



SYS SOLUTIONS HOLDINGS LIMITED

軟迅科技控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8182)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2005

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This announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement 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 2005

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 2005, together with the comparative figures for the corresponding period in 2004 as follows:

		Three months ended	
		31 October	
	<i>Notes</i>	2005	2004
		<i>HK\$</i>	<i>HK\$</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
TURNOVER	2	2,706,675	8,254,472
Cost of sales		<u>(2,445,410)</u>	<u>(7,383,165)</u>
Gross profit		261,265	871,307
Other revenue		1,066	21,413
Administrative and operating expenses		<u>(2,659,290)</u>	<u>(2,941,583)</u>
LOSS FROM OPERATING ACTIVITIES		(2,396,959)	(2,048,863)
Share of loss of a jointly-controlled entity		<u>(103,847)</u>	<u>(135,755)</u>
LOSS BEFORE TAX		(2,500,806)	(2,184,618)
Tax	3	<u>—</u>	<u>—</u>
NET LOSS FOR THE PERIOD		<u>(2,500,806)</u>	<u>(2,184,618)</u>
Attributable to:			
Equity holders of the Company		<u>(2,500,806)</u>	<u>(2,184,618)</u>
BASIC LOSS PER SHARE	5	<u>HK0.63 cent</u>	<u>HK0.55 cent</u>

Notes:

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands with limited liability and its share are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). They have been prepared under the historical cost convention as modified for revaluation of investments in securities.

The accounting policies adopted 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 Accountant 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 (2004: 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 (2004: 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% (2004: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2004: 33%).

4. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the three months ended 31 October 2005 (2004: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss attributable to equity holders of the Company for the three months ended 31 October 2005 of HK\$2,500,806 (2004: HK\$2,184,618) and the weighted average of 396,180,000 (2004: 395,807,178) ordinary shares in issue during the period.

Diluted loss per share amount for each of the three months ended 31 October 2005 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 <i>HK\$</i>	Capital reserve <i>HK\$</i>	Translation reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
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	<u>29,685,786</u>	<u>19,980,000</u>	<u>–</u>	<u>(38,514,304)</u>	<u>11,151,482</u>
At 1 August 2005	29,685,786	19,980,000	–	(49,948,953)	(283,167)
Exchange differences on translation of PRC operations	–	–	(47,936)	–	(47,936)
Net loss for the three months ended 31 October 2005	–	–	–	(2,500,806)	(2,500,806)
At 31 October 2005	<u>29,685,786</u>	<u>19,980,000</u>	<u>(47,936)</u>	<u>(52,449,759)</u>	<u>(2,831,909)</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 three months ended 31 October 2005, the Group recorded an unaudited turnover HK\$2,706,675, representing a decrease of 67% as compared with HK\$8,254,472 of the same period last year. The unaudited gross profit margin ratio for the three months ended 31 October 2005 is 10%, while it was 11% for the corresponding period last year. During the period, we focused on developing our core self-branded human resources management information system solution and reviewing our operation to enhance performance.

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 the coming year.

The unaudited loss from operating activities for the three months ended 31 October 2005 increased by 17% from HK\$2,048,863 to HK\$2,396,959, as a result of decrease in turnover and gross profit during the period. Overall administrative and operating expenses reduced by 10% from HK\$2,941,583 in the same quarter last year to HK\$2,941,583 in this quarter. Such decrease was due to more efficient method of resources allocation applied by the Group.

Outlook

The information technology industry continues to be highly competitive. We will continue to focus on brand building for our self-developed application solutions, improving efficiency and managing overall administrative and operating expenses. We are confident that our self-developed application solutions could enable the Group to obtain favourable returns and the Group will perform better in current financial year.

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

As at 31 October 2005, 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	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
		11,340,000	2.9	Directly beneficially owned
		<u>155,384,550</u>	<u>39.2</u>	
Mr. Yuen Kin Tong	(b)	<u>71,336,003</u>	<u>18.0</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) 51,795,450 and 19,540,553 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 2005, 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 2005, the following interests and short positions of 5% or more of the issued share capital of the Company 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. 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 2005, 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.

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 August 2005	Lapsed during the year	At 31 October 2005		
Employees of the Group	954,000	(420,000)	534,000	18 February 2004 to 17 February 2007	0.27
	<u>954,000</u>	<u>(420,000)</u>	<u>534,000</u>		

During the period, 420,000 share options lapsed following the resignation of an employee. As at 31 October 2005, 534,000 share options are available for issue under the Pre-Scheme, representing 0.13% 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 31 October 2005, 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.

CORPORATE GOVERNANCE

The Company is in the process of reviewing its corporate governance practice and will report in its half-yearly financial report on the compliance of the Code on Corporate Governance Practices as set out in appendix 15 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.46 to 5.68 of the GEM Listing Rules concerning securities transactions by directors of the Company throughout the three months period ended 31 October 2005 and all directors of the Company have complied with the required standard of dealings set out therein.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with Rules 5.28, 5.29 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 2005 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, requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Mr. Lam Chi Shing and Mr. Chan Chi Hung, one non-executive director, namely Mr. Yuen Kin Tong, 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 December 2005

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