



**SYSTEK**

**Information Technology**

# **System Information Technology (Holdings) Limited**

(incorporated in the Cayman Islands with limited liability)



First Quarterly Report 2003

[www.systemkit.com.hk](http://www.systemkit.com.hk)

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 Exchange. Listed companies are not generally required to issue paid documents 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.**

*The Exchange takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this document.*

*This document, for which the directors (the “Directors”) of Systek Information Technology (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## FIRST QUARTERLY RESULTS

for the three months ended 30 June 2003

The board of directors (the “Board”) of Systek Information Technology (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2003, together with the comparative figures of the corresponding period in 2002, as follows:

### UNAUDITED CONSOLIDATED RESULTS

		For the three months ended 30 June	
	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	2	11,900	10,151
Cost of services and merchandise sold		<u>(7,456)</u>	<u>(7,263)</u>
Gross profit		4,444	2,888
Other revenue		21	479
Research and development costs		(623)	(2,028)
Selling expenses		(494)	(822)
General and administrative expenses		<u>(3,536)</u>	<u>(7,576)</u>
Loss from operations		(188)	(7,059)
Finance cost		<u>(10)</u>	<u>(1)</u>
Loss from ordinary activities before taxation	3	(198)	(7,060)
Taxation	4	<u>-</u>	<u>-</u>
Loss from ordinary activities after taxation		(198)	(7,060)
Minority interests		<u>-</u>	<u>-</u>
Loss attributable to the shareholders		<u>(198)</u>	<u>(7,060)</u>
Loss per share	5		
Basic (HK cents)		<u>(0.019)</u>	<u>(0.681)</u>

*Notes*

**1. Basis of presentation**

The consolidated results have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong. All significant intra-group transactions and balances have been eliminated in the preparation of the consolidated results.

**2. Turnover**

The principal activities of the Group are the provision of systems development and consultancy services and sales of software and hardware products. Turnover represents income arising from the provision of systems development and consultancy services, provision of IT engineering and technical support services, provision of training courses and the sales of software and hardware products.

An analysis of the turnover by principal activities of the operations of the Group during the reporting periods is as follows:

	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<i>Principal activities</i>		
Systems development	<b>6,781</b>	5,830
Sales of software and hardware products	<b>2,517</b>	229
Professional service fees	<b>1,811</b>	3,213
Training fees	<b>346</b>	553
Technical support fees	<b>445</b>	326
	<hr/>	<hr/>
	<b>11,900</b>	10,151
	<hr/> <hr/>	<hr/> <hr/>

### 3. Loss from ordinary activities before taxation

Loss from ordinary activities before taxation is arrived at after crediting and charging:

	Three months ended	
	30 June	
	2003	2002
	HK\$'000	HK\$'000
<i>Crediting</i>		
Interest income	<u>1</u>	<u>13</u>
<i>Charging</i>		
Staff costs	6,945	10,174
Operating lease rentals – properties	708	1,095
Pre-operating costs written off	–	28
Amortisation of deferred assets	–	24
Auditors' remuneration	120	150
Loss on disposal of fixed assets	5	–
Depreciation	<u>459</u>	<u>710</u>

### 4. Taxation

No provision for taxation has been made for the three months ended 30 June 2003 and 2002 as the Group sustained losses for taxation purpose during both periods.

Subsidiaries operating in the PRC are exempted from PRC income tax for two years commencing from the first profit making year and are entitled to a 50% relief from PRC income tax for the following three years, after which the profits are subject to PRC income tax at the standard rate of 33%. These subsidiaries sustained losses since incorporation and the two-year tax exemption period has not commenced.

No deferred tax asset in respect of unutilised tax losses carried forward, which are available to set off against future assessable profits, has been recognised as it is uncertain that these tax losses will be utilised in the foreseeable future.

## 5. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2003 was based on the loss attributable to the shareholders of approximately of HK\$198,000 (2002: HK\$7,060,000) divided by the weighted average number of 1,036,375,000 (2002: 1,036,375,000) shares in issue during the period.

There were no potential dilutive ordinary shares in issue during the three months ended 30 June 2003 and 2002.

## 6. Reserves

	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	33,144	–	(358)	(75,321)	(42,535)
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	–	–	–	–	–
Loss for the period	–	–	–	(7,060)	(7,060)
At 30 June 2002	<u>33,144</u>	<u>–</u>	<u>(358)</u>	<u>(82,381)</u>	<u>(49,595)</u>
At 1 April 2003	33,144	1,200	(395)	(132,150)	(98,201)
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	–	–	(375)	–	(375)
Loss for the period	–	–	–	(198)	(198)
At 30 June 2003	<u>33,144</u>	<u>1,200</u>	<u>(770)</u>	<u>(132,348)</u>	<u>(98,774)</u>

According to the relevant PRC accounting rules and regulations, the PRC subsidiaries may appropriate part of its profits after tax to general reserve, at the discretion of the board of directors of the subsidiaries. The general reserve can be used to make good losses and to convert into paid-up capital.

No transfer to the general reserve was made by the PRC subsidiaries during the period under review.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of interim dividend for the three months ended 30 June 2003 (2002: Nil).

## **BUSINESS REVIEW**

Despite events such as the Iraq war and the outbreak of Severe Acute Respiratory Syndrome in the period under review, the Group recorded a turnover of approximately HK\$11,900,000 (2002: HK\$10,151,000) representing an increase of 17% over the same period in 2002. General and administrative expenses were reduced to approximately HK\$3,536,000 as compared to HK\$7,576,000 of the previous corresponding period, representing a decrease of 53%. With an increase in turnover and a reduction in general and administrative expenses, the loss attributable to the shareholders for the three months ended 30 June 2003 was approximately HK\$198,000 representing an improvement of 97% as compared to a loss of approximately HK\$7,060,000 over that of 30 June 2002.

## **PROSPECTS**

We will continue to simplify the organization of the Group, tightly manage expenses, develop new products, dispose of unprofitable business, and execute strategic acquisitions. Given the technical capability and the reputation of the Group as a reliable IT solutions provider, we remain cautiously optimistic about our business.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2003, the interests of the directors of the Company in the securities of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), which were required to be notified to the Company and the Exchange pursuant to section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein, or which were required pursuant to Rules 5.40 of the GEM Listing Rules relating to securities transactions by the directors to be notified to the Company and the Exchange were as follows:

### The Company

Name	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total Interest
Luk Yat Hung ("Mr. Luk")	-	-	269,280,957	-	269,280,957

Mr. Luk holds the shares through Wide Source Group Ltd. ("Wide Source"). Wide Source is a company incorporated in the British Virgin Islands with limited liability and holds a total of 538,561,914 shares in the Company which ultimately and beneficially owned as to 50% by Mr. Luk Yat Hung and as to 50% by Mr. Ma Bing.

Save as disclosed above, as at 30 June 2003, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES IN THE COMPANY

On 26 August 2000, the Company had conditionally adopted a Share Option Scheme pursuant to which full-time employees and executive directors of the Company and its subsidiaries, excluding independent non-executive directors of the Group, may be granted options to subscribe for Shares of the Company. During the period under review, no option was granted under the Share Option Scheme.



Save as disclosed above, as at 30 June 2003, none of the Directors, chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associate corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the period under review was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Company's directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2003, the Company has been notified of the following interests in the Company's issued shares amounting to 5% or more of the issued share capital of the Company:

<b>Name</b>	<b>Number of issued shares</b>	<b>Percentage of shareholding</b>
Wide Source Group Ltd. ( <i>Note 1</i> )	538,561,914	51.97%
Suez Asia Holdings Pte Ltd. ( <i>Note 2</i> )	85,300,000	8.23%

*Note:*

1. Wide Source Group Ltd. is a company incorporated in the British Virgin Islands with limited liability and is ultimately and beneficially owned as to 50% by Mr. Luk Yat Hung and as to 50% by Mr. Ma Bing.
2. Suez Asia Holdings Pte Ltd. is a private equity investor in Asia holding the shares in trust.

## **SHARE OPTION SCHEME**

Pursuant to the written resolutions of the shareholders of the Company dated 26 August 2000, the Company conditionally adopted and approved a share option scheme. The summary of the principal terms of has been set out in Appendix IV of the Company's prospectus in connection with the placing of the Company's shares dated 4 September 2000.

For the three months ended 30 June 2003, no option has been granted by the Company under the Share Option Scheme.

## **DIRECTORS' COMPETING INTERESTS**

The directors are not aware of any business or interest, as of 30 June 2003, of the directors, initial management shareholders of the Company or their respective associates, which was required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the three months ended 30 June 2003, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws in the Cayman Islands.

## **BOARD PRACTICES AND PROCEDURES**

During the period under review, the Company was in compliance with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference, which deal clearly with its authority and duties. The audit committee's primary duties are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the directors.

The audit committee comprised two independent non-executive directors, namely, Mr. Chung Shui Ming, Timpson and Professor Ip Ho Shing, Horace, Mr. Chung Shui Ming, Timpson is the chairman of the audit committee. The audit committee has reviewed this financial results and provided advice and comments thereon.

Both of Mr. Chung Shui Ming, Timpson and Professor Ip Ho Shing, Horace were appointed as the independent non-executive directors and members of the audit committee of the Company with effect from 25 July 2003 to replace Mr. Ching Tai Ming, David and Dr. Wong, Albert.

By Order of the Board  
**Luk Yat Hung**  
*Chairman*

Hong Kong, 7 August 2003