



Sys Solutions Holdings Limited

軟迅科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8182)

Third Quarterly Report **2005/06**

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

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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 and nine months ended 30 April 2006

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 and nine months ended 30 April 2006, together with the unaudited comparative figures for the corresponding period in 2005 as follows:

	Notes	Three months ended 30 April		Nine months ended 30 April	
		2006 HK\$ (Unaudited)	2005 HK\$ (Unaudited)	2006 HK\$ (Unaudited)	2005 HK\$ (Unaudited)
TURNOVER	2	1,652,507	2,490,782	5,646,043	18,742,183
Cost of sales		(1,233,580)	(1,573,167)	(4,411,137)	(16,220,098)
Gross profit		418,927	917,615	1,234,906	2,522,085
Other revenue		797	31,681	22,904	101,952
Administrative and operating expenses		(1,838,386)	(3,151,131)	(6,594,318)	(9,803,674)
Provision for bad and doubtful Debts		-	(1,370,492)	-	(1,370,492)
LOSS FROM OPERATING ACTIVITIES		(1,418,662)	(3,572,327)	(5,336,508)	(8,550,129)
Finance costs		-	(27,417)	-	(64,733)
Share of loss of a jointly-controlled entity		(46,595)	(167,963)	(212,016)	(415,229)
LOSS BEFORE TAX		(1,465,257)	(3,767,707)	(5,548,524)	(9,030,091)
Tax	3	-	-	-	-
NET LOSS FOR THE PERIOD		(1,465,257)	(3,767,707)	(5,548,524)	(9,030,091)
Attributable to: Equity holders of the Company		(1,465,257)	(3,767,707)	(5,548,524)	(9,030,091)
BASIC LOSS PER SHARE	5	HK0.37 cent	HK0.95 cent	HK1.40 cents	HK2.28 cents

Notes:

1. **Basis of preparation**

The unaudited consolidated results have been prepared in accordance with 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 consistent with those adopted by the Group in its annual accounts for the year ended 31 July 2005.

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

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 as the Group did not generate any assessable profits in Hong Kong during the three months and nine months ended 30 April 2006 (three months and nine months ended 30 April 2005: Nil). No provision for corporate income tax for a subsidiary and the jointly-controlled entity established and operated in Mainland China (2005: Nil) has been made as no assessable profits arose from operations during the period. The statutory tax rate for Hong Kong profits tax is 17.5% (2005: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2005: 33%).

4. **Dividends**

The directors do not recommend the payment of an interim dividend for the nine months ended 30 April 2006 (2005: Nil).

5. **Loss per share**

The calculation of basic loss per share for the three months and nine months ended 30 April 2006 is based on the unaudited net loss attributable to equity holders of the Company of HK\$1,465,257 and HK\$5,548,524 respectively (three months and nine months ended 30 April 2005: HK\$3,767,707 and HK\$9,030,091, respectively) and the weighted average of 396,180,000 ordinary shares in issue for the three months and nine months ended 30 April 2006 (three months and nine months ended 30 April 2005: 396,180,000 and 395,681,538 ordinary shares in issue respectively).

Diluted loss per share amount for each of the three months and nine months ended 30 April 2006 and 2005 has 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\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
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 nine months ended 30 April 2005	-	-	-	(9,030,091)	(9,030,091)
At 30 April 2005	<u>29,685,786</u>	<u>19,980,000</u>	<u>-</u>	<u>(45,359,777)</u>	<u>4,306,009</u>
At 1 August 2005	29,685,786	19,980,000	-	(49,948,953)	(283,167)
Exchange differences on translation of PRC operations	-	-	(42,594)	-	(42,594)
Net loss for the nine months ended 30 April 2006	-	-	-	(5,548,524)	(5,548,524)
At 30 April 2006	<u>29,685,786</u>	<u>19,980,000</u>	<u>(42,594)</u>	<u>(55,497,477)</u>	<u>(5,874,285)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group continued to strengthen its performance of main streams line of business, including information technology solutions and services, software development for e-commerce and human resources management, as well as information technology services and consultations, in order to grasp growth opportunities.

FINANCIAL REVIEW

For the nine months ended 30 April 2006, the Group recorded an unaudited turnover of HK\$5,646,043, representing a decrease of 70% as compared with HK\$18,742,183 of the same period last year. The unaudited gross profit margin ratio for the nine months ended 30 April 2006 is 22%, while it was 13% for the corresponding period last year. During the period, we focused on developing and brand building for our self-developed human resources management information system, which had a higher gross profit margin ratio.

The self-branded solution is a web-based software, which could simplify the processes in human resources management, including leave records, salary calculation, staff training management and performance appraisal. The web-based operation mode could especially fit for multi-national corporations in managing human resources duties in a number of branch offices all over the world. It was expected that the performance of the Group will be improved by completion of certain projects of the self-branded solution in current financial year.

The unaudited loss from operating activities for the nine months ended 30 April 2006 decreased by 37% from HK\$8,550,129 to HK\$5,336,508, as a result of decrease in overall administrative and operating expenses by 32% from HK\$9,803,674 in the same period last year to HK\$6,594,318 in this period. Such decrease was due to more efficient method of resources allocation applied by the Group, as a result of performance review conducted during the period.

OUTLOOK

The information technology industry in 2006 continued on the path of increasing competition. We will continue to strengthen our development force for our self-developed application solutions, as well as focus on business lines with higher gross profit margin, such as outsourcing business. We are optimistic about the outlook for the year ahead and intend to continue our emphasis on business development with higher gross profit margin, disciplined cost-control and targeting higher levels of efficiency and effectiveness.

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

As at 30 April 2006, 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, 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	Corporate interests	Percentage of the Company's issued share capital	Capacity and nature of interest
Mr. Lam Chi Shing	(a)	144,044,550	36.3	Through a controlled corporation Directly beneficially owned
		11,340,000	2.9	
		<u>155,384,550</u>	<u>39.2</u>	
Mr. Yuen Kin Tong	(b)	<u>112,580,003</u>	<u>28.4</u>	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) These shares are held by Cyber Profit Group Limited, Hankison Investments Limited, Expeditious Management Limited and Sun Strategic Investments Limited (collectively the "Shareholding Companies"). The respective entire share capitals of the Shareholding Companies are beneficially owned by Mr. Yuen Kin Tong, who is therefore deemed to be interested in the shares held by the Shareholding Companies.

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 30 April 2006, 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 30 April 2006, 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
Substantial shareholders				
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
Other shareholders				
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. 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 and debentures".
- (b) The entire issued share capital of Cyber Profit Group Limited is beneficially owned by Mr. Yuen Kin Tong, the executive director of the Company, 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 and debentures".

- (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 Mr. Yuen Kin Tong, the executive director of the Company, who is therefore deemed to be interested in the 28,350,000 shares held by Expeditious Management Limited. Mr. Yuen Kin Tong's indirect interest in 28,350,000 shares in the Company held through Expeditious Management 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 and debentures".

Save as disclosed above, as at 30 April 2006, 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 and debentures" 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.

The following share options were outstanding under the Pre-Scheme during the period:

Name or category of participant	Number of share options granted on 25 January 2003			Exercise period of share options	Exercise price per share HK\$
	At 1	Lapsed	At 30		
	August 2005	during the year	April 2006		
Employees of the Group	954,000	(684,000)	270,000	18 February 2004 to 17 February 2007	0.27
	<u>954,000</u>	<u>(684,000)</u>	<u>270,000</u>		

During the period, 684,000 share options lapsed following the resignation of employees. As at 30 April 2006, 270,000 share options are available for issue under the Pre-Scheme, representing 0.07% of the issued share capital of the Company at that time.

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 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.

No share options had been granted by the Company since the adoption of the Post-Scheme.

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 30 April 2006, 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.

AUDIT COMMITTEE

The audit committee comprises three members who are the three independent non-executive directors of the Company, with terms of reference in compliance of the GEM Listing Rules. Mr. Lau Siu Ki Kevin is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The Group's unaudited results for the nine months ended 30 April 2006 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 board of directors of the Company comprises three executive directors, namely, Mr. Lam Chi Shing, Mr. Yuen Kin Tong and Mr. Chan Chi Hung, and three independent non-executive directors, namely Mr. Lau Siu Ki Kevin, Mr. Wang Yat Yee Mark and Mr. Zhang Guo Xuan.

By order of the Board

Lam Chi Shing

Chairman

Hong Kong, 9 June 2006