



SYS SOLUTIONS HOLDINGS LIMITED

軟迅科技控股有限公司

(incorporated in the Cayman Islands with limited liability)



2003 Interim Report

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, the Group continued to engage in the provision of network infrastructure solutions and services. The Group designs, installs, implements and maintains a wide range of network infrastructure solutions and services, including infrastructure construction and infrastructure maintenance and reinforcement which are basic solutions and services to set up, maintain, reinforce and enhance the security, functionality and efficiency of customers' networks and computer systems. In addition, the Group also offers other professional value-added solutions and services to its customers in order to enhance the functionality and extensibility of their networks and computer systems. The Group is pleased to report progresses in these areas.

During the period under review, the Group reported an unaudited turnover of HK\$4,634,756 for the six months ended 31 January 2003 (2002: HK\$3,624,732). It is attributable to increase in revenues from sectors of network infrastructure maintenance and reinforcement services and other professional value-added solutions and services.

The increase of network infrastructure maintenance and reinforcement services mainly resulted from the Group's marketing effort in securing new customers and the increased demands from customers on firewall setup and maintenance service and file encryption solutions. On the other hand, because of the uncertainty about the price of long-distance calls between Hong Kong and mainland China, the Group succeeded in rendering VoIP and VPN solutions to its customers.

The unaudited loss from operating activities before tax for the period under review increased from HK\$3,715,087 to HK\$4,321,183 over the corresponding period in the previous year. The increase in loss was mainly due to the successful listing of the Group on the GEM of the Stock Exchange, which results in additional administrative expenses such as auditors' and independent non-executive directors' remuneration. Notwithstanding the increment mentioned above, the Group achieved in maintaining a stable and effective overhead structure.

Outlook

It is the objective of the Group to expand and further develop its business in providing network infrastructure solutions and services in Hong Kong and mainland China. To achieve this objective, the Group has formulated the following implementation plans:

- establish new business partnerships/relationships with additional technology companies;
- continue and complete the negotiation with Beijing Yanshan in relation to the establishment of a sino-foreign joint venture in Beijing and commence to establish such joint venture;
- commence feasibility study for the construction of network infrastructure for education department or secondary schools in Guangzhou or entities nominated by them and subject to findings of the feasibility study to start up the project;
- expand the operations of the representative office in Shanghai in order to extend the market presence of the Group in Shanghai and the Guangdong Province, which in turn helps to promote direct contact between the Group and the local customers and capture business opportunities;
- enlarge customer base by promoting the Group's total network infrastructure solutions and services to new customers in Hong Kong and mainland China;
- conduct marketing campaigns, such as participation in IT related seminars and exhibitions, to further promote sales and corporate profile of the Group;
- commence marketing campaign in form of participation in IT related seminars and co-operative assignments with renowned players in the IT industry in mainland China to develop the Group's brand name in mainland China through the sino-foreign joint venture formed with Beijing Yanshan;
- continue to monitor the customers' networks and computer systems and provide consultancy and maintenance services to them;

- commence and complete the development of Phase II of WOTS to migrate Microsoft platform version to J2EE platform and to test the J2EE platform in Solaris server; and
- continue to enrich the Group's portfolio of network infrastructure solutions and services by evaluating and upgrading existing value-added solutions and services, and developing new solutions and services.

As mentioned in the Prospectus, the above plans will be implemented before the end of July 2003. We are confident that the implementation of the plans listed above will help to accelerate the growth of the Group.

Liquidity and financial resources

The Company was listed on the GEM of the Stock Exchange through a placement of, inter alia, 132,300,000 new shares. The net proceeds from the placement of new shares, after deductions for relevant expenses, were approximately HK\$32,000,000. The Group intended to apply these proceeds in the manner disclosed in the Prospectus dated 30 January 2003. For the period under review, the Group financed its operation with proceeds from the allotment and issue shares to Century Pilot Investments Limited and Expeditious Management Limited (full details can be referred to the Prospectus), a loan from a director and internal resources generated from the operation of the business of the Group. Taking into consideration the existing financial resources available to the Group including the net proceeds from listing, it is anticipated that the Group should have adequate financial resources to meet its ongoing operations and development requirements.

Employee information

Currently, the Group has 33 full-time employees working in Hong Kong and mainland China. The total of employee remuneration, including that of directors and provident contributions, for the six months under review amounted to approximately HK\$2,900,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Pursuant to a pre-IPO share option scheme ("Pre-Scheme") adopted by the Company on 25 January 2003, the Company had granted pre-IPO share options on the Company's ordinary shares in favor of two executive directors,

five senior management employees and thirteen other employees to subscribe for a total of 30,168,000 shares at an exercise price ranging from HK\$0.11 to HK\$0.27 each, representing, in aggregate, 7.84% of the existing issued share capital of the Company. All of the share options granted may be exercised after the expiry of 12 months from 18 February 2003 but in any event not later than 4 years from 18 February 2003. No further options will be granted under the pre-IPO share option scheme and any other share option scheme.

On 25 January 2003, a further share option scheme (the "Post-Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognize the contributions of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering to the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at their discretion, grant options to any employee, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. Subject to paragraphs (i), (ii) and (iii) below, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes by the Company (including the Pre-Scheme) must not exceed 30% of the shares in issue from time to time ("Scheme Limit"). The subscription price for shares under the Post-Scheme may be determined by the Board at its absolute discretion but in any event will be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the shares on the date of grant of the option. As at the date of this announcement, no options has been granted by the Company pursuant to the Post-Scheme. Please refer to the Prospectus for further details of the Post-Scheme.

- (i) The Shares which are the subject of options that may be granted immediately after the listing of the shares on GEM must not exceed 10% of the shares in issue on the listing date ("**Scheme Mandate Limit**"), unless approval of the shareholders of the Company has been obtained pursuant to sub-paragraph (ii) and (iii) below. Options lapsed in accordance with the terms of the Post-Scheme and any

other share option schemes of the Group (including the Pre-Scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit.

- (ii) Subject to the Scheme Limit above, the Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval. However, the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of the aforesaid shareholders' approval. Options previously granted under the Post-Scheme and other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the schemes or exercised options) will not be counted for the purpose of calculating the limit as renewed. A circular containing such information required under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") must be sent to shareholders in connection with the meeting at which their approval will be sought.
- (iii) Subject to the Scheme Limit above, the Company may also seek separate shareholders' approval for granting options beyond the Scheme Mandate Limit to any employees, consultants and advisers specifically identified by the Company before the aforesaid shareholders' meeting where such approval is sought. A circular must be sent to shareholders containing a generic description of the identified employees, consultants and advisers, the number and terms of the options to be granted, the purpose of granting options to the identified employees, consultants and advisers with explanation as to how these options serve such purpose and such other information required under the GEM Listing Rules.

Capital structure

The shares of the Company were listed on the GEM of the Stock Exchange on 18 February 2003. There has been no change in the capital structure of the Company since the Company's listing on that date.

Significant investments

For the six months ended 31 January 2003, the Group had no significant investments.

Material acquisitions and disposals/future plans for material investments

The Group had no material acquisitions or disposals during the six months ended 31 January 2003. It has no plans for material investments or capital assets other than those set out in the Prospectus dated 30 January 2003.

Segment information

Details have been set out in Note 4 under "Notes to the condensed combined financial statements". The trends of the segmental results remain constant compared with the corresponding period in the previous year.

Charge on group assets and contingent liabilities

As at 31 January 2003, the Group did not have any charge on group assets or any significant contingent liabilities.

Gearing ratio

As at 31 January 2003, the Group had cash and cash equivalents of HK\$293,470 in its current assets while its current liabilities stood at HK\$5,800,306. The Group did not have any long-term debts as of 31 January 2003 and its shareholders' funds amounted to HK\$891,031. In this regard, the Group's gearing ratio should be zero (long-term debt to shareholders' funds) as of 31 January 2003.

Exposure to fluctuation in exchange rates

Sales of the Group are denominated in Hong Kong dollars and Renminbi. Risk on exposure to fluctuation in exchange rates should be minimal as there is no material fluctuation in the exchange rate between Hong Kong dollars and Renminbi.

SUBSTANTIAL SHAREHOLDERS

As at the date of this report, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”):

Name	Number of shares	Percentage of holding
Cyber Mission Ventures Limited	144,044,550	37.4% <i>(note a)</i>
Mr. Lam Chi Shing	144,044,550	37.4% <i>(note a)</i>
Cyber Profit Group Limited	51,795,450	13.5% <i>(note b)</i>
Mr. Su Chi Wen	51,795,450	13.5% <i>(note b)</i>

Notes:

- a. The entire issued share capital of Cyber Mission Ventures Limited is beneficially owned by Mr. Lam Chi Shing, who is therefore deemed to be interested in the 144,044,550 shares held by Cyber Mission Ventures Limited.
- b. The entire issued share capital of Cyber Profit Group Limited is beneficially owned by Mr. Su Chi Wen, who is therefore deemed to be interested in the 51,795,450 shares held by Cyber Profit Group Limited.

The substantial shareholdings are duplicated in the directors’ interests in shares disclosed below.

Save as disclosed above, no person, other than the directors whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance as at the date of this report.

DIRECTORS' INTERESTS IN SHARES

As at the date of this report, the interests of the directors and their associates in the share capital of the Company or its associated corporations as recorded in the register of the Company required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors of listed issuer as referred to in Rule 5.40 of the GEM Listing Rules are set out below:

Name of director	Number of shares held	Nature of interest
Mr. Lam Chi Shing	144,044,550 (<i>note a</i>)	Corporate
Mr. Su Chi Wen	51,795,450 (<i>note b</i>)	Corporate

Notes:

- a. These shares are held by Cyber Mission Ventures Limited, the entire issued share capital of which is beneficially owned by Mr. Lam Chi Shing.
- b. These shares are held by Cyber Profit Group Limited, the entire issued share capital of which is beneficially owned by Mr. Su Chi Wen.

In addition to the above, Mr. Lam Chi Shing has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Pre-Scheme adopted by the Company on 25 January 2003, the Company had granted pre-IPO share options on the Company's ordinary shares in favor of certain of its directors, details of which are as follows:

Name of director	Number of share options granted on 25 January 2003	Exercise period of share options	Exercise price per share <i>HK\$</i>
Mr. Lam Chi Shing	11,340,000	18 February 2004 to 17 February 2007	0.11
Mr. Su Chi Wen	11,340,000	18 February 2004 to 17 February 2007	0.11

The purpose of the Pre-Scheme was to recognize the contribution of the directors to the growth of the Group and/or the listing of the Company's shares on the GEM.

No valuation of the options granted under the Pre-Scheme is included, as the directors consider that, since the shares of the Company were only listed on 18 February 2003, there would not be sufficient historical price performance data to produce reasonable valuations using commonly used methodologies.

Save as disclosed above, and other than in connection with the group reorganization in preparation of the Company's Placing, at no time since its incorporation was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

COMPETING INTERESTS

As at 31 January 2003, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.23 and 5.24 of GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee has three members comprising Mr. Lam Chi Shing, who is an executive director of the Company and Mr. Lau Siu Ki Kevin and Mr. Wong Man Chung Francis, who are the independent non-executive directors of the Company. Mr. Lau Siu Ki Kevin is the chairman of the audit committee. The Group's unaudited results for the three months and the six months ended 31 January 2003 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complies with applicable accounting standards and requirements, and the adequate disclosures have been made.

SPONSOR'S INTEREST

As at the date of this report, neither Celestial Capital Limited ("Sponsor"), nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the securities of the Company of any members of the Group.

Pursuant to a Sponsor Agreement dated 30 January 2003 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 18 February 2003 to 31 July 2005.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM of the Stock Exchange on 18 February 2003.

PURCHASE, REDEMPTION OR SALE OF LISTING SECURITIES

The Company's shares were listed on the GEM of the Stock Exchange on 18 February 2003. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities between that date and the date of this report.

By order of the Board
Lam Chi Shing
Chairman

Hong Kong, 11 March 2003

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CONDENSED COMBINED PROFIT AND LOSS ACCOUNT (UNAUDITED)

Six months ended 31 January 2003

	Notes	Three months ended 31 January		Six months ended 31 January	
		2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)	2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)
TURNOVER	5	3,049,156	1,181,846	4,634,756	3,624,732
Cost of sales		(2,373,906)	(1,124,798)	(3,402,467)	(2,970,507)
Gross profit		675,250	57,048	1,232,289	654,225
Other revenue	5	3,120	58,680	7,612	117,360
Administrative and operating expenses		(2,887,988)	(2,389,790)	(5,561,084)	(4,486,672)
LOSS BEFORE TAX	6	(2,209,618)	(2,274,062)	(4,321,183)	(3,715,087)
Tax	7	—	—	—	—
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(2,209,618)	(2,274,062)	(4,321,183)	(3,715,087)
DIVIDENDS		—	—	—	—
Loss per share — basic	8	HK0.8 cent	HK0.8 cent	HK1.5 cents	HK1.3 cents

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CONDENSED COMBINED BALANCE SHEET

31 January 2003

	Notes	31 January 2003 HK\$ (Unaudited)	31 July 2002 HK\$ (Audited)
NON-CURRENT ASSETS			
Fixed assets	9	1,565,237	2,276,165
CURRENT ASSETS			
Inventories	10	292,873	62,418
Accounts receivable	11	1,225,529	1,389,556
Deposits, prepayments and other receivables		3,314,228	1,979,903
Due from a director		—	26,697
Cash and cash equivalents		293,470	1,106,552
		5,126,100	4,565,126
CURRENT LIABILITIES			
Accounts payable	12	1,288,912	443,900
Deposits received		1,292,430	708,217
Accrued liabilities and other payables		618,964	476,960
Due to a director		2,600,000	—
		5,800,306	1,629,077
NET CURRENT ASSETS/(LIABILITIES)		(674,206)	2,936,049
		891,031	5,212,214
CAPITAL AND RESERVES			
Issued capital	13	20,000	20,000
Reserves		871,031	5,192,214
		891,031	5,212,214
LAM CHI SHING <i>Director</i>		SU CHI WEN <i>Director</i>	

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 31 January 2003

	Share capital HK\$	Capital reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 August 2001	20,000	980,002	(6,253,082)	(5,253,080)
Issue of new shares of a subsidiary	—	999,998	—	999,998
Loss for the six months ended 31 January 2002	—	—	(3,715,087)	(3,715,087)
At 31 January 2002	20,000	1,980,000	(9,968,169)	(7,968,169)
At 1 August 2002	20,000	19,980,000	(14,787,786)	5,212,214
Loss for the six months ended 31 January 2003	—	—	(4,321,183)	(4,321,183)
At 31 January 2003	20,000	19,980,000	(19,108,969)	891,031
	(Note 13)	(Note 13)		

The capital reserve of the Group represents the difference between the nominal value of the share capital and share premium account of the subsidiaries acquired pursuant to the group reorganization ("Group Reorganization") set out in note 2 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor. In addition, the Company's capital reserve may be distributed.

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CONDENSED COMBINED CASH FLOW STATEMENT (UNAUDITED)

Six months ended 31 January 2003

	Six months ended 31 January	
	2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(3,368,295)	(3,373,042)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	(44,787)	(67,155)
NET CASH INFLOWS FROM FINANCING ACTIVITIES	2,600,000	2,000,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(813,082)	(1,440,197)
Cash and cash equivalents at beginning of period	1,106,552	3,099,847
CASH AND CASH EQUIVALENTS AT END OF PERIOD	293,470	1,659,650
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	293,470	1,659,650

Note: Major non-cash transaction

The Group Reorganization to rationalize the structure of the Group in preparation for the public listing of the Company's shares involved the acquisition of Sys Solutions (BVI) Limited ("Sys BVI") by the issue of shares of the Company, further details of which are set out in notes 2 and 13 to the condensed combined financial statements.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

31 January 2003

1. CORPORATE INFORMATION

The Company was incorporated as exempted company with limited liability under the Companies Law of the Cayman Islands on 3 July 2002.

During the six months ended 31 January 2003, the principal activity of the Group consisted of the provision of the network infrastructure construction solutions, the network infrastructure maintenance and reinforcement services and other professional value-added solutions and services as follows:

- (i) the network infrastructure construction solutions comprises the provision of hardware and software for network infrastructure solutions and the design and installation of network infrastructure systems;
- (ii) the network infrastructure maintenance and reinforcement services comprises the provision of support and maintenance services to customers' existing computer networks and systems; and
- (iii) the professional value-added solutions and services offers server co-location and management services, web-hosting and e-mail hosting services, web-based software applications and the provision of user training services.

2. GROUP REORGANIZATION AND BASIS OF PRESENTATION

Group reorganization

Pursuant to a Group Reorganization to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 18 February 2003, the Company became the holding company of the companies now comprising the

Group on 25 January 2003. Further details of the Group Reorganization are set out in the Company's prospectus dated 30 January 2003 ("Prospectus").

Basis of presentation and consolidation

The Group Reorganization has been accounted for by the Company using the merger basis of accounting in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants.

On this basis, the comparative amounts for the three months and six months ended 31 January 2002 include the results of all of the companies now comprising the Group as if the current Group structure had been in existence throughout the said periods or since their respective dates of incorporation, where this was a shorter period.

All significant transactions and balances among the companies comprising the Group are eliminated on combination.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with SSAP 25 "Interim financial reporting" and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The principal accounting policies and bases of preparation adopted for the preparation of these condensed combined financial statements are consistent with those adopted by the Group in its Prospectus.

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4. SEGMENT INFORMATION

An analysis of the Group's turnover, revenue and profit/(loss) for the three months and six months ended 31 January 2003 and segment assets and liabilities at 31 January 2003 together with the comparative figures for the corresponding period in 2002 by principal activities is as follows:

	Three months ended 31 January		Six months ended 31 January	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Segment revenue				
Network infrastructure construction segment	2,346,811	1,007,215	3,438,906	3,222,905
Network infrastructure maintenance and reinforcement segment	371,019	168,415	711,490	368,549
Other professional value- added solutions and services segment	331,326	6,216	484,360	33,278
	3,049,156	1,181,846	4,634,756	3,624,732
Segment results				
Network infrastructure construction segment	5,960	(304,336)	(17,721)	(65,975)
Network infrastructure maintenance and reinforcement segment	41,984	(19,194)	169,049	(23,250)
Other professional valued- added solutions and services segment	(470,154)	(596,140)	(1,094,597)	(1,047,163)
Unallocated income	(422,210)	(919,670)	(943,269)	(1,136,388)
Unallocated expenses	3,120	58,680	7,612	117,360
Loss before tax	(1,790,528)	(1,413,072)	(3,385,526)	(2,696,059)
	(2,209,618)	(2,274,062)	(4,321,183)	(3,715,087)
Tax	—	—	—	—
Loss after tax	(2,209,618)	(2,274,062)	(4,321,183)	(3,715,087)
Net loss from ordinary activities attributable to shareholders	(2,209,618)	(2,274,062)	(4,321,183)	(3,715,087)

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	Three months ended 31 January		Six months ended 31 January	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Depreciation				
Other professional valued-added solutions and services segment	185,844	183,873	371,688	367,746
Unallocated depreciation	173,101	152,513	344,531	303,847
	358,945	336,386	716,219	671,593

	31 January 2003 HK\$	31 July 2002 HK\$
Segment assets		
Network infrastructure construction segment	1,649,355	1,366,577
Network infrastructure maintenance and reinforcement segment	138,711	50,488
Other professional value-added solutions and services segment	1,189,979	1,332,772
	2,978,045	2,749,837
Unallocated assets	3,713,292	4,091,454
Total assets	6,691,337	6,841,291
Segment liabilities		
Network infrastructure construction segment	1,299,743	492,290
Network infrastructure maintenance and reinforcement segment	828,498	216,236
Other professional valued-added solutions and services segment	487,378	443,591
	2,615,619	1,152,117
Unallocated liabilities	3,184,687	476,960
Total liabilities	5,800,306	1,629,077

No analysis for geographical segment is presented as over 90% of the Group's revenue, results, assets and liabilities were derived from services rendered in or located in Hong Kong for the three and six months ended 31 January 2002 and 2003.

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5. TURNOVER AND REVENUE

Turnover represents the net invoice value of goods sold, after allowances for returns and trade discounts; and the value of services rendered. All significant transactions among the companies now comprising the Group have been eliminated on combination.

An analysis of the Group's other revenue is as follows:

	Three months ended 31 January		Six months ended 31 January	
	2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)	2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)
Gross dataline rental income	20,820	31,080	50,576	62,160
Less: Outgoing	(17,700)	(26,400)	(42,964)	(52,800)
	3,120	4,680	7,612	9,360
Data processing fee income	—	54,000	—	108,000
Other revenue	3,120	58,680	7,612	117,360

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Three months ended 31 January		Six months ended 31 January	
	2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)	2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)
Cost of inventories sold	2,065,948	1,021,243	2,933,450	2,714,680
Cost of services provided	238,221	103,555	358,004	255,827
Depreciation	358,945	336,386	716,219	671,593
Loss/(gain) on disposal/ write-off of fixed assets	(2,830)	—	31,396	—
Research and development cost — current year expenditure	156,173	149,544	314,644	299,088
Exchange losses, net	47	871	1,816	56

7. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits in Hong Kong during the three months and six months ended 31 January 2003 (three months and six months ended 31 January 2002: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited loss attributable to shareholders for the three months and six months ended 31 January 2003 of HK\$2,209,618 and HK\$4,321,183, respectively (three months and six months ended 31 January 2002: HK\$2,274,062 and HK\$3,715,087, respectively) and the weighted average number of 283,500,000 ordinary shares in issue during the three months and six months ended 31 January 2003 (three months and six months ended 31 January 2002: 283,500,000 ordinary shares). The weighted average number of shares used to calculate the loss per share for the three months and six months ended 31 January 2002 and 2003 includes the pro forma issued share capital of the Company of 283,500,000 deemed to have been in issue on the assumption that the Group Reorganization and the subsequent capitalization issue of 281,500,000 shares of the Company had been effective during the three months and six months ended 31 January 2002 and 2003.

No diluted loss per share amounts for the three months and six months ended 31 January 2003 have been presented because the share options outstanding had an anti-dilutive effect on the basic loss per share for these periods.

The diluted loss per share amounts for the three months and six months ended 31 January 2002 have not been presented since there were no potential ordinary shares in existence during these periods.

SYS SOLUTIONS HOLDINGS LIMITED

9. FIXED ASSETS

	Leasehold improvements HK\$	Computer equipment and software HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
Cost					
At 1 August 2002 (Audited)	1,363,366	2,904,257	199,057	169,275	4,635,955
Additions	—	44,787	—	—	44,787
Disposal/write-off	—	(40,426)	—	—	(40,426)
At 31 January 2003 (Unaudited)	1,363,366	2,908,618	199,057	169,275	4,640,316
Accumulated depreciation					
At 1 August 2002 (Audited)	867,097	1,389,512	53,881	49,300	2,359,790
Provided during the period	243,213	436,177	19,903	16,926	716,219
Disposal/write-off	—	(930)	—	—	(930)
At 31 January 2003 (Unaudited)	1,110,310	1,824,759	73,784	66,226	3,075,079
Net book value					
At 31 January 2003 (Unaudited)	253,056	1,083,859	125,273	103,049	1,565,237
At 31 July 2002 (Audited)	496,269	1,514,745	145,176	119,975	2,276,165

10. INVENTORIES

	31 January 2003 HK\$ (Unaudited)	31 July 2002 HK\$ (Audited)
Computer hardware and software held for re-sale	292,873	62,418

None of the inventories included above are carried at net realizable values as at 31 July 2002 and 31 January 2003.

11. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 to 90 days.

An ageing analysis of the Group's accounts receivable as at the balance sheet dates, based on invoice date, is as follows:

	31 January 2003 HK\$ (Unaudited)	31 July 2002 HK\$ (Audited)
Outstanding balances with ages:		
Within 30 days	474,126	584,659
Between 31 to 60 days	548,739	167,231
Between 61 to 90 days	54,831	349,559
Between 91 to 180 days	13,022	273,062
Over 181 days	134,811	15,045
	1,225,529	1,389,556

12. ACCOUNTS PAYABLE

An ageing analysis of the Group's accounts payable as at the balance sheet dates, based on invoice date, is as follows:

	31 January 2003 HK\$ (Unaudited)	31 July 2002 HK\$ (Audited)
Outstanding balances with ages:		
Within 30 days	788,018	342,376
Between 31 to 60 days	498,871	55,385
Between 61 to 90 days	—	—
Between 91 to 180 days	1,710	15,084
Over 181 days	313	31,055
	1,288,912	443,900

13. SHARE CAPITAL

Shares

	Notes	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$
<i>Authorized:</i>			
On incorporation	(i)	30,000,000	300,000
Increase in authorized share capital	(ii)	4,970,000,000	49,700,000
At 31 January 2003		5,000,000,000	50,000,000
<i>Issued:</i>			
Allotted and issued as nil paid	(i)	1,000,000	—
On acquisition of Sys BVI:			
— consideration shares	(iii)	1,000,000	10,000
— nil paid share credited as fully paid	(iii)	—	10,000
Issued share capital as at 31 January 2003 and pro forma issued share capital as at 31 July 2002 before capitalization issue		2,000,000	20,000
Capitalization issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public by way of placement	(iv)	281,500,000	2,815,000
Pro forma issued share capital as at 31 January 2003 and 31 July 2002 after capitalization issue		283,500,000	2,835,000
New issue of shares by way of the placing	(v)	101,340,000	1,013,400
At 18 February 2003, the listing date		384,840,000	3,848,400

The following changes in the Company's authorized and issued share capital took place during the period from 3 July 2002 (date of incorporation of the Company) to date of this report:

- (i) On 3 July 2002, the authorized share capital of the Company was HK\$300,000 divided into 30,000,000 shares of HK\$0.01 each, 1,000,000 shares of which was allotted and issued nil paid on 17 July 2002. The said shares were subsequently credited as fully paid as described in (iii) below.
- (ii) Pursuant to written resolutions of all shareholders of the Company passed on 25 January 2003, the authorized share capital of the Company was increased from HK\$300,000 to HK\$50,000,000 by the creation of an additional 4,970,000,000 shares of HK\$0.01 each.
- (iii) On 25 January 2003, the Company acquired the entire share capital of Sys BVI and became the holding company of the Group in exchange for the Company's allotted and issued 1,000,000 shares of HK\$0.01 each, credited as fully paid, and credited as fully paid another 1,000,000 nil paid shares held by the shareholders as the consideration for the acquisition of the entire issued share capital of Sys BVI. The capital reserve account of the Group represents the difference between the nominal value of the share capital and share premium account of the subsidiaries acquired pursuant to the group reorganization set out in note 2 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor.
- (iv) Pursuant to written resolutions of the Company passed on 25 January 2003, the conditions of the share placement (the "Placing") set out in the Prospectus being fulfilled, an aggregate of 281,500,000 shares were allotted and issued, credited as fully paid at par by the capitalization of HK\$2,815,000 from the share premium account arising from the Placing, to the then existing shareholders of the Company in proportion to their respective shareholding.

- (v) Pursuant to the listing of the Company's shares on the GEM on 18 February 2003, the Company issued 101,340,000 shares of HK\$0.01 each at HK\$0.38 per share to the public by way of the Placing for a total consideration of HK\$38,509,200 before issue expenses of HK\$6.5 million.

Share options

- (i) On 25 January 2003, a share option scheme (the "Pre-Scheme") was approved pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognize the contribution of certain employees of the Group to its growth and/or to the listing of ordinary shares of the Company on GEM.

On 25 January 2003, the Company granted pre-IPO share options under the Pre-Scheme to 2 executive directors and 18 employees to subscribe for a total of 30,168,000 shares, representing in aggregate approximately 7.84% of the existing issued share capital of the Company, at a subscription price ranged from HK\$0.11 each to HK\$0.27 each. No further options will be granted under the Pre-Scheme after the listing of the Company's shares on the GEM. All the pre-IPO options granted may be exercised after the expiry of 12 months from 18 February 2003, the listing date, and in each case, not later than 4 years from the date of 18 February 2003. Each grantee has paid HK\$1 to the Company as consideration for such grant.

The exercise in full of the pre-IPO share options would, under the present capital structure of the Company, result in the issue of 30,168,000 additional shares of the Company of HK\$0.01 each.

- (ii) On 25 January 2003, a further share option scheme (the "Post-Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognize the contributions of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering to the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at their discretion, grant options to any employee, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of

the Company. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes by the Company must not exceed 30% of the shares in issue from time to time. The subscription price for shares under the Post-Scheme may be determined by the Board at its absolute discretion but in any event will be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the shares on the date of grant of the option.

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in advance in a general meeting.

In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time, in any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The options granted may be exercised at any time or times during a period to be determined and notified by the Board which period of time shall commence on the expiration of 3 years after the date of grant of the option and expire on such date as determined by the Board in any event no later than 10 years from the date of the grant of the options.

No share options were granted by the Company under the Post-Scheme up to the date of approval of these financial statements.

The Post-Scheme remains in force for a period of 10 years with effect from 25 January 2003.

- (iii) No valuation of the options granted under the Pre-Scheme is included in these financial statements as the directors consider that, since the shares of the Company were only listed on 18 February 2003, there would not be sufficient historical price performance data to produce reasonable valuations using commonly used methodologies.

14. COMMITMENTS

Operating lease commitments

The Group leases certain of its office premises under operating lease arrangements for terms ranging from one to two years.

The Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as at the balance sheet date falling due as follows:

	31 January 2003 HK\$ (Unaudited)	31 July 2002 HK\$ (Audited)
Within one year	748,976	548,896
In the second to fifth years, inclusive	850,448	—
	1,599,424	548,896

Save as aforesaid, the Group did not have any other significant commitments as at 31 July 2002 and 31 January 2003.

15. RELATED PARTY TRANSACTIONS

Particulars of significant transactions between the Group and related parties during the periods are summarized below:

	Notes	Three months ended 31 January		Six months ended 31 January	
		2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)	2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)
Speed Sourcing Limited*					
Network infrastructure construction income	(i)	257,435	50,230	333,255	52,340
Network infrastructure maintenance and reinforcement income	(i)	68,580	58,000	108,113	116,000
Dataline rental income	(ii)	20,820	31,080	50,576	62,160
Data processing fee	(iii)	—	54,000	—	108,000
Cyber Mission Ventures Limited**					
Management fee paid	(iv)	—	55,000	—	110,000

* Speed Sourcing Limited is a company incorporated in Hong Kong, of which Mr. Lam Chi Shing, a director of the Company, is also a director.

** Cyber Mission Ventures Limited, a company incorporated in the British Virgin Islands, is a substantial shareholder of the Company, of which Mr. Lam Chi Shing, a director of the Company, is a beneficial shareholder.

Notes:

- (i) The directors of the Company consider that the prices and terms of the sales and purchase transactions with related companies of the Company approximated to those with independent third parties;
- (ii) Dataline rental income was determined based on a cost-plus basis on the direct costs incurred, with a margin of 18%;
- (iii) Data processing fees were charged with reference to the actual costs incurred in respect of the provision of data input and updating services; and
- (iv) Management fees were charged with reference to the actual costs incurred in respect of the provision of accounting and payroll services.

In the opinion of the directors of the Company, the above related party transactions were entered into by the Group in the ordinary course of business.

The directors of the Company have confirmed that except for the transactions with Speed Sourcing Limited mentioned in notes (i) and (ii) above, the above transactions will not be continued after the listing of the Company's shares on the GEM of the Stock Exchange.

16. POST BALANCE SHEET EVENTS

In addition to matters set out in note 13 to condensed combined financial statements, subsequent to the balance sheet date, the shares of the Company were listed on the GEM on 18 February 2003. After the listing, an amount of HK\$2,600,000 due to a director was settled on 20 February 2003.