six months ended 30 September, 2008.

The revenue of the Group during the six months ended 30 September, 2008 was approximately HK\$22.9 million, representing a decrease of approximately 60.9 per cent., as compared to the same period last year.

The management believes that the decrease in the revenue of the Group was mainly attributable to the keen competition among different suppliers of ATM systems in the PRC during the period under review.

The Group recorded a loss attributable to shareholders of approximately HK\$3.3 million in the six months ended 30 September, 2008, compared with the profit attributable to shareholders of approximately HK\$2.3 million for the corresponding period in last year. Loss per share during the six months ended 30 September, 2008 was approximately HK0.72 cents, compared with the earnings per share of approximately HK0.51 cents for the corresponding period in last year.

Implementation of self-service ATM systems

During the six months ended 30 September, 2008, implementation of self-service ATM systems remained the Group's core business and accounted for approximately 100.0 per cent. (six months ended 30 September, 2007: approximately 100.0 per cent.) of the Group's total revenue, including the income derived from the provision of technical consultancy and support services.

The revenue generated from the implementation of self-service ATM systems amounted to approximately HK\$22.9 million, representing a decrease of approximately 60.9 per cent., as compared with the corresponding period in last year. Such a drop was mainly attributable to the keen competition among different suppliers of ATM systems in the PRC during the period under review.

Provision of technical consultancy and support services

The provision of technical consultancy and support services, which were already included in the above-mentioned implementation of self-service ATM systems business, contributed to a stable and recurrent source of income for the Group and accounted for approximately 27.2 per cent. of the total revenue of the Group for the six months ended 30 September, 2008, compared with approximately 10.3 per cent. for the corresponding period in last year. Actual income derived from the provision of technical consultancy and support services increased by approximately 2.9 per cent..

By having ATM service centers already established in major cities in China including Ningbo, Guangxi, Hainan, Taiyuan, Jinan, Chuangzhou, Guangzhou, Shanghai, Beijing, Shenyang, Qingdao, Zhengzhou, Wenzhou, Nanjing, Hefei, Xian, Chongqing, Fuzhou, Wuxi, Tianjin, Shenzhen, Yantai, Sanming, Suzhou, Dalian, Jinhua, Hubei, Yingkou, Yancheng, Taizhou, Harbin, Jingzhou, Datong, Anhui, Xiamen, Xuzhou and Bengbu, the Group has ATM service centres to cover a total of 37 strategic cities and locations currently.

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

Segment Result Analysis

- i. The Group recorded a decrease in its revenue from the sale of self-service ATM systems and other systems by 68.3 per cent. for the six months ended 30 September, 2008, as compared with the same period in last year. The sale of self-service ATM systems also accounted for approximately 72.8 per cent. of the total revenue of the Group for the six months ended 30 September, 2008, compared with approximately 89.7 per cent. for the corresponding period in last year. The management believed that the decrease in revenue in this business segment of the Group was principally attributable to the keen competition among different suppliers of ATM systems in the PRC during the period under review.
- ii. The revenue generated from the rendering of hardware and software technical support services contributed to a stable and recurrent source of income for the Group and accounted for approximately 27.2 per cent. of the total revenue of the Group for the six months ended 30 September, 2008, compared with approximately 10.3 per cent. for the corresponding period in last year. The actual revenue from the rendering of hardware and software technical support services was approximately HK\$6.2 million during the six months ended 30 September, 2008 (six months ended 30 September, 2007: approximately HK\$6.1 million).

Gross profit

The Group's gross profit margin for the six months ended 30 September, 2008 was approximately 24.0 per cent., compared with approximately 21.3 per cent. for the corresponding period in last year. The management believed that the increase in the Group's gross profit margin was mainly attributable to the "screening out" of unprofitable projects in the PRC.

Selling expenses

Selling expenses incurred by the Group for the six months ended 30 September, 2008 amounted to approximately HK\$1.3 million (six months ended 30 September, 2007: approximately HK\$1.0 million), representing an increase of approximately 33.0 per cent. mainly because the Group had allocated some resources to explore business opportunities.

Administrative expenses

Administrative expenses incurred by the Group for the six months ended 30 September, 2008 amounted to approximately HK\$7.2 million (six months ended 30 September, 2007: approximately HK\$7.2 million), representing an increase of approximately 0.1 per cent..

Finance costs

The finance costs of the Group for the six months ended 30 September, 2008 decreased to approximately HK\$70,000 (six months ended 30 September, 2007: approximately HK\$400,000) due to the decrease in the use of banking facilities.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow. As at 30 September, 2008, the Group had cash and bank balances amounting to a total of approximately HK\$5.6 million (31 March, 2008: approximately HK\$1.8 million) and outstanding bank overdraft of approximately HK\$2.5 million (31 March, 2008: approximately HK\$2.4 million), which represented the total borrowings of the Group as at the date. The bank overdraft was at Hong Kong Dollar prime rate.

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

Current ratio

As at 30 September, 2008, the Group's current ratio, represented by a ratio of current assets to current liabilities, was approximately 6.0 (31 March, 2008: approximately 7.2).

Gearing ratio

As at 30 September, 2008, the gearing ratio of the Group, based on total liabilities over total assets was approximately 19.3 per cent. (31 March, 2008: approximately 16.6 per cent.).

Directors' opinion on sufficiency of working capital

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

Banking facilities

As at 30 September, 2008, the Group's banking facilities of HK\$23,500,000 (31 March, 2008: HK\$5,600,000) are secured and supported by corporate guarantees granted by the Company and several subsidiaries of the Group of HK\$26,100,000 (31 March, 2008: HK\$15,000,000) and leasehold properties held by a related party.

As at 30 September, 2008, the aforesaid banking facilities were utilized to the extent of approximately HK\$2,497,000 (31 March, 2008: approximately HK\$2,430,000).

Charges on assets

As at 30 September, 2008, there was no significant charges on assets of the Group.

Contingent liabilities

As at 30 September, 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 period.

Employees

As at 30 September, 2008, the Group employed 149 and 11 staff in the PRC and Hong Kong, respectively. The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Staff cost, including directors' emoluments, was approximately HK\$5.1 million for the six months ended 30 September, 2008 (six months ended 30 September, 2007: approximately HK\$4.3 million).

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

Significant investments held and material acquisitions and disposals of subsidiaries

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

BUSINESS OUTLOOK

The Group is recognised as a prestigious and experienced professional ATM software, hardware and services company in the ATM sector, and is an authorized value-added reseller of self-service ATM systems of NCR (Hong Kong) Limited and related applications software for commercial banks in China.

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

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period from 1 April, 2008 to 30 September, 2008 (six months ended 30 September, 2007: Nil).

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

As at 30 September, 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 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 Director	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)	28.94%
	The Company	Beneficial owner	2,000,000 ordinary shares (Note 2)	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 2)	0.44%

notes:

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

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

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

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

SHARE OPTION SCHEMES

1. Pre-IPO Share Options

On 13 December, 2000, the shareholders of the Company approved and adopted a share option scheme (the "Share Option Scheme"). Under the Share Option Scheme, the Directors may, at their discretion, grant to any employees of the Group, including Executive Directors, options to subscribe for the Shares. The subscription price for options granted under the Share Option Scheme after the listing of the Shares on the GEM is determined by the Directors and will not be less than the higher of the closing price of the Shares on GEM on the date of grant of the options or the average of the closing price of the Shares on GEM for the five trading days immediately preceding the date of grant of the options. As regards the options granted before the listing of the Shares on the GEM (the "Pre-IPO Share Options"), the subscription price is to be determined by Directors and shall not be less than the nominal value of the Shares. The maximum number of Shares in which options may be granted under the Share Option Scheme may not exceed 30 per cent. of the ordinary share capital in issue from time to time. The maximum option term is ten years from the respective grant dates. Options may be exercised at any time during a period, generally three years but not later than ten years, to be determined and notified to each grantee.

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

Pre-IPO Share Options	Number of Options				Outstanding at 30.9.2008	Closing price per Share immediately before the date of grant (HK\$) (Note)
	Outstanding at 1.4.2008	Granted during the period	Exercised during the period	Lapsed during the period		
Exercise price at HK\$0.40:						
– Executive Directors						
HOU Hsiao Bing	2,000,000	Nil	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
	6,400,000	Nil	Nil	Nil	6,400,000	

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

2. *New Share Option Scheme adopted as at 30 July, 2004*

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

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

As at 30 September, 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 shareholder	Number of ordinary shares	Capacity	Approximate percentage of interest
Ms. Tsou Lo Nien	35,190,000	Beneficial owner	7.77%
Mr. Chung Lok Fai	35,190,000	Interest of spouse (Note)	7.77%

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

Save as disclosed above, as at 30 September, 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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the Quarterly Period.

DIRECTORS' INTERESTS IN CONTRACTS

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

AUDIT COMMITTEE

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

The unaudited consolidated results of the Group for the six months ended 30 September, 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.

REMUNERATION COMMITTEE

The remuneration committee was established in June, 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deals clearly with its authorities and duties. The terms of reference will follow the requirement of Code Provision B.1.3.

The composition of the remuneration committee includes Chairman, Mr. Hou Hsiao Bing and three Independent Non-Executive Directors, Ms. Lui, Ming Rosita, Mr. Ho Wai Wing, Raymond and Mr. Tam Kam Biu, William.

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 compete or may compete with the business of the Group.

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

The Company had not redeemed any of its Shares during the six months ended 30 September, 2008. Neither the Company nor any of its subsidiaries purchased or sold any of the Shares during the six months ended 30 September, 2008.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings 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 six months ended 30 September 2008.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 September, 2008, the Company has complied with the Code of Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16.

On behalf of the Board

Hou Hsiao Bing

Chairman

Hong Kong, 7 November, 2008

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