



SYS SOLUTIONS HOLDINGS LIMITED

軟迅科技控股有限公司

(incorporated in the Cayman Islands with limited liability)



2003 Third Quarterly Report

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, Sys Solutions Holdings Limited (“Company”) and its subsidiaries (collectively referred to as the “Group”) continued to engage in the provision of network infrastructure solutions and services. The Group designed, installed, implemented and maintained 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 offered 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\$7,794,417 for the nine months ended 30 April 2003 (2002: HK\$6,188,105). This was attributable to an increase in revenues from sectors of network infrastructure maintenance and reinforcement services and other professional value-added solutions and services.

The increase in network infrastructure maintenance and reinforcement services mainly resulted from the marketing efforts of the Group in securing new customers and the increased demands from customers on firewall setup and maintenance service and file encryption solutions.

The Group also succeeded in closing its first contract in this quarter on Worldwide Online Tracking Systems (“WOTS”), its self-developed web-based software applications facilitating business processing and management for garment trading and distribution companies.

The unaudited gross profit margin ratio for the nine months ended 30 April 2003 was 33.2%, while it was 21.6% for the corresponding period last year. The significant increase is attributable to the turnover generated from WOTS, where costs incurred were staff remuneration which were absorbed in the profit and loss accounts as research and development costs.

The unaudited loss from operating activities before tax for the nine months ended 30 April 2003 increased from HK\$5,196,985 to HK\$6,172,592 over the corresponding period in the previous year. The increase in loss was mainly

due to the additional administrative expenses resulting from the listing of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Such expenses include auditors' and independent non-executive directors' remuneration, fees payable to sponsor as well as salaries for new managerial staff. Notwithstanding the increment mentioned above, the Group was able to control its overheads.

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 had formulated the following implementation plans:

- establish new business partnerships/relationships with additional technology companies;
- continue and complete the negotiation with Beijing Yanshan Petrochemical Group Company of China Petrochemical Corporation ("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 would help to promote direct contact between the Group and the local customers and capture business opportunities;
- enlarge customer base by promoting the total network infrastructure solutions of the Group 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 brand name of the Group 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 portfolio of network infrastructure solutions and services of the Group by evaluating and upgrading existing value-added solutions and services, and developing new solutions and services.

As mentioned in the prospectus of the Company dated 30 January 2003 ("Prospectus"), the above plans are aimed to be implemented before the end of July 2003. However, owing to the spread of severe acute respiratory syndrome, the progress of the above plans have been affected. In Beijing and the Guangdong province, the Company has decided to resume the negotiation with mainland related Government departments and Beijing Yanshan in the second half of 2003. The Company will also endeavor to accomplish other plans mentioned above by the end of July 2003.

Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 30 April 2003 (2002: Nil).

Acquisitions and disposals of subsidiaries and affiliated companies

The Group had no material acquisitions or disposals during the nine months ended 30 April 2003.

Directors' interests and short positions in shares

As at 30 April 2003, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within

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the meaning of Part XV of the Securities and Futures Ordinance ("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 of Hong Kong Limited pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited were as follows:

1. *Interests in shares of the Company*

Name of director	Corporate interests	Personal interests	Aggregate interests	Approximate percentage of issued share capital as at 30 April 2003
Mr. Lam Chi Shing	144,044,550 <i>(note a)</i>	11,340,000 <i>(note b)</i>	155,384,550	40.38%
Mr. Su Chi Wen	51,795,450 <i>(note c)</i>	11,340,000 <i>(note b)</i>	63,135,450	16.41%

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. These 144,044,550 shares represent a long position of approximately 37.43% of the issued share capital of the Company on 30 April 2003.
- b. Each of these director's interests represents their long positions in the underlying shares of the Company by virtue of options granted to the director pursuant to a pre-IPO share option scheme adopted by the Company on 25 January 2003 ("Pre-Scheme") (further details of which are set out under the section headed "Share Option Schemes" below). These options were granted on 25 January 2003 and each director has undertaken that he would not exercise these options if to do so would result in the public float of the Company being less than 25% and he would not exercise such options within 12 months of 18 February 2003, being the date on which dealing in the shares of the Company first commenced on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Subject to the aforesaid, the options may be exercised between 18 February 2004 and 17 February 2007 at a price of HK\$0.11 per share. The underlying shares of each director represent approximately 2.95% of the issued share capital of the Company on 30 April 2003. These options are unlisted and represent physically settled equity derivatives.
- c. These shares are held by Cyber Profit Group Limited, the entire issued share capital of which is beneficially owned by Mr. Su Chi Wen. These 51,795,450 shares represent a long position of approximately 13.46% of the issued share capital of the Company on 30 April 2003.

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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.

2. *Interests in the shares of the associated corporations of the Company*

Since Mr. Lam Chi Shing is beneficially interested in more than one-third of the issued share capital of the Company, he is deemed to be interested in the following associated corporations of the Company:

Name of associated corporations	Number of shares in issue as at 30 April 2003	Name of registered shareholder
Sys Solutions (BVI) Limited	10,000 ordinary shares of US\$1 each, representing 100% of its issued share capital	The Company
Sys Solutions Limited	1,000,000 ordinary shares of HK\$1 each, representing 100% of its issued share capital	Sys Solutions (BVI) Limited
Sys Solutions (China) Limited	1,000,000 ordinary shares of HK\$1 each, representing 100% of its issued share capital	Sys Solutions (BVI) Limited
Sys Solutions Technology Consulting Limited	10,000 ordinary shares of HK\$1 each, representing 100% of its issued share capital	Sys Solutions (BVI) Limited
廣州軟迅網絡科技有限公司	HK\$1,000,000 (paid up registered capital), representing 100% of its registered capital	Sys Solutions Limited

3. *Short positions in the underlying shares of the Company*

Options were granted by the Company under the Pre-Scheme over an aggregate of 30,168,000 underlying shares in the Company. The options may be exercised at various stages between 18 February 2004 and 17 February 2007 at prices ranging from HK\$0.11 to HK\$0.27 per share. The options are unlisted and represent physically settled equity derivatives.

Since Mr. Lam Chi Shing is beneficially interested in more than one-third of the issued share capital of the Company, he is deemed to have a short position in the underlying shares of the Company as a result of the share options granted by the Company under the Pre-Scheme.

Save as disclosed above, as at 30 April 2003, none of the directors had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 of Hong Kong Limited pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Substantial shareholders

As at 30 April 2003, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Number of shares	Percentage of holding
Cyber Mission Ventures Limited	144,044,550	37.4% (note a)
Cyber Profit Group Limited	51,795,450	13.5% (note b)
Century Pilot Investments Limited	28,350,000	7.4% (note c)
Mr. Wong Wing Hong	28,350,000	7.4% (note c)
Expeditious Management Limited	28,350,000	7.4% (note d)
Ms. Wong Sze Shun Syson	28,350,000	7.4% (note d)
Ms. Elizabeth Helen Narain	20,670,000	5.4%

Notes:

- a. The entire issued share capital of Cyber Mission Ventures Limited is beneficially owned by Mr. Lam Chi Shing, a director of the Company.
- b. The entire issued share capital of Cyber Profit Group Limited is beneficially owned by Mr. Su Chi Wen, a director of the Company.
- c. The entire issued share capital of Century Pilot Investments Limited is beneficially owned by Mr. Wong Wing Hong, who is therefore deemed to be interested in the 28,350,000 shares held by Century Pilot Investments Limited.
- d. The entire issued share capital of Expeditious Management Limited is beneficially owned by Ms. Wong Sze Shun Syson, who is therefore deemed to be interested in the 28,350,000 shares held by Expeditious Management Limited.

Save as disclosed above, as at 30 April 2003, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Schemes

On 25 January 2003, 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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 issued share capital of the Company immediately following the completion of the Placing, 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. All the pre-IPO options granted may be exercised after the expiry of 12 months from 18 February 2003, the listing date, and in any event, 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.

On 25 January 2003, a further share option scheme ("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 of directors 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 of 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 of directors at its absolute discretion but in any event will be the highest of: (i) the closing price of the shares as stated in

the daily quotation sheets of The Stock Exchange of Hong Kong Limited 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 daily quotation sheets of The Stock Exchange of Hong Kong Limited 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 30 April 2003, no options have 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 paragraphs (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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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 of directors which period of time shall commence on the expiration of three years after the date of grant of the option and expire on such date as determined by the board of directors in any event no later than ten years from the date of the grant of the options.

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

Competition and conflict of interests

As at 30 April 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 the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems 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 of the

Group for the three months and the nine months ended 30 April 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.

Interest of the Sponsor

As at 30 April 2003, 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) 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 sponsor of the Company for the period from 18 February 2003 to 31 July 2005.

Compliance with Rules 5.28 to 5.39 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 18 February 2003.

Purchase, redemption or sale of listing securities

The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 18 February 2003. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company between that date and 30 April 2003.

By order of the Board
Lam Chi Shing
Chairman

Hong Kong, 12 June 2003

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UNAUDITED RESULTS

The board of directors of the Company announces the unaudited condensed consolidated profit and loss account of the Group for the three months and nine months ended 30 April 2003 together with the comparative figures as follows:

	Notes	Three months ended 30 April		Nine months ended 30 April	
		2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)	2003 HK\$ (Unaudited)	2002 HK\$ (Unaudited)
TURNOVER	2	3,159,661	2,563,373	7,794,417	6,188,105
Cost of sales		(1,805,194)	(1,878,650)	(5,207,661)	(4,849,157)
Gross profit		1,354,467	684,723	2,586,756	1,338,948
Other revenue		3,120	58,680	10,732	176,040
Administrative and operating expenses		(3,208,996)	(2,225,301)	(8,770,080)	(6,711,973)
LOSS BEFORE TAX		(1,851,409)	(1,481,898)	(6,172,592)	(5,196,985)
Tax	3	—	—	—	—
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(1,851,409)	(1,481,898)	(6,172,592)	(5,196,985)
DIVIDENDS		—	—	—	—
Loss per share — basic	4	HK 0.5 cent	HK 0.5 cent	HK 2.0 cents	HK 1.8 cents

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

30 April 2003

1. GROUP REORGANIZATION AND BASIS OF PRESENTATION

Group reorganization

Pursuant to a group reorganization ("Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 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 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants.

On this basis, the comparative amounts for the three months and nine months ended 30 April 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.

2. 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.

3. 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 nine months ended 30 April 2003 (three months and nine months ended 30 April 2002: Nil).

4. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 30 April 2003 is based on the unaudited loss attributable to shareholders of HK\$1,851,409 (2002: HK\$1,481,898) and the weighted average number of 365,482,921 (2002: 283,500,000) shares in issue during the period.

The calculation of basic loss per share for the nine months ended 30 April 2003 is based on the unaudited loss attributable to shareholders of HK\$6,172,592 (2002: HK\$5,196,985) and the weighted average number of 310,227,033 (2002: 283,500,000) shares in issue during the period.

The weighted average number of shares used to calculate the loss per share for the three months and nine months ended 30 April 2002 includes the pro forma issued share capital of the Company of 283,500,000 shares 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 nine months ended 30 April 2002.

No diluted loss per share amounts for the three months and nine months ended 30 April 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 nine months ended 30 April 2002 have not been presented since there were no potential ordinary shares in existence during these periods.

5. CAPITAL AND RESERVES

Share capital

	Notes	Number of ordinary shares of HK\$0.01	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 30 April 2003		5,000,000,000	50,000,000
<i>Issued and fully paid:</i>			
Allotted and issued as nil paid	(i)	1,000,000	—
On acquisition of Sys Solutions (BVI) Limited:			
— consideration shares	(ii)	1,000,000	10,000
— nil paid share credited as fully paid	(iii)	—	10,000
Pro forma issued share capital as at 1 August 2002 before capitalization issue		2,000,000	20,000
Capitalization issue credited as fully paid 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	1,013,340
At 30 April 2003		384,840,000	3,848,340

The following changes in the authorized and issued share capital of the Company took place during the period from 3 July 2002 (date of incorporation of the Company) to 30 April 2003:

- (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 Solutions (BVI) Limited ("Sys BVI") and became the holding company of the Group in exchange for the allotted and issued 1,000,000 shares of HK\$0.01 each of the Company, 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 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, 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 ("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 existing shareholders of the Company in proportion to their respective shareholding.
- (v) Pursuant to the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 18 February 2003, the Company issued 101,340,000

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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\$6.1 million.

Reserves

	Share premium account HK\$	Capital reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 August 2001	—	980,002	(6,253,082)	(5,273,080)
Issue of new shares of a subsidiary	—	999,998	—	999,998
Loss for the nine months ended 30 April 2002	—	—	(5,196,985)	(5,196,985)
At 30 April 2002	—	1,980,000	(11,450,067)	(9,470,067)
At 1 August 2002	—	19,980,000	(14,787,786)	5,192,214
Placing of shares	37,495,800	—	—	37,495,800
Placing and listing expenses	(6,129,014)	—	—	(6,129,014)
Capitalization issue	(2,815,000)	—	—	(2,815,000)
Loss for the nine months ended 30 April 2003	—	—	(6,172,592)	(6,172,592)
At 30 April 2003	28,551,786	19,980,000	(20,960,378)	27,571,408

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, over the nominal value of the share capital of the Company issued in exchange therefor.