



**SYS SOLUTIONS HOLDINGS LIMITED**

**軟迅科技控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

FIRST QUARTERLY REPORT

**2004/05**

**SYS SOLUTIONS**



## 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.

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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.

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

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

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the three months ended 31 October 2004

The board of directors (the “Board”) of Sys Solutions Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 October 2004, together with the comparative figures for the corresponding period in 2003 as follows:

	Notes	Three months ended 31 October	
		2004 HK\$ (Unaudited)	2003 HK\$ (Unaudited)
TURNOVER	2	8,254,472	2,857,035
Cost of sales		(7,383,165)	(2,270,978)
Gross profit		871,307	586,057
Other revenue		21,413	77,639
Administrative and operating expenses		(2,941,583)	(3,459,553)
LOSS FROM OPERATING ACTIVITIES		(2,048,863)	(2,795,857)
Share of loss of a jointly-controlled entity		(135,755)	–
LOSS BEFORE TAX		(2,184,618)	(2,795,857)
Tax	3	–	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(2,184,618)	(2,795,857)
LOSS PER SHARE			
Basic	5	HK0.55 cent	HK0.73 cent
Diluted		N/A	N/A

Notes:

## 1. BASIS OF PREPARATION

The unaudited consolidated results of the Group are prepared in accordance with Hong Kong Statements of Standard Accounting Practice and Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The accounting policies and methods of computation used in the preparation of the unaudited consolidated results are in accordance with those used in the preparation of the Company's annual report for the year ended 31 July 2004.

## 2. TURNOVER

Turnover represents the net invoiced 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 consolidation.

## 3. TAX

Hong Kong profits tax has not been provided (2003: Nil) as the Group did not generate any assessable profits in Hong Kong during the period. No provision for corporate income tax for a subsidiary and the jointly-controlled entity established and operated in Mainland China (2003: Nil) has been made as no assessable profits arose from their operations during the period. The statutory tax rate for Hong Kong profits tax is 17.5% (2003: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2003: 33%).

## 4. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the three months ended 31 October 2004 (2003: Nil).

## 5. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss attributable to shareholders of the Company for the three months ended 31 October 2004 of HK\$2,184,618 (2003: HK\$2,795,857) and the weighted average of 395,807,178 (2003: 384,840,000) ordinary shares in issue during the period.

Diluted loss per share amount for each of the three months ended 31 October 2003 and 2004 have not been presented, as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for the respective periods.

## 6. RESERVES

	Share premium account HK\$	Capital reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 August 2003	28,551,786	19,980,000	(24,164,425)	24,367,361
Net loss for the three months ended 31 October 2003	–	–	(2,795,857)	(2,795,857)
At 31 October 2003	28,551,786	19,980,000	(26,960,282)	21,571,504
At 1 August 2004	28,551,786	19,980,000	(36,329,686)	12,202,100
Exercise of share options	1,134,000	–	–	1,134,000
Net loss for the three months ended 31 October 2004	–	–	(2,184,618)	(2,184,618)
At 31 October 2004	29,685,786	19,980,000	(38,514,304)	11,151,482

*Note:* 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 reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

During the period under review, the Group continued to strengthen its focus on the provision of network infrastructure solutions and services in Hong Kong and China. The Group has committed to explore new market opportunities in China, and has achieved a significant growth in terms of the Group's turnover and gross profit under the current competitive market condition.

### Financial review

For the three months ended 31 October 2004, unaudited turnover of the Group increased by 189% to HK\$8,254,472 (2003: HK\$2,857,035). This is mainly attributable to the increase in revenues from the sales of computer hardware and software, as a result from the establishment of new business relationships with information technology companies and effective promotional campaigns carried out throughout the period.

The unaudited gross profit margin ratio for the three months ended 31 October 2004 is 11%, while it was 21% for the corresponding period last year. The decrease is attributable to the increase in the revenue generated from the sales of computer hardware which comparatively had a lower gross profit margin ratio.

The unaudited loss from operating activities for the three months ended 31 October 2004 decreased by 27% from HK\$2,795,857 to HK\$2,048,863. This decrease was mainly due to the enlarged revenues for the three months ended 31 October 2004, and the more efficient method of resources allocation applied by the Group.

### Outlook

The Group is taking an attentive approach to expand and further penetrate into the IT industry in Mainland China. The Group will continue to strengthen its cooperation with the business partners to enhance the Group's competitiveness and to enlarge the distribution networks. The Group will continue to increase sales presence in Mainland China by recruiting professionally qualified and experienced executives in the Group's offices in Mainland China, so as to explore new opportunities in Mainland China. It is the objective of the Group to explore new market opportunities in both Hong Kong and Mainland China.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 October 2004, the interests and short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Notes	Percentage of the Company's		Capacity and nature of interest
		Corporate interests	issued share capital	
Mr. Lam Chi Shing	(a)	144,044,550	36.3	Through a controlled corporation Directly beneficially owned
		11,340,000	2.9	
		<hr/> 155,384,550	<hr/> 39.2	
Mr. Yuen Kin Tong	(b)	<hr/> 65,480,003	<hr/> 16.5	Through controlled corporations

Notes:

- (a) These shares are held by Cyber Mission Ventures Limited. The entire share capital of Cyber Mission Ventures Limited is beneficially owned by Mr. Lam Chi Shing, who is therefore deemed to be interested in the shares held by Cyber Mission Ventures Limited.
- (b) 51,795,450 and 13,684,553 shares are held by Cyber Profit Group Limited and Hankison Investments Limited respectively. The respective entire share capitals of Cyber Profit Group Limited and Hankison Investments Limited are beneficially owned by Mr. Yuen Kin Tong, who is therefore deemed to be interested in the shares held by Cyber Profit Group Limited and Hankison Investments Limited.

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, as at 31 October 2004, none of the directors and chief executive had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

At 31 October 2004, the following interests and short positions of 5% or more of the issued share capital and share options of the Company held by the following parties (other than directors or chief executive of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Number of ordinary shares held	Capacity and nature of interest	Percentage of holding
<b>Substantial shareholders</b>				
Cyber Mission Ventures Limited	(a)	144,044,550	Directly beneficially owned	36.3
Cyber Profit Group Limited	(b)	51,795,450	Directly beneficially owned	13.1
<b>Other shareholders</b>				
Century Pilot Investments Limited	(c)	28,350,000	Directly beneficially owned	7.2
Mr. Wong Wing Hong	(c)	28,350,000	Through a controlled corporation	7.2
Expeditious Management Limited	(d)	28,350,000	Directly beneficially owned	7.2
Ms. Wong Sze Shun Syson	(d)	28,350,000	Through a controlled corporation	7.2
Ms. Elizabeth Helen Narain		20,670,000	Directly beneficially owned	5.2



*Notes:*

- (a) The entire issued share capital of Cyber Mission Ventures Limited is beneficially owned by Mr. Lam Chi Shing, the chairman and an executive director of the Company, who is therefore deemed to be interested in the 144,044,550 shares held by Cyber Mission Ventures Limited. Mr. Lam Chi Shing's indirect interest in 144,044,550 shares in the Company held through Cyber Mission Ventures Limited have also been set out in the above section heading "Directors' and chief executive's interests and short positions in shares and underlying shares".
- (b) The entire issued share capital of Cyber Profit Group Limited is beneficially owned by Mr. Yuen Kin Tong, who is therefore deemed to be interested in the 51,795,450 shares held by Cyber Profit Group Limited. Mr. Yuen Kin Tong's indirect interest in 51,795,450 shares in the Company held through Cyber Profit Group Limited have also been set out in the above section heading "Directors' and chief executive's interests and short positions in shares and underlying shares".
- (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 31 October 2004, no person (other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **SHARE OPTION SCHEMES**

On 25 January 2003, the Pre-IPO Share Option Scheme (the "Pre-Scheme") was approved pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to two executive directors and 18 employees to subscribe for a total of 30,168,000 shares, representing in aggregate approximately 7.84% of the then issued share capital of the Company immediately following the completion of the share placing on 25 January 2003 and the capitalisation issue, at a subscription price ranged from HK\$0.11 each to HK\$0.27 each. No further options can be granted under the Pre-Scheme after the listing of the Company's shares on the GEM. All these 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 four years from the listing date. Each grantee has paid HK\$1 to the Company as consideration for such grant.

On 13 August 2004, a total of 11,340,000 share options granted under the Pre-Scheme were exercised by Mr. Lam Chi Shing, the chairman and an executive director of the Company, at a subscription price of HK\$0.11 per share and resulted in the issue of 11,340,000 new ordinary shares in the Company of HK\$0.01 each. The excess of the cash consideration received over the nominal value of the issued shares of HK\$1,134,000 was credited to the share premium account.

As at 31 October 2004, a total of 15,702,000 share options granted under the Pre-Scheme were lapsed as a result of resignation of a director and certain employees.

On 25 January 2003, another 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 recognise the contribution 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 its 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 Post-Scheme remains in force for a period of ten years with effect from 25 January 2003.

The maximum number of shares in respect of which options may be granted under the Post-Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued.

The exercise price for shares under the Post-Scheme may be determined by the Board at its absolute discretion but in any event will be at least 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 based on the closing price of the shares of the Company at the date of grant 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 three 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. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Post-Scheme.

As at 31 October 2004, no share options had been granted by the Company under the Post-Scheme.

## **INTERESTS OF SPONSOR**

As at 31 October 2004, neither Celestial Capital Limited (the "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 or of any members of the Group.

Pursuant to a sponsor agreement dated 30 January 2003 entered into 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, or until the sponsor agreement is terminated upon the terms and conditions as set out therein.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the period under review.

## COMPETITION AND CONFLICT OF INTERESTS

As at 31 October 2004, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete with the businesses of the Group, or have any other conflict of interests with the Group.

## COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules for the period under review.

## AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. 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 comprises three members who are the three 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 ended 31 October 2004 have been reviewed by the audit committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

As at the date of this report, the directors of the Company are

Executive director: Lam Chi Shing  
Chan Chi Hung

Non-executive director: Yuen Kin Tong

Independent non-executive director: Lau Siu Ki Kevin  
Wong Man Chung Francis  
Wang Yat Yee Mark

By order of the Board  
**Lam Chi Shing**  
*Chairman*