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If you are in any doubt as to any aspect about this document or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sys Solutions Holdings Limited (the "Company"), you should at once hand this document, together with the enclosed form of acceptance and transfer to the purchaser(s) or transferee(s) or to the registered institution in securities, the bank manager, licensed securities dealer, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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COLPO MERCANTILE INC.

*(Incorporated in the British Virgin Islands
with limited liability)*

**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)

**COMPOSITE OFFER AND RESPONSE DOCUMENT
RELATING TO
THE UNCONDITIONAL MANDATORY CASH OFFER BY
BARON CAPITAL LIMITED
ON BEHALF OF COLPO MERCANTILE INC.
FOR ALL THE ISSUED SHARES IN
SYS SOLUTIONS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY COLPO MERCANTILE INC. AND
PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to Colpo Mercantile Inc.

 **Baron Capital Limited**

Independent Financial Adviser to the Independent Board Committee

 **VXL FINANCIAL SERVICES LIMITED**
卓越企业融资有限公司

A letter from the Board (as defined herein) is set out on pages 7 to 11 of this Composite Offer Document (as defined herein).

A letter from Baron Capital Limited containing, among other things, the details of the terms of the Offer (as defined herein) is set out on pages 12 to 20 of this Composite Offer Document.

A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) containing its recommendations in respect of the Offer is set out on page 21 to 22 of this Composite Offer Document.

A letter from VXLFS (as defined herein) containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 23 to 38 of this Composite Offer Document.

The procedures for acceptance and settlement of the Offer are set out on pages 39 to 41 in Appendix I to this Composite Offer Document and in the Form of Acceptance (as defined herein). Acceptances of the Offer should be received by Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, 20 December 2006 or such later time and/or date as Colpo Mercantile Inc. may determine and announce in accordance with the Takeovers Code (as defined herein).

This Composite Offer Document will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of posting.

29 November 2006

CHARACTERISTICS OF GEM

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 trading on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities trading on GEM.

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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Accepting Shareholders”	Shareholders who validly accept the Offer in accordance with its term, the particulars of which are set out in this Composite Offer Document and the accompanying Form(s) of Acceptance
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Baron Capital”	Baron Capital Limited, a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO
“Board”	the board of directors of the Company
“Business Day(s)”	a day, other than Saturday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which banks are open in Hong Kong for general banking business
“Century Pilot”	Century Pilot Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is solely and beneficially owned by Mr. Wong Wing Hong and a Shareholder of approximately 7.16% of the entire issued share capital of the Company as at the Latest Practicable Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Sys Solutions Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which have been listed on GEM since 18 February 2003
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Share Sale Agreement
“Completion Date”	the date of Completion

DEFINITIONS

“Composite Offer Document”	this composite offer and response document jointly issued by the Offeror and the Company to all Independent Shareholders in accordance with the Takeovers Code containing, among others, terms and conditions of the Offer, a Form of Acceptance, the advice of VXLFS to the Independent Board Committee in respect of the Offer, and the advice of the Independent Board Committee to the Independent Shareholders in relation to the Offer
“Connected Person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration of HK\$16,342,173.44 for the sale of the Sale Shares pursuant to the Share Sale Agreement
“Cyber Mission”	Cyber Mission Ventures Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lam, being one of the Vendors
“Cyber Profit”	Cyber Profit Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Yuen, being one of the Vendors
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Expeditious Management”	Expeditious Management Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Yuen, being one of the Vendors
“Form(s) of Acceptance”	the accompanying form(s) of acceptance and transfer in respect of the Offer
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries and associated company

DEFINITIONS

“Hankison”	Hankison Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Yuen, being one of the Vendors
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising the three independent non-executive Directors, namely, Mr. Lau Siu Ki Kevin, Mr. Wang Yat Yee Mark and Mr. Zhang Guo Xuan, which has been formed to advise the Independent Shareholders on the Offer
“Independent Shareholders”	Shareholders other than the Vendors and their respective associates and parties acting in concert with any of them
“Irrevocable Undertaking”	an irrevocable undertaking dated and executed on 21 November 2006 by Century Pilot in favour of the Offeror pursuant to which Century Pilot had irrevocably undertaken to accept the Offer at the Offer Price in respect of 28,350,000 Shares currently beneficially owned by Century Pilot as at the Latest Practicable Date
“Joint Announcement”	the joint announcement dated 8 November 2006, issued by the Offeror and the Company in relation to, among others, the Offer
“Latest Practicable Date”	27 November 2006, being the latest practicable date prior to the printing of this Composite Offer Document for the purpose of ascertaining certain information contained herein
“Lenders”	Ms. Suen Suet Ngo and China Investment Fund Company Limited
“Main Board”	the stock market operated by the Stock Exchange other than GEM (excluding the option market)
“Mr. Chan”	Mr. Chan Wing Him Kenny, the sole beneficial owner and the sole director of the Offeror
“Mr. Lam”	Mr. Lam Chi Shing, the chairman and one of the executive Directors, directly holding 11,340,000 Shares and indirectly holding 144,044,550 Shares through Cyber Mission prior to the Completion, being one of the Vendors

DEFINITIONS

“Mr. Yuen”	Mr. Yuen Kin Tong, one of the executive Directors, indirectly holding an aggregate of 114,383,878 Shares respectively through Cyber Profit, Hankison, Expeditious Management and Sun Strategic prior to the Completion, being one of the Vendors
“Offer”	the unconditional mandatory cash offer being made by Baron Capital, on behalf the Offeror, for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror or parties acting in concert with it) in accordance with the Takeovers Code
“Offeror”	Colpo Mercantile Inc., a limited liability company incorporated in the British Virgin Islands, the entire issued share capital of which is solely and beneficially owned by Mr. Chan
“Offer Price”	the offer price of HK\$0.060579 per Offer Share pursuant to the Offer
“Offer Share(s)”	the Share(s) subject to the Offer
“Purchaser Guarantor”	Mr. Chan
“Registrar”	Tengis Limited, the branch share registrar of the Company in Hong Kong at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Sale Share(s)”	an aggregate of 269,768,428 Shares acquired by the Offeror pursuant to the Share Sale Agreement
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Charge”	a deed of charge dated 3 November 2006 and executed and delivered by the Offeror in favour of the Lenders in respect of 235,530,000 Shares plus up to 41,805,732 Shares to be acquired under the Offer, if any
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Share Sale Agreement”	the conditional agreement dated 3 November 2006 entered into by the Offeror, the Vendors, the Vendor Guarantors and the Purchaser Guarantor in relation to the sale and purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Strategic”	Sun Strategic Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Yuen, being one of the Vendors
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor Guarantors”	Mr. Lam and Mr. Yuen
“Vendors”	the beneficial owners of the Sale Shares, namely, Mr. Lam, Cyber Mission, Cyber Profit, Hankison, Expeditious Management and Sun Strategic
“VXLFS”	VXL Financial Services Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee in respect of the Offer
“CAD\$”	Canadian dollars, the lawful currency of Canada CAD\$1.00 = HK\$6.8933 (as at 8 November 2006 or otherwise stated)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

EXPECTED TIMETABLE

2006

Offer Commences Wednesday, 29 November

Latest time for acceptance of the Offer

on the closing date (*Notes 1 and 3*) 4:00 p.m. on Wednesday,
20 December

Closing date of the Offer (*Note 1*) Wednesday, 20 December

Announcement of the results of the Offer

to be posted on the GEM website 7:00 p.m. on Wednesday,
20 December

Latest date for posting of remittances for the
amounts due under the Offer in respect
of valid acceptances received on or before

the closing date (*Note 2*) Friday, 29 December

Notes:

1. The Offer, which is unconditional, will be closed on Wednesday, 20 December, 2006 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. Latest time for acceptance of the Offer will be 4:00 p.m. on Wednesday, 20 December, 2006 unless the Offer is revised or extended. An announcement will be issued through the Stock Exchange at www.hkgem.com by 7:00 p.m. on Wednesday, 20 December, 2006 stating whether the Offer has been revised or extended or has expired. For further details, please refer to the paragraph headed "Acceptance period and revisions" in Appendix I to this Composite Offer Document.
2. Remittances in respect of the cash consideration payable for the Shares tendered under the Offer will be posted as soon as practicable, but in any event within 10 days after the receipt by the Registrar of all relevant documents from the Accepting Shareholders.
3. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code.

Unless otherwise expressly stated, all times and dates references contained in this Composite Offer Document are Hong Kong times and dates.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lam Chi Shing
Mr. Yuen Kin Tong
Mr. Chan Chi Hung

Independent non-executive Directors:

Mr. Lau Siu Ki Kevin
Mr. Wang Yat Yee Mark
Mr. Zhang Guo Xuan

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Unit A, 7th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

29 November 2006

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
BARON CAPITAL LIMITED
ON BEHALF OF COLPO MERCANTILE INC.
FOR ALL THE ISSUED SHARES IN
SYS SOLUTIONS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY COLPO MERCANTILE INC. AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 8 November 2006, the Company and the Offeror jointly announced, among other things, that on 3 November 2006 the Offeror had entered into the Share Sale Agreement with, among others, the Vendors, pursuant to which the Offeror had conditionally agreed to purchase and the Vendors had conditionally agreed to sell the Sale Shares for cash consideration in an aggregate sum of HK\$16,342,173.44 (equivalent to approximately HK\$0.060579 per Sale Share). The Sale Shares represented approximately 68.09% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

LETTER FROM THE BOARD

The Completion took place on 10 November 2006. Pursuant to the Share Sale Agreement, Mr. Lam had waived and released a shareholder's loan of HK\$4,987,329.00 due to Mr. Lam by the Company as at 10 October 2006 ("Shareholder's Loan"), by signing and delivering a deed of release ("Deed of Release") in respect of his waiver and release of the Shareholder's Loan on the Completion Date. Apart from such Shareholder's Loan, the Company does not have any other amount due to Mr. Lam.

Immediately after the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 269,768,428 Shares, representing approximately 68.09% of the entire issued share capital of the Company. As a result, the Offeror is obliged under Rule 26.1 of the Takeovers Code to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Accordingly, Baron Capital, on behalf of the Offeror, is making the Offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at HK\$0.060579 per Offer Share. The terms of the Offer are set out in the section headed "Letter from Baron Capital" in this Composite Offer Document as well as in Appendix I to this Composite Offer Document, of which this letter forms part, and in the accompanying Form of Acceptance.

Century Pilot executed the Irrevocable Undertaking dated 21 November 2006 in favour of the Offeror pursuant to which and subject to the terms and conditions therein, Century Pilot had irrevocably undertaken to accept the Offer at the Offer Price in respect of 28,350,000 Shares beneficially owned by Century Pilot, representing approximately 7.16% of the entire issued share capital of the Company as at the Latest Practicable Date.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the three independent non-executive Directors, namely, Mr. Lau Siu Ki Kevin, Mr. Wang Yat Yee Mark and Mr. Zhang Guo Xuan, who have no interest in the Offer, has been formed to consider the terms of the Offer and to advise the Independent Shareholders in relation to the Offer.

As Mr. Lam, Mr. Yuen and Mr. Chan Chi Hung are executive Directors, they are deemed to be interested in the Offer and the Board considers that they are not independent in making any recommendation in relation to the Offer and are not eligible to be members of the Independent Board Committee. VXLFS has been appointed and approved by the Independent Board Committee to advise the Independent Board Committee on the terms of the Offer.

The purpose of this Composite Offer Document is to provide you with, among other things, the information relating to the Company, the Offeror, the Offer, the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders on the Offer and the letter from VXLFS containing its advice to the Independent Board Committee in respect of the Offer.

LETTER FROM THE BOARD

THE OFFER

As set out in the section headed "Letter from Baron Capital" in this Composite Offer Document, Baron Capital is making an unconditional mandatory cash offer on behalf of the Offeror to all Independent Shareholders to acquire all the Shares, other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it, on terms set out in this Composite Offer Document and the accompanying Form of Acceptance on the following basis:

For each Offer Share HK\$0.060579 in cash

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into new Shares.

The Offer Price is the same price as that paid by the Offeror to the Vendors pursuant to the Share Sale Agreement. The Offer Price represents (i) a premium of approximately 21.16% over the closing price of HK\$0.05 per Share as quoted on GEM on 7 September 2006, being the last full trading day of the Shares before the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement; (ii) a premium of approximately 37.68% over the average closing prices as quoted on GEM for the last 5 consecutive full trading days prior to the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement, being approximately HK\$0.044 per Share; (iii) a premium of approximately 44.24% over the average closing prices as quoted on GEM for the last 10 consecutive full trading days prior to the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement, being approximately HK\$0.042 per Share; and (iv) a discount of approximately 81.6% over the closing price of HK\$0.33 per Share as quoted on GEM as at the Latest Practicable Date.

Further details of the Offer

Further details of the Offer including, among other things, the terms and conditions and the procedures for acceptance of the Offer, are set out in Appendix I to this Composite Offer Document on pages 39 to 44 and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability on 3 July 2002 and its Shares are listed on GEM since 18 February 2003. The Group's principal activities are provision of network infrastructure solutions and services.

The Group recorded an audited consolidated net loss attributable to the Shareholders of approximately HK\$13.62 million and HK\$7.79 million for two years ended 31 July 2005 and 2006 respectively. As at 31 July 2006, the audited consolidated net liability of the Group was approximately HK\$4.16 million.

LETTER FROM THE BOARD

Shareholding Structure

The shareholding structure of the Company before Completion and the shareholding structure of the Company upon Completion are set out as follows:

	Shareholding structure before Completion		Shareholding structure upon Completion	
	Number of Shares	Approximate Percentage	Number of Shares	Approximate Percentage
Cyber Mission	144,044,550	36.36%	–	–
Mr. Lam	11,340,000	2.86%	–	–
Cyber Profit	51,795,450	13.07%	–	–
Hankison	21,344,428	5.39%	–	–
Expeditious Management	28,350,000	7.16%	–	–
Sun Strategic	12,894,000	3.25%	–	–
the Vendors	269,768,428	68.09%	–	–
the Offeror and parties acting in concert with it	–	–	269,768,428	68.09%
Public	126,411,572	31.91%	126,411,572	31.91%
Total	<u>396,180,000</u>	<u>100%</u>	<u>396,180,000</u>	<u>100%</u>

INFORMATION ON THE OFFEROR

To the best knowledge of the Directors after making all reasonable enquiries, the Offeror is an investment holding company incorporated in the British Virgin Islands. Please refer to the paragraph headed “Information on the Offeror” under the section headed “Letter from Baron Capital” in this Composite Offer Document for more information about the Offeror.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Intentions of the Offeror regarding the Group” under the section headed “Letter from Baron Capital” in this Composite Offer Document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

To the best knowledge of the Directors after making all reasonable enquiries, the Offeror intends that the Company will remain listed on GEM after the close of the Offer and will not exercise any rights to compulsorily acquire all the issued Shares. The sole director of the Offeror and the new Directors to be appointed to the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that the minimum public float requirement under the GEM Listing Rules is complied with by the Company following the close of the Offer.

LETTER FROM THE BOARD

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealing in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

PROPOSED CHANGE OF THE BOARD COMPOSITION

The Board currently comprises three executive Directors and three independent non-executive Directors. All of the existing Directors will tender their resignation, which will take effect at the earliest time permitted under the Takeovers Code, the GEM Listing Rules or other applicable rules and regulations. For more information, please refer to the paragraph headed "Proposed change of the Board composition" under the section headed "Letter from Baron Capital" in this Composite Offer Document.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 of this Composite Offer Document and the letter from VXLFS to the Independent Board Committee set out on pages 23 to 38 of this Composite Offer Document, which set out their respective opinion and recommendation in relation to the Offer and the principal factors considered by them in arriving at their respective opinion and recommendation. Pursuant to a resolution passed by the members of the Independent Board Committee on 27 November 2006, any one member of the Independent Board Committee is authorised to sign on the letter from the Independent Board Committee.

ADDITIONAL INFORMATION

In considering what action to take in connection with the Offer, the Independent Shareholders should consider their own tax position and, if they are in any doubt, they should consult their professional advisers.

Your attention is drawn to the information set out in the Appendices to this Composite Offer Document. You are also recommended to read this Composite Offer Document together with the Form of Acceptance for details of the Offer.

Yours faithfully,
For and on behalf of
Sys Solutions Holdings Limited
Lam Chi Shing
Chairman



4th Floor, Aon China Building
29 Queen's Road Central
Central, Hong Kong

29 November 2006

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
BARON CAPITAL LIMITED
ON BEHALF OF COLPO MERCANTILE INC.
FOR ALL THE ISSUED SHARES IN
SYS SOLUTIONS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY COLPO MERCANTILE INC. AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 8 November 2006, the Offeror and the Company jointly announced that on 3 November 2006 the Offeror had entered into the Share Sale Agreement with, among others, the Vendors, pursuant to which the Offeror had conditionally agreed to purchase and the Vendors had conditionally agreed to sell the Sale Shares for cash consideration in an aggregate sum of HK\$16,342,173.44 (equivalent to approximately HK\$0.060579 per Sale Share). The Sale Shares represented approximately 68.09% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

Pursuant to the Share Sale Agreement, Mr. Lam had waived and released a shareholder's loan of HK\$4,987,329.00 due to Mr. Lam by the Company as at 10 October 2006 ("Shareholder's Loan"), by signing and delivering a deed of release ("Deed of Release") in respect of his waiver and release of the Shareholder's Loan on the Completion Date. Apart from such Shareholder's Loan, the Company does not have any other amount due to Mr. Lam.

LETTER FROM BARON CAPITAL

The Completion took place on 10 November 2006. Immediately after the Completion, the Offeror and parties acting in concert with it were interested in 269,768,428 Shares, representing approximately 68.09% of the entire issued share capital of the Company as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Baron Capital is, on behalf of the Offeror, making the Offer.

Century Pilot executed the Irrevocable Undertaking in favour of the Offeror pursuant to which and subject to the terms and conditions therein, Century Pilot had irrevocably undertaken to accept the Offer at the Offer Price in respect of 28,350,000 Shares currently beneficially owned by Century Pilot, representing approximately 7.16% of the entire issued share capital of the Company as at the Latest Practicable Date.

This letter, Appendix I to this Composite Offer Document and the accompanying Form of Acceptance, together set out the terms of the Offer and information in respect of the Offer.

THE OFFER

Baron Capital, on behalf of the Offeror, is making an unconditional mandatory cash offer to acquire all the Offer Shares on the terms and subject to the conditions set out in this letter, Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance on the following basis:

The Offer

The Offer is made on the following basis:

For each Offer Share HK\$0.060579 in cash

The Offer Price is determined as the same price as that paid by the Offeror to the Vendors pursuant to the Share Sale Agreement.

Comparison of value

The Offer Price represents:

1. a premium of approximately 21.16% over the closing price of HK\$0.05 per Share as quoted on GEM on 7 September 2006, being the last full trading day of the Shares before the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement;
2. a premium of approximately 37.68% over the average closing prices as quoted on GEM for the last 5 consecutive full trading days prior to the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement, being approximately HK\$0.044 per Share;

LETTER FROM BARON CAPITAL

3. a premium of approximately 44.24% over the average closing prices as quoted on GEM for the last 10 consecutive full trading days prior to the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement, being approximately HK\$0.042 per Share; and
4. a discount of approximately 81.64% to the closing price of HK\$0.33 per Share as quoted on GEM as at the Latest Practicable Date.

Total consideration

As at the Latest Practicable Date, there were a total of 396,180,000 Shares in issue, the entire issued share capital of the Company was valued at approximately HK\$24,000,000 at the Offer Price of HK\$0.060579 per Offer Share under the Offer and all the Offer Shares (being 126,411,572 Shares not held by the Offeror and parties acting in concert with it as at the Latest Practicable Date) subject to the Offer will be valued at approximately HK\$7,657,886.62.

Unconditional Offer

The Offer is unconditional and is not conditional on the attaining of any particular level of acceptance in respect of the Offer. Unless the Offer is extended, the latest time for acceptance is 4:00 p.m. on Wednesday, 20 December 2006. The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

Sufficiency of financial resources

The Offeror will finance the Offer partly by way of internal resources and borrowings from the Lenders, China Investment Fund Company Limited ("CIF") and Ms. Suen Suet Ngo ("Ms. Suen"), both of whom are independent third parties and not connected persons of the Offeror, the Company, its subsidiaries and their respective associates.

Pursuant to a loan agreement dated 3 November 2006 ("Loan Agreement") entered into between Mr. Chan as borrower and the Lenders, the Lenders had made, upon the terms and subject to the conditions of the Loan Agreement, to the Borrower a loan facility in an aggregate sum of HK\$12,000,000 (as to HK\$7,500,000 from Ms. Suen and as to HK\$4,500,000 from CIF) ("Facility") for the purposes of the acquisition under the Share Sale Agreement and the Offer.

It was a condition to the Lenders making the Facility available to Mr. Chan that the Offeror as chargor executed and delivered the Share Charge in favour of the Lenders in respect of 235,530,000 Shares plus up to 41,805,732 Shares to be acquired under the Offer ("Charged Shares"), if any.

LETTER FROM BARON CAPITAL

In furtherance of the security created under the Share Charge, the Offeror shall deliver or procure that there shall be delivered to Ms. Suen as agent for the Lenders valid and duly issued share certificates in respect of the Charged Shares held by the Offeror, together with undated duly executed instruments of transfer and bought and sold notes in respect of the Charged Shares. The Lenders and the Offeror had further agreed, among others, that until the security constituted under the Share Charge becoming enforceable (immediately upon the occurrence of an event of default described in the Loan Agreement) in accordance therewith, the Offeror shall be entitled to exercise, among other rights, all voting rights attaching to the Charged Shares.

Baron Capital is satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required to meet full acceptance of the Offer. The payment of interest on, repayment of or security for any liability under the Facility will not depend on the business of the Group.

Effects of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, claims and encumbrances and together with all rights attaching to the Shares as at the closing date of the Offer, including the rights to receive all dividends and distribution declared, made or paid on or after completion of the Offer.

Right of withdrawal

Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. Further details are set out under the paragraph headed "Right of Withdrawal" in Appendix I to this Composite Offer Document.

Settlement

Remittances in respect of the consideration payable for the Shares tendered under the Offer, less seller's ad valorem stamp duty payable, will be posted to the Accepting Shareholders by ordinary post at their own risk within 10 days from the date of receipt by the Registrar of all the relevant documents to render the relevant acceptances under the Offer complete and valid.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) is payable by the Accepting Shareholders which will be deducted from the payment to be received by the Accepting Shareholders. The Offeror will bear its own portion of buyer's ad valorem stamp duty under the Offer at the rate of 0.1% of the amount payable in respect of the relevant acceptance or if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty

LETTER FROM BARON CAPITAL

Ordinance (Chapter 117 of the Laws of Hong Kong) and will be responsible to account to the Stamp Office of Hong Kong the stamp duty payable for the sale and purchase of the relevant Offer Shares pursuant to the acceptances of the Offer.

Dealings in Shares

The Offeror confirms that during the six months prior to the date of the Share Sale Agreement and ending with the Latest Practicable Date prior to the posting of the Composite Offer Document, (i) save for the acquisition of the Sale Shares by the Offeror pursuant to the Share Sale Agreement and the entering into of the Share Charge and the Irrevocable Undertaking, the Offeror and parties acting in concert with it did not have any interest in the Shares; and (ii) save for the acquisition of the Sale Shares by the Offeror pursuant to the Share Sale Agreement and the entering into of the Share Charge and the Irrevocable Undertaking, the Offeror or parties acting in concert with it had not dealt for value in any Shares or other securities of the Company.

Compulsory acquisition

The Offeror does not intend to exercise any right which may be available to it under the applicable laws in the Cayman Islands to acquire compulsorily all the issued Shares subject to the Offer after the close of Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands, the entire issued share capital of which is solely and beneficially owned by Mr. Chan, the sole director of the Offeror. Save for entering into the Share Sale Agreement, the Offeror has not conducted any business since its incorporation and has no material assets and liabilities.

Before the Completion, the Offeror and Mr. Chan are independent third parties and are not connected with and not parties acting in concert with the Company or its subsidiaries or associated company or any Connected Persons of the Company.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

The Offeror intends to continue the existing businesses of the Group and has no intention to dispose of the Group's businesses after the close of the Offer. Save for the proposed changes to the members of the Board as disclosed under the paragraph headed "Proposed change of the Board composition" in this letter, the Offeror has no intention to make any changes to the employees of the Group. The Offeror will conduct a detailed review on the operations of the Group with a view to developing a corporate strategy to enhance its business operations and its financial position. Should any suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group in order to broaden its income base. However, no such investment or business opportunities had been identified as at the Latest Practicable Date. The Offeror will consider any financial plan/strategy in order to enhance the Group's financial position, as and when necessary, the Offeror may consider providing financial support to the Group.

LETTER FROM BARON CAPITAL

PROPOSED CHANGE OF THE BOARD COMPOSITION

Currently, the Board comprises three executive Directors, namely, Mr. Lam, Mr. Yuen 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. It is the intention of the Offeror that all of the existing executive and independent non-executive Directors will resign from the Board and such resignation will take effect at the earliest time permitted under the Takeovers Code, the GEM Listing Rules or other applicable rules and regulations.

It is the intention that the Offeror will nominate Mr. Chan and Mr. Chan Man Ching and two more persons to be appointed as additional directors to the Board not earlier than the Composite Offer Document being posted in accordance with Rule 26.4 of the Takeovers Code. Save for the nomination of Mr. Chan and Mr. Chan Man Ching, no other proposed Directors are currently identified by the Offeror.

Brief details of the proposed new executive Directors are set out below:

Mr. Chan is currently a director, co-chairman and the chief executive officer of Petromin Resources Limited, a company listed on the Toronto Stock Exchange Venture Board with a market capitalization value of CAD\$12,953,817 (equivalent to approximately HK\$89,294,500) as at 6 November 2006, which is principally engaged in acquiring and developing oil and gas properties. As at the Latest Practicable Date, Mr. Chan was holding approximately 3.9% of the shares of Petromin Resources Limited. Concurrently, Mr. Chan is a director of Hollingport Venture Inc., a company listed on the Toronto Stock Exchange Venture Board with approximately 15% shareholding of the company. As at the Latest Practicable Date, Hollingport Venture Inc. did not have any principal activity. He is a businessman with extensive experience in senior management and financing. He also has broad overseas networks and close relationships with business communities in Asian countries.

Mr. Chan Man Ching, aged 38, is currently an executive director of SYSCAN Technology Holdings Limited, a company listed on GEM which principal businesses include design, research, development, manufacture and distribution of optical image capturing device chips and other optoelectronic products. He graduated from the University of South Australia with a bachelor's degree in Accountancy. He is also a CPA member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has over 13 years' experience in accounting, auditing and taxation.

The Company will make further announcement in respect of the effective date of appointment of the new Directors and the biographical details as required under Rule 17.50(2) of the GEM Listing Rule. The Company will ensure that the requirements of the GEM Listing Rules in relation to new independent non-executive directors and audit committee will be complied with.

LETTER FROM BARON CAPITAL

The new Directors or management of the Company have sufficient expertise in the existing business of the Company as (i) Mr. Chan Chi Hung, an existing executive Director, will be retained in the Company as a consultant for a fixed term of six-month commencing from the date of his resignation on the first closing date of the Offer. The appointment shall continue after the expiration of the fixed term until terminated by either party by serving on the other party one month written notice in advance or payment in lieu of notice. It is the current intention of the parties that the consultant shall assist the new Directors to a smooth transition of the existing business of the Company; (ii) Mr. Chan Man Ching has been in the senior management level of a technology company for over six years; and (iii) the existing key operation personnel will be retained and the new Directors will review the Company's operation and might consider to appoint additional Directors to manage the business of the Company if necessary.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends that the Company will remain listed on GEM after the close of the Offer and will not exercise any rights to compulsorily acquire all the issued Shares. The sole director of the Offeror and the new Directors to be appointed to the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that the minimum public float requirement under the GEM Listing Rules is complied with by the Company following the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in trading of the Shares; or**
- (b) there are insufficient Shares in public hands to maintain an orderly market,**

then it will consider exercising its discretion to suspend dealing in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

TAXATION

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offer. It is emphasised that none of the Company, the Offeror nor Baron Capital nor any of their respective directors nor any persons involved in the Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

LETTER FROM BARON CAPITAL

ACCEPTANCE AND SETTLEMENT

(a) Procedures for acceptance of the Offer

To accept the Offer, you should complete the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

The completed Form(s) of Acceptance should then be forwarded, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to tender under the Offer by post or by hand to the Registrar, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong marked "*Sys Solutions Offer*" on the envelope, as soon as practicable after receipt of this Composite Offer Document and in any event **not later than 4:00 p.m. on Wednesday, 20 December 2006** or such later time and/or date as the Offeror may determine and announce. No acknowledgement of receipt of any Form(s) of Acceptance, Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(b) Settlement of the Offer

Provided that the relevant Form(s) of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and received by the Registrar by no later than 4:00 p.m. on Wednesday, 20 December 2006, a cheque for the amount representing the cash consideration (after deducting the relevant seller's ad valorem stamp duty payable by you) due to you in respect of the Shares tendered by you under the Offer will be despatched to you by ordinary post at your own risk within 10 days from the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar.

Settlement of the consideration to which any Accepting Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, rights of set-off, counterclaim or other analogous rights to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

GENERAL

In order for beneficial owners of the Shares, whose investments are registered in nominees' names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the Shareholders being not residents in Hong Kong is drawn to sub-paragraph (i) under the paragraph headed "General" in Appendix I to this Composite Offer Document.

LETTER FROM BARON CAPITAL

All documents and remittances sent to the Accepting Shareholders by ordinary post will be sent to them at their own risks. Such documents and remittances will be sent to the Accepting Shareholders at their addresses as they appear in the register of members of the Company, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of members of the Company, as applicable. None of the Offeror, the Company, Baron Capital nor any of their respective directors nor any other persons involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is also drawn to the accompanying Form of Acceptance and the additional information set out in the Appendices to this Composite Offer Document which form part of this Composite Offer Document.

Yours faithfully,
For and on behalf of
Baron Capital Limited
Chiu Sui Keung, Thomas
Managing Director



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)

29 November 2006

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
BARON CAPITAL LIMITED
ON BEHALF OF COLPO MERCANTILE INC.
FOR ALL THE ISSUED SHARES IN
SYS SOLUTIONS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY COLPO MERCANTILE INC. AND
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer document dated 29 November 2006 (“Composite Offer Document”) jointly issued by Sys Solutions Holdings Limited and Colpo Mercantile Inc. of which this letter forms part. Terms defined in the Composite Offer Document shall have the same meanings in this letter unless the context otherwise requires.

Being the Directors who are independent of the Offeror and the parties acting in concert with it and have no interest in the Offer, we have been appointed as members of the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. VXLFS has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Offer. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from VXLFS on pages 23 to 38 of the Composite Offer Document.

We also wish to draw your attention to (i) the section headed “Letter from the Board”; (ii) the section headed “Letter from Baron Capital”; (iii) the section headed “Letter from VXLFS”; and (iv) the additional information set out in the Appendices to the Composite Offer Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the terms of the Offer and the advice of VXLFS, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and, accordingly, we recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders should note that the Offer Price represents discount of approximately 57.3% to 90.7% over the closing prices of the Shares in the range of HK\$0.142 to HK\$0.65 after the release of the Joint Announcement. The Offer Price also represents discount of approximately 81.6% over the closing price of HK\$0.33 per Share on the Latest Practicable Date. The Independent Shareholders should also note the possibility that, following the close of the Offer, the price of the Shares may or may not be higher than the Offer Price. Should the market price of the Shares exceed the Offer Price during the period while the Offer is open, and the sales proceeds, net of transactions costs, exceed the amount receivable under the Offer, the Independent Shareholders should consider not accepting the Offer and should seek to sell their Shares on the market during the period while the Offer is open.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms of the Offer.

Pursuant to a resolution passed by the members of Independent Board Committee on 27 November 2006, any one member of the Independent Board Committee is authorised to sign on this letter.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Mr. Lau Siu Ki Kevin
Independent non-executive Director

LETTER FROM VXLFS

The following is the letter of advice from VXLFS to the Independent Board Committee in respect of the terms of the Offer, which has been prepared for the purpose of inclusion in this Composite Offer Document.

VXL Financial Services Limited
Unit 3214, 32nd Floor
Cosco Tower
Grand Millennium Plaza (High Block)
183 Queen's Road Central
Hong Kong



29 November 2006

*To the Independent Board Committee
Sys Solutions Holdings Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
BARON CAPITAL LIMITED
ON BEHALF OF COLPO MERCANTILE INC.
FOR ALL THE ISSUED SHARES IN
SYS SOLUTIONS HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED
TO BE ACQUIRED BY COLPO MERCANTILE INC. AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Offer, details of which are set out in the "Letter from the Board" ("Letter") contained in the Composite Offer Document to the Independent Shareholders dated 29 November 2006, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Composite Offer Document unless the context otherwise requires.

As referred to in the Letter, the Offeror had entered into the Share Sale Agreement on 3 November 2006 with, among others, the Vendors, pursuant to which the Offeror had conditionally agreed to purchase and the Vendors had conditionally agreed to sell the Sale Shares for cash consideration in an aggregate sum of HK\$16,342,173.44 (equivalent to approximately HK\$0.060579 per Sale Share). Immediately after the Completion which took place on 10 November 2006 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 269,768,428 Shares, representing approximately 68.09% of the entire issued share capital of the Company. As a result, the Offeror is obliged under Rule 26.1 of the Takeovers Code to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

LETTER FROM VXLFS

Accordingly, Baron Capital, on behalf of the Offeror, is making the Offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at HK\$0.060579 per Offer Share. The terms of the Offer are set out in the "Letter from Baron Capital" ("Letter from Baron") contained in, as well as in Appendix I to, the Composite Offer Document and in the accompanying Form of Acceptance.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising the three independent non-executive Directors, namely, Mr. Lau Siu Ki Kevin, Mr. Wang Yat Yee Mark and Mr. Zhang Guo Xuan, has been formed to consider the terms of the Offer and to advise the Independent Shareholders in relation to the Offer. We have been appointed and approved by the Independent Board Committee to advise the Independent Board Committee on the terms of the Offer pursuant to Rule 2.1 of the Takeovers Code.

BASES AND ASSUMPTIONS

In formulating our recommendation, we have reviewed, among other materials, the audited consolidated financial statements of the Group for the three years ended 31 July 2006, the unaudited interim accounts of the Group for the six months ended 31 January 2006, the unaudited third quarter accounts of the Group for the nine months ended 30 April 2006 and the unaudited first quarter accounts of the Group for the three months ended 31 October 2005. We have relied on the information and facts contained or referred to in the Composite Offer Document and supplied to us by the Company and/or the Offeror and the opinions expressed by and the representations of the directors and management of the Company and/or the Offeror. We have assumed that all statements of belief and intention made by the Directors and/or the Offeror in the Composite Offer Document were made after due enquiry and that all information, representations and opinion made to us or referred to in the Composite Offer Document were true, accurate and complete in all respects at the time they were made and continued to be so as at the date of the Composite Offer Document and up to the date on which the Offer will close and may be relied upon. We have also assumed that all statements of beliefs, opinions, assumptions and intentions made by the Directors and/or the Offeror in the Composite Offer Document were made reasonably after due and careful enquiry and were based on honestly-held opinion. We have also relied on the responsibility statement set out in Appendix III to the Composite Offer Document. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and its Directors and management and/or the Offeror and have been confirmed by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Composite Offer Document.

We consider that we have reviewed sufficient information to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Composite Offer Document and to provide a reasonable basis for our recommendation. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate, or misleading. We have not, however, conducted any independent verification of the

LETTER FROM VXLFS

information included in the Composite Offer Document and the information provided by the Directors, the Company and the Offeror, nor have we conducted any form of in-depth investigation into the businesses, affairs, financial positions or future prospects of the Company or the Offeror or any of their respective subsidiaries or associates.

We have not considered the tax implications on the Independent Shareholders of acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the terms of the Offer, we have considered the following principal factors and reasons:

I. Business and prospects of the Group

The Group is principally engaged in the provision of network infrastructure solutions and services in Hong Kong and the Guangdong Province, the People's Republic of China. The Group designs, installs, implements and maintains 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 its customers' networks and computer systems. In addition, the Group also offers other professional value-added solutions and services to its customers in order to enhance the functionality and extensibility of their networks and computer systems.

According to the annual reports of the Company for each of the three financial years ended 31 July 2006, over 90% of the Group's revenue, assets and liabilities were derived from services rendered in or located in Hong Kong during the three financial years ended 31 July 2006. For each of the three financial years ended 31 July 2006, majority of the revenue of the Group was contributed by the network infrastructure construction solutions segment, which comprised the provision of hardware and software for network infrastructure solutions and the design and installation of network infrastructure systems.

As referred to in the website of the Hong Kong Trade Development Council, the development of the information technology industry is key to Hong Kong's position as a world centre of business. In line with its "2004 Digital 21 Information Technology Strategy" to position Hong Kong as a leading e-business community and digital city, the Hong Kong government would increase its information technology expenditure from HK\$3.75 billion to HK\$4.47 billion between 2005 and 2006. Currently, 95% of the government's new information technology related projects have been outsourced. With the government's commitment to an active outsourcing strategy, this expanded information technology expenditure would sustain many

LETTER FROM VXLFS

business opportunities for the information technology industry. According to Gartner's forecast, Hong Kong enterprises' spending on internal and external information technology products and services will reach HK\$50.5 billion in 2006 with information technology services and software as key drivers for growth.

Despite the above, the management of the Company perceived, as disclosed in the annual report of the Company for the financial year ended 31 July 2006, that the information technology industry in 2006 continued on the path of increasing competition and intend to continue to emphasize on disciplined cost-control, monitoring the performance of the Group's business, eliminating loss-making businesses and targeting higher levels of efficiency and effectiveness.

II. Historical financial performance of the Group

The following table summarizes the audited consolidated results of the Group for each of the three financial years ended 31 July 2006 as extracted from the Company's annual reports. Further details of the results and other financial information of the Group are set out in Appendix II to the Composite Offer Document.

	Year ended 31 July		
	2006	2005	2004
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	6,988,225	22,514,073	15,881,193
Gross profit	388,156	2,275,194	2,212,887
<i>Gross profit margin</i>	5.6%	10.1%	13.9%
Loss before tax	(7,786,129)	(13,619,267)	(12,165,261)
Tax	–	–	–
Net loss attributable to equity holders of the Company	(7,786,129)	(13,619,267)	(12,165,261)
Loss per share – Basic	HK1.97 cents	HK3.44 cents	HK3.16 cents

Turnover

For the financial year ended 31 July 2005, turnover of the Group increased by approximately 41.8% as compared to the financial year ended 31 July 2004, mainly attributable to the increase in revenues from the sales of computer hardware and software, as a result of the establishment of new business relationships by the Group with information technology companies in Hong Kong and effective promotional campaigns carried out throughout the year.

For the financial year ended 31 July 2006, the Group recorded a turnover of HK\$6,988,225, representing a decrease of approximately 69.0% as compared to the financial year ended 31 July 2005. According to the management of the Company, the significant decrease in turnover was mainly attributable to intensified competition within the industry and the downscaling of certain business stream of the Group.

LETTER FROM VXLFS

Operating results and gross profit margin

The Company has recorded consecutive losses for the three financial years ended 31 July 2006. Although the magnitude of loss decreased approximately 40.5% for the financial year ended 31 July 2006 as compared to the previous financial year ended 31 July 2005 as a result of the decrease in overall administrative and operating expenses by approximately 41.1%, turnover of the Group dropped in a faster pace during the same financial year which reflected an overall recession of the business of the Group.

Gross profit margins of the Group were on a decreasing trend during the three financial years ended 31 July 2006, which had decreased from approximately 13.9% to approximately 5.6%. According to the annual reports of the Company for the relevant financial years, the decrease in gross profit margin for the financial year ended 31 July 2005 was attributable to the increase in the revenue generated from the sales of computer hardware which comparatively had a lower gross profit margin ratio while the decrease in gross profit margin for the financial year ended 31 July 2006 was mainly attributable to gross loss incurred as a result of failure of some software development projects during the year.

Marketing strategy

As advised by the management of the Company, the marketing strategy of the Group in the recent financial years has been focusing on the business of software trading as well as outsourcing business which provides better profit margins. We have also discussed with the management of the Company regarding the current marketing plan of the Group for the financial year ending 31 July 2007, and are advised that the Group will expand its software trading business to include the trading of Customer Relationship Management (CRM) system software. The prospect and performance of the Company in the forthcoming future may be affected as to whether the above marketing plans will be launched successfully by the management of the Company.

Human resources

As disclosed in the annual reports of the Company for each of the three financial years ended 31 July 2006, the total staff costs of the Group amounted to approximately HK\$7.7 million, HK\$8.1 million and HK\$5.3 million for the financial year ended 31 July 2004, 2005 and 2006 respectively. The numbers of full time employees of the Group as at 31 July 2004, 2005 and 2006 are 30, 33 and 28 respectively. As advised by the management of the Company, number of full time employees of the Group has reduced to 24 as at the Latest Practicable Date. The management of the Company further advised that cost control policy within the Group has been tightened, in particular staff costs in light of its significant proportion among other costs, in order to enhance the overall efficiency of the Group.

LETTER FROM VXLFS

We have been provided with brief biographies of key personnel for the day-to-day operation of the Group by the Company. We note that the key personnel have years of experience in the software industry and relevant academic background. As referred to in the Letter from Baron, the Offeror has no intention to make any changes to the employees of the Group save for the proposed changes to the members of the Board.

Taking into account the business prospects of the Group as referred to in the paragraph headed "Business and prospects of the Group" above and given the historical financial performance of the Group analyzed above, we are of the view that, notwithstanding that the operating environment for the information technology industry in Hong Kong is expected to remain promising in the near future, there is no certainty that the Group's financial performance will have any improvement in the financial year ending 31 July 2007 to the extent that the Group can turnaround.

III. Background of the Offeror and its intention regarding the future of the Group

Background of the Offeror

As referred to in the letter from Baron, the Offeror is an investment holding company incorporated in the British Virgin Islands, the entire issued share capital of which is solely and beneficially owned by Mr. Chan, the sole director of the Offeror. Save for entering into the Share Sale Agreement, the Offeror has not conducted any business since its incorporation and has no material assets and liabilities. Mr. Chan is currently a director, co-chairman and the chief executive officer of Petromin Resources Limited, a company listed on the Toronto Stock Exchange Venture Board which is principally engaged in acquiring and developing oil and gas properties.

Intention of the Offeror regarding the future of the Group

Currently, the Board comprises three executive Directors, namely, Mr. Lam, Mr. Yuen 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. As referred to in the paragraph headed "Proposed change of the Board composition" in the Letter from Baron, it is the intention of the Offeror that all of the existing executive and independent non-executive Directors will resign from the Board and such resignation will take effect at the earliest time permitted under the Takeovers Code, the GEM Listing Rules or other applicable rules and regulations. The Offeror intends to nominate Mr. Chan and Mr. Chan Man Ching and two more persons to be appointed as additional directors to the Board in accordance with Rule 26.4 of the Takeovers Code. As referred to in the Letter from Baron, Mr. Chan is a businessman with extensive experience in senior management and financing. Mr. Chan Man Ching possesses experience as an executive director of SYSCAN Technology

LETTER FROM VXLFS

Holdings Limited, a GEM listed technology company, which from our point of view, may be useful for his forthcoming involvement in the management of the business of the Group given the business nature of the Company also relates to technology, and over 13 years of experience in accounting, auditing and taxation. Further details of the biographies of the proposed new Directors are set out in the Letter from Baron.

As stated in the Letter from Baron, save for the proposed changes to the members of the Board mentioned above, the Offeror intends to continue the existing businesses of the Group and has no intention to dispose of the Group's businesses after close of the Offer. The Offeror has no intention to make any changes to the employees of the Group. The Offeror will conduct a detailed review on the operations of the Group with a view to developing a corporate strategy to enhance its business operations and its financial position. The Offeror may consider diversifying the business of the Group in order to broaden its income base should any suitable investment or business opportunities arise. As disclosed in the Letter from Baron, no such investment or business opportunities were identified by the Offeror as at the Latest Practicable Date. The Offeror will also consider any financial plan/strategy in order to enhance the Group's financial position, and may consider providing financial support to the Group as and when necessary.

We noted that (i) Mr. Chan Chi Hung, an existing executive Director, will be retained in the Company as a consultant for a fixed term of six months commencing from the date of his resignation on the first closing date of the Offer; and (ii) Mr. Chan Man Ching, one of the proposed new Directors, has been in the senior management level of a technology company for over six years. We concur that such arrangements may assist the transition of the existing businesses of the Company to the new management. Nevertheless, given the loss-making history of the Group during the three financial years ended 31 July 2006 and the uncertainties as to the Group's ability to improve its financial results with its existing businesses in the financial year ending 31 July 2007 as discussed above, we consider that, without any immediate new investment or business opportunities that can generate better returns, there is no certainty that the Group's financial performance will have any improvement in the financial year ending 31 July 2007 to the extent that the Group can turnaround. It will also take time for implementation of new business plan, if any, and the results of which may or may not be able to fully reflect in the share price of the Company.

IV. Terms of the Offer

The Offer is made on the following basis:

For each Offer Share HK\$0.060579 in cash

The Offer Price is determined as the same price as that paid by the Offeror to the Vendors pursuant to the Share Sale Agreement.

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Further terms of the Offer are set out in Appendix I to the Composite Offer Document.

Price earnings multiples

Price earnings multiple is considered to be one of the most commonly adopted valuation methodologies for listed companies. However, as the Group has made losses for the three consecutive financial years ended 31 July 2006, the price earnings multiple of the Company cannot be derived from the Group's latest audited financial statements for the year ended 31 July 2006. As such, it is not applicable to evaluate the Offer Price on the basis of the price earnings multiples.

Dividend yield

The Company has not declared any dividends in the last three financial years. Given the Group's historical financial performance, it is not certain as to whether the Group will be able to pay dividends in the near term. It is therefore impracticable for us to assess the Offer Price in terms of the dividend yield it represents.

Net asset value

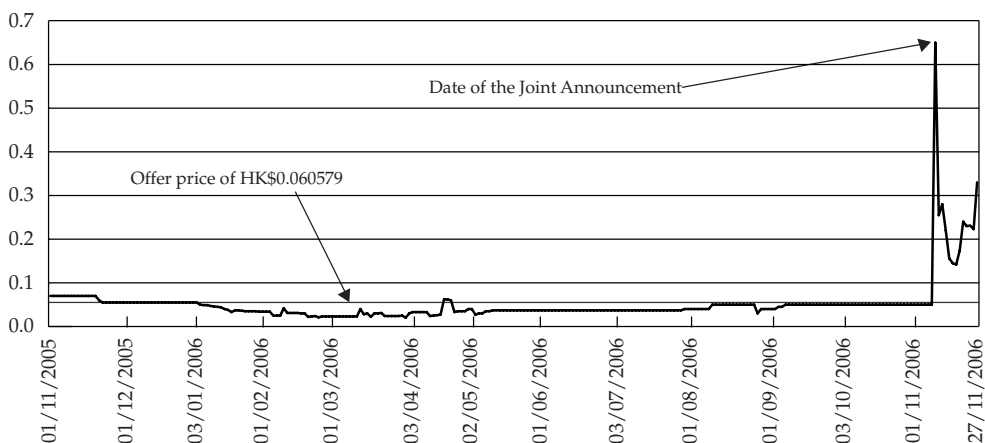
The Group recorded audited consolidated net liabilities of HK\$4,164,328 as at 31 July 2006, being the financial year end date for which the latest audited financial statements of the Group were published. The auditors of the Company has disclaimed their opinion to the financial statements of the Group for the financial year ended 31 July 2006 given the fundamental uncertainty relating to the going concern basis of the Group. As disclosed in the Letter from Baron, Mr. Lam had on the Completion Date waived and released an amount of HK\$4,987,329.00, being shareholder's loan due to Mr. Lam by the Company as at 10 October 2006, pursuant to the Share Sale Agreement.

Given (i) the audited net liabilities position of the Group for the latest financial year ended 31 July 2006; and (ii) the waiver of the shareholder's loan by Mr. Lam, which improved the latest assets position of the Group, was of one-off nature, we are of the view that the consolidated net asset value per Share may not be a meaningful reference for assessment of the Offer Price.

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Share price

The chart below illustrates the daily closing price per Share as quoted on the Stock Exchange from 1 November 2005 up to and including the Latest Practicable Date (“Period”).



Date source: Website of the Stock Exchange (www.hkex.com.hk)

As shown in the above chart, the closing price of the Shares was within the range of HK\$0.02 to HK\$0.07 per Share during the period from 1 November 2005 to 7 September 2006, being the last full trading day of the Shares before the suspension of trading in the Shares on 8 September 2006 pending the release of the Joint Announcement. The closing price of the Shares rose to HK\$0.65 per Share on 9 November 2006, the date on which the Joint Announcement was released and trading in the Shares was resumed. The closing price of the Shares was within the range of HK\$0.142 to HK\$0.65 per Share during the period from 9 November 2006 to the Latest Practicable Date. We believe such increase in closing price of the Shares after the release of the Joint Announcement as compared to the closing price of the Shares prior to the release of the Joint Announcement was largely prompted by market speculation over the future prospect of the Group after the change in control of the Company. We consider that surge in the closing price of the Shares after the release of the Joint Announcement and up to the Latest Practicable Date was neither supported by the asset base of the Group nor reflected any improvement in the fundamental factors of the Group. As such, we are of the view that the closing price of the Shares after the release of the Joint Announcement, which was largely as a result of market speculation, may not be meaningful for the assessment of the Offer Price and such high level of market price of the Shares may not be sustainable in long run on the basis that the fundamental factors of the Group analyzed above remain unchanged.

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The Offer Price represents:

1. a premium of approximately 21.16% over the closing price of HK\$0.05 per Share as quoted on GEM on 7 September 2006, being the last full trading day of the Shares before the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement;
2. a premium of approximately 37.68% over the average closing prices as quoted on GEM for the last 5 consecutive full trading days prior to the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement, being approximately HK\$0.044 per Share;
3. a premium of approximately 44.24% over the average closing prices as quoted on GEM for the last 10 consecutive full trading days prior to the suspension of trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement, being approximately HK\$0.042 per Share; and
4. a discount of approximately 81.64% to the closing price of HK\$0.33 per Share as quoted on GEM as at the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Offer Price, we have compared the Offer Price with the cash offers announced and closed during the Period for companies that are listed on GEM ("Comparable Companies"). We consider that cash offers for companies listed on the Main Board are not appropriate for comparison purposes as they are subject to different listing requirements from those of GEM and, in particular, GEM companies are usually less mature than Main Board companies as they are not required to have achieved a record of profitability as a condition of listing and their future performance is susceptible to great uncertainty. In addition, the liquidity of shares listed on GEM is generally lower than those listed on the Main Board as indicated by the lower average trading volume of GEM. It should however be noted that the Comparable Companies listed below are engaged in various businesses different from those of the Group and their market capitalization may not be comparable to that of the Company. Therefore, the result of our comparison below should not be used in isolation as a determining factor in deciding whether or not to accept the Offer.

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Company name (Stock code) and principal business	Announcement date	Offer price <i>HK\$</i>	Closing price on last trading day* <i>HK\$</i>	Premium/ (Discount) over/to closing price on last trading day* %	Ten-day average closing price up to and including the last trading day* <i>HK\$</i>	Premium/ (Discount) over/to ten-day average closing price %	Market capitalisation as at the last trading day* <i>HK\$ million</i>
Superdata Software Holdings Ltd (8263)** - Development and sale of integrated business management software and off-the-shelf packaged software for SMEs	10 November 2005	1.900	1.820	4.40	n/a	n/a	733.5
Angels Technology Co Ltd (8112) - provision of transportation technology solutions in respect of toll collection, traffic surveillance, optical fibre roads network communication and power supply systems for highways in the PRC	16 December 2005	0.063	0.096	(34.09)	0.094	(32.69)	19.6
FX Creations International Holdings Ltd. (8136) - retail sales and wholesales of bags and accessories under the FX CREATIONS brandname	8 March 2006	0.030	0.170	(82.35)	0.181	(83.43)	68.0
Shine Software (Holdings) Ltd. (8270) - provide clearing platforms, application software and technical support services for participants of the clearing system in the PRC	30 March 2006	0.021	0.080	(73.57)	0.088	(75.98)	37.8

LETTER FROM VXLFS

Company name (Stock code) and principal business	Announcement date	Offer price HK\$	Closing price on last trading day* HK\$	Premium/ (Discount) over/to closing price on last trading day* %	Ten-day average closing price up to and including the last trading day* HK\$	Premium/ (Discount) over/to ten-day average closing price %	Market capitalisation as at the last trading day* HK\$ million
MegaInfo Holdings Ltd. (8279) - provision of enterprise solutions with a focus on selfdeveloped digital image processing management applications, <i>MegaImage</i> and <i>MegaMax</i> , for telecommunications service providers and other enterprises in Macau and the PRC	6 June 2006	0.0318	0.070	(54.57)	0.0565	(43.72)	37.5
Galileo Capital Group Ltd. (8029) - providing financing related services to the middle market companies in the Greater China region	29 June 2006	0.025	0.030	(16.67)	0.0291	(14.09)	24.0
Sino Stride Technology (Holdings) Limited (8177) ** - development and provision of system integration solutions in the PRC	24 August 2006	0.170	0.170	0.00	n/a	n/a	184.7

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Company name (Stock code) and principal business	Announcement date	Offer price HK\$	Closing price on last trading day* HK\$	Premium/ (Discount) over/to closing price on last trading day* %	Ten-day average closing price up to and including the last trading day* HK\$	Premium/ (Discount) over/to ten-day average closing price %	Market capitalisation as at the last trading day* HK\$ million
Panorama International Holdings Limited (8173) - Distribution of the video programmes mainly in VCD and DVD formats for home entertainment in Hong Kong and other Asian countries, including Singapore, Taiwan, South Korea, Indonesia, Malaysia and Thailand	5 September 2006	0.040	0.045	(11.11)	0.045	(11.11)	18.1
Highest				(11.11)		(11.11)	
Lowest				(82.35)		(83.43)	
Average				(45.39)		(43.50)	
The Company	8 November 2006	0.060579	0.050	21.16	0.042	44.24	19.8

Date source: Website of the Stock Exchange (www.hkex.com.hk)

* *Last trading day refers to the last full trading day prior to the release of the relevant cash offer announcement*

** *Cash offer for the purpose of proposed withdrawal of listing of the shares of the company. The cash offers for the purpose of proposed withdrawal of listing of the shares of the companies were excluded from the assessment of the highest, lowest and average figures of the premium/discount of the respective offer price over or to the respective closing price on the relevant last trading day of the Comparable Companies as such offers were made for the purpose of achieving proposals for the withdrawal listing which are, from our point of view, may not be relevant comparables for the assessment of the fairness and reasonableness of the Offer Price for which the Shares will remain listed*

The cash offer prices for the Comparable Companies represented discounts ranging from approximately 11.11% to 82.35% to their respective closing prices as quoted on the last trading day prior to the date of the relevant announcement, with an average discount of approximately 45.39%. For the average closing price for the 10 consecutive trading days up to and including the respective last trading day, the cash offer prices of the Comparable Companies were at discounts ranging from approximately 11.11% to 83.43%, with an average discount of approximately 43.50%. Contrasting to the cash offers for the Comparable Companies, the Offer Price represented premium of approximately 21.16% and 44.24% respectively over the closing price on the last trading day and the average closing price for the 10 consecutive trading days up to and including the last trading day. Based on the results of the above comparison, we consider that the Offer Price is fair and reasonable.

LETTER FROM VXLFS

Liquidity of the Shares

The following table sets out the total monthly trading volume of the Shares and the percentage of the total monthly trading volume of the Shares to the total issued Shares during the Period:

	Total monthly trading volume of the Shares	% of the total monthly trading volume of the Shares to the total issued Shares <i>(Note 1)</i>
2005		
November	0	0.00%
December	0	0.00%
2006		
January	9,570,000	2.42%
February	13,248,000	3.34%
March	1,980,000	0.50%
April	954,000	0.24%
May	714,000	0.18%
June	0	0.00%
July	300,000	0.08%
August	12,000	0.00%
September <i>(Note 2)</i>	3,453,875	0.87%
October <i>(Note 2)</i>	0	0.00%
November (up to the Latest Practicable Date) <i>(Note 2)</i>	30,192,000	7.62%

Date source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Based on 396,180,000 Shares in issue throughout the Period.
2. Trading of Shares was suspended during the period from 11:06 a.m. on 8 September 2006 to 9 November 2006.

The monthly trading volume of the Shares were thin during the Period, which represented less than 5% of the total issued Shares save for the recent increase in trading volume commenced from November 2006. The recent increase in trading volume from November 2006 onwards was believed to be triggered by market speculation over the future prospect of the Group after the change in control of the Company subsequent to the release of the Joint Announcement.

LETTER FROM VXLFS

Based on the trading volume of the Shares in the past, in our view, the level of liquidity of the Shares would not be sufficient for the Independent Shareholders to sell a significant number of their Shares in the market without exerting a downward pressure on the market price of the Shares. We therefore consider that the Offer represents an opportunity for the Independent Shareholders to realize their investments in the Company at a fair and reasonable Offer Price if they so wish.

CONCLUSION AND ADVICE

Having considered the abovementioned principal factors and reasons, in particular,

- the Offer Price is equivalent to the purchase price paid by the Offeror for each of the Sale Shares under the Share Sale Agreement, which was arrived at after arm's length negotiations between the Offeror and the Vendors;
- the existing businesses of the Group have been making losses for the past three financial years ended 31 July 2006, the net liability position of the Group as at 31 July 2006 and the Group may not be able to improve its financial performance in the financial year ending 31 July 2007 to the extent that the Group can turnaround;
- no dividend was declared by the Company to the Shareholders for the past three financial years ended 31 July 2006 and there is no certainty when the Group will be able to declare dividends given its historical financial performance;
- despite the Offeror may consider providing financial support to the Group, there is no concrete plan to change the Group's existing businesses and no specific targets were identified for investment up to the Latest Practicable Date;
- the Offer Price is fair and reasonable as compared to those cash offers of the Comparable Companies;
- the surge in the closing prices of the Shares after the release of the Joint Announcement and up to the Latest Practicable Date was neither supported by the asset base of the Group nor reflected any improvement in the fundamental factors of the Group and such high level of the closing price of the Shares after the release of the Joint Announcement, which was largely as a result of market speculation, may not be sustainable in long run on the basis that the fundamental factors of the Group remain unchanged; and
- the relatively low liquidity of the Shares which would not be sufficient for the Independent Shareholders to sell a significant number of their Shares in the market without exerting a downward pressure on the market price of the Shares,

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we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and accordingly advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders should note that the Offer Price represents discount of approximately 57.3% to 90.7% over the closing prices of the Shares in the range of HK\$0.142 to HK\$0.65 after the release of the Joint Announcement. The Offer Price also represents discount of approximately 81.6% over the closing price of HK\$0.33 per Share on the Latest Practicable Date. The Independent Shareholders should also note the possibility that, following the close of the Offer, the price of the Shares may or may not be higher than the Offer Price. Should the market price of the Shares exceed the Offer Price during the period while the Offer is open, and the sales proceeds, net of transactions costs, exceed the amount receivable under the Offer, the Independent Shareholders should consider not accepting the Offer and should seek to sell their Shares on the market during the period while the Offer is open.

The procedures for acceptance of the Offer are set out in Appendix I to the Composite Offer Document and the accompanying Form of Acceptance. The latest time for lodging acceptances (unless extended by the Offeror) is 4:00 p.m. on Wednesday, 20 December 2006. The Independent Shareholders are urged to act according to this timetable if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
VXL Financial Services Limited
Gary Mui
Director

1. FURTHER PROCEDURES FOR ACCEPTANCE**A. The Offer**

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or some names other than your own and you wish to accept the Offer in respect of your Shares, you must either:
- (i) lodge your Share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

- (b) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to the Offeror or its agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (d) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on Wednesday, 20 December 2006 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your rights to become the registered holder(s) of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (d)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (e) No acknowledgement of receipt of any Form(s) of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (f) The address of the Registrar is at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

2. SETTLEMENT

Settlement of the consideration to which any Accepting Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, rights of set-off, counterclaim or other analogous rights to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

Remittances in respect of the consideration payable for the Shares tendered under the Offer will be posted to the relevant Accepting Shareholders by ordinary post at their own risk as soon as possible but in any event within 10 days from the date of receipt by the Registrar of all the relevant documents required to render the relevant acceptances under the Offer complete and valid.

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has previously been revised or extended in accordance with the Takeovers Code, all acceptances in respect of the Offer must be received by the Registrar by 4:00 p.m. on Wednesday, 20 December 2006 and the Offer will close on Wednesday, 20 December 2006. If in the course of the Offer, the Offeror revises its terms, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

4. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on Wednesday, 20 December 2006, which is the closing day of the Offer, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement through the Stock Exchange at www.hkgem.com by 7:00 p.m. on the closing date of the Offer stating whether the Offer has been revised, extended or has expired. Such announcement must be republished in accordance with the requirements set out in paragraph 4(b) below on the next Business Day. The announcement must state the following:
- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or parties acting in concert with it before commencement of the offer period;
 - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it;

The announcement must also specify the percentages of the relevant classes of share capital of the Company and percentages of voting rights of the Company represented by these numbers of Shares.

- (b) As required under the Takeovers Code and the GEM Listing Rules, all announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published on the GEM website at www.hkgem.com.

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in paragraph 5(b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" in this Appendix, the Executive may require that the Independent Shareholders who have tendered acceptances under the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

6. GENERAL

- (a) All communications, notices, Forms of Acceptance, Share certificates, transfer receipts, other documents of title or indemnity and remittances to be delivered by or sent to or from the relevant Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risks, and none of the Company, the Offeror nor the Registrar nor any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the accompanying Forms of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Offer Document and/or Forms of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Forms of Acceptance will constitute an authority to the Offeror or Baron Capital or such person or persons as the Offeror or Baron Capital may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by any such person or persons free from all third party rights, liens, claims, charges, equities and encumbrances together with all rights attaching thereto as at the closing date of the Offer including the rights to receive all dividends or other distributions declared, paid or made on the Shares on or after completion of the Offer.
- (g) References to the Offer in this Composite Offer Document and in the Forms of Acceptance shall include any revision and/or extension thereof.

- (h) The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. The Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions.

- (i) The English text of this Composite Offer Document and of the Form(s) of Acceptance shall prevail over their respective Chinese text.

1. SUMMARY OF FINANCIAL INFORMATION FOR EACH OF THE THREE YEARS ENDED 31 JULY 2006

Set out below is a summary of financial information of the Group for the three financial years ended 31 July 2006 (“Relevant Periods”) as extracted from the Company’s annual reports.

	Year ended 31 July		
	2006 HK\$	2005 HK\$	2004 HK\$
Turnover	<u>6,988,225</u>	<u>22,514,073</u>	<u>15,881,193</u>
Loss before tax	(7,786,129)	(13,619,267)	(12,165,261)
Tax	<u>–</u>	<u>–</u>	<u>–</u>
Net loss attributable to equity holders of the Company	<u>(7,786,129)</u>	<u>(13,619,267)</u>	<u>(12,165,261)</u>
Loss per share – Basic	<u>HK\$1.97 cents</u>	<u>HK\$3.44 cents</u>	<u>HK\$3.16 cents</u>

Notes:

- For each of the two years ended 31 July 2006 and 31 July 2005, the auditors’ reports were qualified in respect of fundamental uncertainty to going concern. For the year ended 31 July 2004, the auditors’ report was unqualified.
- There was no minority interest during the Relevant Periods.
- No dividend was paid or declared by the Company during the Relevant Periods.
- Impairment loss recognized in respect of an investment in a jointly-controlled entity of HK\$1,457,726 for the year ended 31 July 2005 was an exceptional item by definition. Other than that, there were no other exceptional or extraordinary items for each of the three years ended 31 July 2006.
- There was no interim statement or preliminary announcement made since 31 July 2006, being the date of the last published audited accounts of the Company.
- The figures are extracted from the annual reports of the Company without making any adjustments with reference to the new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“new HKFRSs”) which have become effective for accounting periods beginning on or after 1 January 2005 since the adoption of the new HKFRSs has had no material impact on these figures.

2. AUDITED FINANCIAL STATEMENTS

The following is the audited financial statements with qualified opinion from the auditors of the Group for the year ended 31 July 2006 as extracted from the annual report of the Company for that year. The notes to the financial statements have been adopted to conform with the presentation herein.

Consolidated Profit and Loss Account*For the year ended 31 July 2006*

	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Turnover	7	6,988,225	22,514,073
Cost of sales		(6,600,069)	(20,238,879)
Gross profit		388,156	2,275,194
Other revenue	7	73,559	105,334
Administrative and operating expenses		(8,247,844)	(13,999,422)
Impairment loss recognised in respect of an investment in a jointly-controlled entity	16	–	(1,457,726)
Loss from operating activities		(7,786,129)	(13,076,620)
Finance costs	8	–	(64,759)
Share of loss of a jointly-controlled entity	16	–	(477,888)
Loss before tax	8	(7,786,129)	(13,619,267)
Tax	11	–	–
Net loss attributable to equity holders of the Company	12	<u>(7,786,129)</u>	<u>(13,619,267)</u>
Loss per share	13		
Basic		<u>HK\$1.97 cents</u>	<u>HK\$3.44 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheet*At 31 July 2006*

	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Non-current assets			
Fixed assets	14	685,315	1,198,004
Investment in a jointly-controlled entity	16	—	—
		<u>685,315</u>	<u>1,198,004</u>
Current assets			
Inventories	17	3,874	73,402
Trade receivables	18	694,247	825,438
Deposits, prepayments and other receivables		1,178,810	1,367,780
Available-for-sale investments/ Investments in securities	19	—	300,000
Cash and bank balances	20	485,791	7,513,302
		<u>2,362,722</u>	<u>10,079,922</u>
Current liabilities			
Trade payables	21	1,526,385	476,081
Deposits received	22	1,642,675	1,265,273
Accrued liabilities and other payables		855,976	857,939
Amount due to a director	23	3,187,329	5,000,000
		<u>7,212,365</u>	<u>7,599,293</u>
Net current (liabilities)/assets		<u>(4,849,643)</u>	<u>2,480,629</u>
NET (LIABILITIES)/ASSETS		<u>(4,164,328)</u>	<u>3,678,633</u>
CAPITAL AND RESERVES			
Issued capital	24	3,961,800	3,961,800
Reserves	26	(8,126,128)	(283,167)
		<u>(4,164,328)</u>	<u>3,678,633</u>

Consolidated Summary Statement of Changes in Equity*For the year ended 31 July 2006*

	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
At beginning of year – total equity		3,678,633	16,050,500
Exercise of share options		–	1,247,400
Exchange differences on translation of the financial statements of an overseas subsidiary	26	(56,832)	–
Net loss for the year		<u>(7,786,129)</u>	<u>(13,619,267)</u>
At end of year – total equity		<u><u>(4,164,328)</u></u>	<u><u>3,678,633</u></u>

Consolidated Cash Flow Statement*For the year ended 31 July 2006*

	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Cash flows from operating activities			
Loss from operating activities		(7,786,129)	(13,076,620)
Adjustments for:			
Bank interest income	7	(6,101)	(27,192)
Depreciation	8	531,118	481,261
Impairment loss recognised in respect of an investment in a jointly-controlled entity	8	–	1,457,726
Loss on disposal of fixed assets	8	10,370	33,964
Written off of fixed assets	8	14,211	74,956
Operating cash outflow before working capital changes		<u>(7,236,531)</u>	<u>(11,055,905)</u>
Decrease in inventories		69,528	387,580
Decrease in trade receivables		131,191	3,302,069
Decrease/(increase) in deposits, prepayments and other receivables		188,970	(458,490)
Increase/(decrease) in trade payables		1,050,304	(2,759,737)
Increase/(decrease) in deposits received		377,402	(573,081)
Decrease in accrued liabilities and other payables		(1,963)	(336,100)
Net cash used in operating activities		<u>(5,421,099)</u>	<u>(11,493,664)</u>
Cash flows from investing activities			
Bank interest received		6,101	27,192
Purchase of fixed assets	14	(52,733)	(1,017,212)
Proceeds from disposal of fixed assets		11,879	26,413
Proceeds from available-for-sale investments		300,000	–
Net cash from/(used in) investing activities		<u>265,247</u>	<u>(963,607)</u>
Cash flows from financing activities			
Advance/loans from a director	29c	3,187,329	5,000,000
Repayment to a director	29c	(5,000,000)	–
Proceeds from exercise of share options		–	1,247,400
Interest expenses	8	–	(64,759)
Net cash (used in)/from financing activities		<u>(1,812,671)</u>	<u>6,182,641</u>
Net decrease in cash and cash equivalents		<u>(6,968,523)</u>	<u>(6,274,630)</u>
Cash and cash equivalents at beginning of year		7,513,302	13,787,932
Effect of foreign exchange rate changes		(58,988)	–
Cash and cash equivalents at end of year		<u>485,791</u>	<u>7,513,302</u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances	20	<u>485,791</u>	<u>7,513,302</u>

Balance Sheet*At 31 July 2006*

	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Non-current assets			
Fixed assets	14	54,260	93,020
Interests in subsidiaries	15	—	—
		<u>54,260</u>	<u>93,020</u>
Current assets			
Deposits, prepayments and other receivables		140,689	289,600
Available-for-sale investments/ Investments in securities	19	—	300,000
Cash and bank balances	20	15,596	219,362
		<u>156,285</u>	<u>808,962</u>
Current liabilities			
Accrued liabilities and other payables		<u>296,216</u>	<u>487,059</u>
Net current (liabilities)/assets		<u>(139,931)</u>	<u>321,903</u>
NET (LIABILITIES)/ASSETS		<u>(85,671)</u>	<u>414,923</u>
CAPITAL AND RESERVES			
Issued capital	24	3,961,800	3,961,800
Reserves	26	<u>(4,047,471)</u>	<u>(3,546,877)</u>
		<u>(85,671)</u>	<u>414,923</u>

Notes to the Financial Statements

For the year ended 31 July 2006

1. CORPORATE INFORMATION

The principal place of business of the Company is located at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

During the year, the Group's principal activities were the provision of network infrastructure solutions and services. There were no significant changes in the nature of the Group's principal activities during the year.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Group.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In current year, the Group has applied, for the first time, a number of new/revised Hong Kong Financial Reporting Standards (HKFRS) and Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") below which are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2005.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS Int-15	Operating Leases – Incentives
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 31, 32, 33, 36, 37, 38, 39, HKFRS 3 and HKAS Int-15 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements. The impact of adopting the other HKFRSs is summarized as follows:

(a) Definition of related parties (HKAS 24 Related Party Disclosures)

As a result of the adoption of HKAS 24 Related Party Disclosures, the definition of related parties as disclosed in note 4(t) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. HKAS 24 has affected the identification of related parties and some other related-party disclosures, as compared to those that would have been reported had SSAP 20 Related Party Disclosures, still been in effect.

(b) Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. In relation to share options granted before 1 August 2005, in accordance with the relevant transitional provision, the Group has not applied HKFRS 2 to share options granted after 7 November 2002 that had vested before 1 January 2005. As all outstanding share options of the Group were granted and vested before 1 January 2005, the application of HKFRS 2 has had no financial impact on the results of the Group for current or prior accounting periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 32).

3. BASIS OF PRESENTATION – GOING CONCERN

The Group sustained a consolidated net loss attributable to shareholders of HK\$7,786,129 for the year ended 31 July 2006 (2005: HK\$13,619,267). In view of the substantial losses in consecutive years and the liquidity problems faced by the Group, the directors have adopted the following measures with a view to maintain the Group's existence as a going concern basis and to improve the Group's overall financial and cash flow position:

- (i) Possible increase in the capital of the Group through various fund-raising exercises, including but not limited to, private placements of the Company's shares;
- (ii) To obtain financial support from the controlling shareholder of the Group and to obtain third party financing;
- (iii) To explore and pursue plans for acquiring future profitable operations; and
- (iv) To implement cost control measures to reduce the administrative and operating expenses.

In the opinion of the Directors, if the above measures accomplish the expected results, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable concern. Therefore, the Directors considered that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 31 July 2006.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting standards issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 31.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2006. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

(d) Jointly-controlled entities

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control, directly or indirectly, over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Equity accounting is discontinued from the date on which the Group ceases to have joint control over, or have significant influence in, a jointly controlled entity. When the carrying amount of the investment in the jointly controlled entity reaches zero, equity accounting is discontinued unless the Group has obligations or guaranteed obligations in respect of the jointly controlled entity.

(e) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the year in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the year in which it arises.

(f) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of each asset over its estimated useful life and after taking into account its estimated residual value, using the straight line method. The principal annual rates used for this purpose are as follows:

Leasehold improvements	33% or over the lease terms, whichever is shorter
Computer equipment and software	30–50%
Furniture and fixtures	20%
Office equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the year which the item is derecognised.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amounts of the inventories are recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(i) Investments in securities

From 1 August 2004 to 31 July 2005:

Investments in securities represented certificates of deposit which were intended to be held for a continuing strategic or identified long term purpose and were stated at cost less any impairment losses, on an individual investment basis.

From 1 August 2005 onwards:

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

Non-trading investments in securities, which are classified as available-for-sale securities and do not have quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of consolidated cash flow statement.

(l) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and a jointly-controlled entity, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from the sale of computer hardware and software and the provision of related network infrastructure construction services, when the installation work is completed and the customer has accepted the goods together with significant risks and rewards of ownership;
- (ii) from the rendering of network maintenance and reinforcement services, on a time proportion basis over the year of the contract or when the related services are rendered;
- (iii) from the rendering of other professional value-added solutions and services and data processing fee income, when the related services are rendered;
- (iv) dataline rental income, on an accrual basis; and
- (v) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

(p) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(q) **Employee benefits**

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government (the “PRC Scheme”). This subsidiary is required to make contributions for its employees who are registered as permanent residents in Mainland China. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the PRC Scheme.

Long service payments

No provision has been recognised as no employees of the Group have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment.

Share option schemes

The Group operates equity-settled share-based compensation scheme (“Scheme”) to remunerate its employees.

For share options granted under the Scheme, the fair value of the employee’s services rendered in exchange for the grant of the options is recognized as an expense immediately and credited to the share-based payment reserve under equity. Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognizes the fair value of the options granted over the vesting periods. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of the original estimates, if any, in the profit and loss account, and a corresponding adjustment to the share-based payment reserve.

Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of the shares is recorded by the Company in the share premium account. If the options lapse unexercised, the related share-based payment reserve is transferred directly to retained earnings.

(r) Foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their profit and loss accounts are translated into Hong Kong dollars at the weighted average exchange rate for the year. The resulting exchange differences are included in a separate component of equity, the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the profit and loss account.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade and other receivables and plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, amount due to a director, borrowings, corporate and financial expenses.

(t) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(u) Post balance sheet events

Post balance sheet events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

5. FINANCIAL RISK MANAGEMENT

The principal financial instruments of the Group comprise the amount due to a director, trade receivables, trade and other payables and cash and bank balances. The main purpose of these financial instruments is to finance the operations of the Group.

(i) Foreign exchange rate risk

The Group's financial assets and financial liabilities are substantially denominated in Hong Kong Dollar. Accordingly, the management considers the foreign exchange rate risk to the Group is not significant.

(ii) Credit risk

The Group has limited exposure to credit risk due to tight control of working capital management on the credit policies.

(iii) Fair value and cash flow interest rate risks

The Group's exposure to fair value and cash flow interest risks is minimal as the Group does not have any material long term financial assets or liabilities.

(iv) Price risk

The Group was not exposed to equity securities price risk during the year, since it held no investments which were classified as available-for-sale financial assets or as financial assets at fair value through the profit and loss account. In addition, the Group was not exposed to commodity price risk.

(v) Liquidity risk

The Group is exposed to liquidity risk. At 31 July 2006, the current liabilities of the Group exceeded its current assets by approximately HK\$4,849,000. The maintenance of the Group as a going concern is mainly dependent on the successful outcome of the Group's funding plans and the ongoing support from one of the director of the Company.

6. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the network infrastructure construction solutions segment comprises the provision of hardware and software for network infrastructure solutions and the design and installation of network infrastructure systems;
- (ii) the network infrastructure maintenance and reinforcement services segment comprises the provision of support and maintenance services to customers' existing computer networks and systems; and
- (iii) the other professional value-added solutions and services segment offers server co-location and management services, web-hosting and e-mail hosting services, web-based software applications and the provision of user training services.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered in or located in Hong Kong during each of the years ended 31 July 2005 and 2006.

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

An analysis of the Group's revenue and profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments is as follows:

	Network infrastructure construction solutions segment HK\$	Network infrastructure maintenance and reinforcement services segment HK\$	Other professional value-added solutions and services segment HK\$	Consolidated HK\$
2006				
Segment revenue:				
Sales to external customers	<u>3,869,256</u>	<u>542,143</u>	<u>2,576,826</u>	<u>6,988,225</u>
Segment results	<u>(564,261)</u>	<u>98,137</u>	<u>(1,028,316)</u>	(1,494,440)
Unallocated income				73,559
Unallocated expenses				<u>(6,365,248)</u>
Loss from operating activities				(7,786,129)
Finance costs				-
Share of loss of a jointly-controlled entity				<u>-</u>
Loss before tax				(7,786,129)
Tax				<u>-</u>
Net loss attributable to equity holders of the Company				<u>(7,786,129)</u>
Segment assets	430,846	227,575	889,125	1,547,546
Unallocated assets				<u>1,500,491</u>
Total assets				<u>3,048,037</u>
Segment liabilities	1,548,785	1,054,923	841,062	3,444,770
Unallocated liabilities				<u>3,767,595</u>
Total liabilities				<u>7,212,365</u>
Other segment information:				
Depreciation	-	-	110,000	110,000
Unallocated depreciation				<u>421,118</u>
	<u> </u>	<u> </u>	<u> </u>	<u>531,118</u>
Provision for bad and doubtful debts	-	-	-	-
Provision for slow-moving inventories	13,803	-	-	13,803
Unallocated impairment loss recognised in respect of an investment in a jointly-controlled entity	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital expenditure				-
Unallocated capital expenditure	-	-	-	<u>52,733</u>
	<u> </u>	<u> </u>	<u> </u>	<u>52,733</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

	Network infrastructure construction solutions segment HK\$	Network infrastructure maintenance and reinforcement services segment HK\$	Other professional value-added solutions and services segment HK\$	Consolidated HK\$
2005				
Segment revenue:				
Sales to external customers	<u>20,150,642</u>	<u>1,388,517</u>	<u>974,914</u>	<u>22,514,073</u>
Segment results	<u>(3,021,203)</u>	<u>612,743</u>	<u>(1,120,442)</u>	(3,528,902)
Unallocated income				105,334
Unallocated expenses				<u>(9,653,052)</u>
Loss from operating activities				(13,076,620)
Finance costs				(64,759)
Share of loss of a jointly-controlled entity				<u>(477,888)</u>
Loss before tax				(13,619,267)
Tax				<u>-</u>
Net loss attributable to equity holders of the Company				<u>(13,619,267)</u>
Segment assets	789,714	74,300	685,557	1,549,571
Unallocated assets				<u>9,728,355</u>
Total assets				<u>11,277,926</u>
Segment liabilities	472,115	1,126,723	169,138	1,767,976
Unallocated liabilities				<u>5,831,317</u>
Total liabilities				<u>7,599,293</u>
Other segment information:				
Depreciation	-	-	59,251	59,251
Unallocated depreciation				<u>422,010</u>
	<u>-</u>	<u>-</u>	<u>59,251</u>	<u>481,261</u>
Provision for bad and doubtful debts	1,370,492	-	-	1,370,492
Provision for slow-moving inventories	228,366	-	-	228,366
Unallocated impairment loss recognised in respect of an investment in a jointly-controlled entity	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,457,726</u>
Capital expenditure	-	-	220,000	220,000
Unallocated capital expenditure				<u>797,212</u>
	<u>-</u>	<u>-</u>	<u>220,000</u>	<u>1,017,212</u>

7. TURNOVER AND OTHER REVENUE

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.

An analysis of the Group's turnover and other revenue is as follows:

	2006 HK\$	2005 HK\$
Turnover		
Network infrastructure construction solutions		
– Sale of computer hardware and software and the provision of related services	3,869,256	20,150,642
Rendering of network infrastructure maintenance and reinforcement services	542,143	1,388,517
Other professional value-added solutions and services	2,576,826	974,914
	<u>6,988,225</u>	<u>22,514,073</u>
Other revenue		
Bank interest income	6,101	27,192
Other interest income	–	64,733
Sundry income	17,294	13,409
Exchange gain, net	50,164	–
	<u>73,559</u>	<u>105,334</u>
Total revenue	<u><u>7,061,784</u></u>	<u><u>22,619,407</u></u>

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2006 HK\$	2005 HK\$
Cost of inventories sold*	3,452,062	19,006,862
Cost of services provided**	3,148,007	1,232,017
Depreciation (note 14)	531,118	481,261
Impairment loss recognised in respect of an investment in a jointly-controlled entity	–	1,457,726
Provision for slow-moving inventories	13,803	228,366
Provision for doubtful debts	–	1,370,492
Written off of fixed assets	14,211	74,956
Loss on disposal of fixed assets	10,370	33,964
Minimum lease payments under operating leases:		
Land and buildings	776,062	1,176,553
Dataline	2,855	64,900
Auditors' remuneration		
– provision for the year	220,000	200,000
– overprovision in prior year	–	(1,294)
	<u>220,000</u>	<u>198,706</u>
Staff costs, including directors' remuneration (note 9)		
Wages and salaries	5,132,124	7,793,994
Pension scheme contributions	173,248	278,874
	<u>5,305,372</u>	<u>8,072,868</u>
Finance costs		
– Bank interest wholly repayable within five years	–	64,759
Exchange (gain)/losses, net	<u>(50,164)</u>	<u>24,624</u>

* The cost of inventories sold includes HK\$13,803 (2005: HK\$228,366) relating to the provision for slow-moving inventories, which is also included in the total amount disclosed above.

** The cost of services provided includes HK\$437,710 (2005: HK\$804,750) relating to staff costs, which are also included in the total amounts of staff costs disclosed separately above.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year disclosed pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of Director	Directors'	Pension		Total 2006 HK\$	Total 2005 HK\$
	fee 2006 HK\$	Salary 2006 HK\$	contributions 2006 HK\$		
Executive directors					
Lam Chi Shing	–	250,000	5,000	255,000	634,000
Chan Chi Hung	–	463,500	12,000	475,500	462,000
Yuen Kin Tong (<i>note i</i>)	3,844	–	–	3,844	–
	<u>3,844</u>	<u>713,500</u>	<u>17,000</u>	<u>734,344</u>	<u>1,096,000</u>
Non-executive director					
Yuen Kin Tong	6,156	–	–	6,156	8,333
Independent non-executive directors					
Lau Siu Ki Kevin	180,000	–	–	180,000	180,000
Wong Man Chung Francis	15,000	–	–	15,000	180,000
Wang Yat Yee Mark	120,000	–	–	120,000	100,000
Zhang Guo Xuan	10,000	–	–	10,000	–
	<u>325,000</u>	<u>–</u>	<u>–</u>	<u>325,000</u>	<u>460,000</u>
Total	<u>335,000</u>	<u>713,500</u>	<u>17,000</u>	<u>1,065,500</u>	<u>1,564,333</u>

Note:

- (i) The position of Mr. Yuen Kin Tong in the Company was changed from Non-executive Director to Executive Director on 24 April 2006.
- (ii) Emolument of Mr. Wong Man Chung Francis for the year ended 31 July 2006 represented his remunerations received in the capacity of Non-executive Director before his resignation on 31 August 2005.
- (iii) No share options were granted to the Directors during the year ended 31 July 2006. Details of the movements of share options are set out in note 25.
- (iv) Mr. Lam Chi Shing waived emoluments of HK\$350,000 during the year ended 31 July 2006. There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 July 2005. In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group during the years ended 31 July 2005 and 31 July 2006.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: two) directors, whose remuneration are disclosed in note 9. Details of the remuneration of the remaining three (2005: three) non-director, highest paid employees are as follows:

	Group	
	2006 HK\$	2005 HK\$
Salaries, allowances and benefits in kind	1,197,907	1,621,904
Pension scheme contributions	34,813	26,000
	<u>1,232,720</u>	<u>1,647,904</u>

The remuneration of the three non-director, highest paid employees fell within the band of nil to HK\$1,000,000.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group.

11. TAX

Hong Kong profits tax has not been provided (2005: Nil) as the Group did not generate any assessable profits in Hong Kong during the year. No provision for corporate income tax for a subsidiary and the jointly-controlled entity established and operating in Mainland China (2005: Nil) has been made as no assessable profits arose from their operations during the year. 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%).

A reconciliation of the tax credit applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries and jointly-controlled entity are domiciled to the tax credit at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Group			
	2006 HK\$	%	2005 HK\$	%
Loss before tax	<u>(7,786,129)</u>		<u>(13,619,267)</u>	
Tax credit at statutory tax rate	(1,362,572)	(17.5)	(2,383,372)	(17.5)
Higher tax rate for specific provinces and local authority	(188,135)	(2.4)	(209,095)	(1.5)
Income not subject to tax	(1,068)	(0.1)	(4,750)	(0.1)
Expenses not deductible for tax	3,551	0.1	1,001,324	7.4
Temporary differences not recognised	69,252	0.9	(119,466)	(0.9)
Tax losses not recognised as deferred tax assets	<u>1,478,972</u>	19.0	<u>1,715,359</u>	12.6
	<u>—</u>		<u>—</u>	

The Group has unrecognised deferred tax assets from tax losses of HK\$10,027,914 (2005: HK\$7,087,802) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Included in unrecognised tax losses are losses of HK\$1,724,059 (2005: HK\$1,323,511) that will expire in five years from the respective year of loss. Other losses could be carried forward indefinitely.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss from ordinary activities attributable to equity holders of the Company for the year dealt with in the financial statements of the Company was HK\$500,594 (2005: HK\$14,976,341) (note 26).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company for the year of HK\$7,786,129 (2005: HK\$13,619,267) and the weighted average of 396,180,000 (2005: 395,807,178) ordinary shares in issue during the year.

Diluted loss per share for each of the years ended 31 July 2005 and 2006 have not been presented, as the share options outstanding during the years had an anti-dilutive effect on the basic loss per share for the respective years.

14. FIXED ASSETS

	Leasehold improvements HK\$	Computer equipment and software HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
Group					
Cost:					
At 1 August 2004	1,627,128	2,557,035	298,742	281,765	4,764,670
Additions	580,222	389,320	43,020	4,650	1,017,212
Disposal	–	(1,435,639)	(99,232)	(35,000)	(1,569,871)
Written-off	(1,627,128)	(4,832)	–	–	(1,631,960)
	<u>580,222</u>	<u>1,505,884</u>	<u>242,530</u>	<u>251,415</u>	<u>2,580,051</u>
At 31 July 2005 and 1 August 2005	580,222	1,505,884	242,530	251,415	2,580,051
Exchange adjustment	1,065	2,736	–	494	4,295
Additions	–	51,913	820	–	52,733
Disposal	(49,084)	(55,944)	(2,580)	–	(107,608)
Written-off	–	(117,466)	(110,655)	(1,700)	(229,821)
	<u>532,203</u>	<u>1,387,123</u>	<u>130,115</u>	<u>250,209</u>	<u>2,299,650</u>
At 31 July 2006	<u>532,203</u>	<u>1,387,123</u>	<u>130,115</u>	<u>250,209</u>	<u>2,299,650</u>
Accumulated depreciation:					
At 1 August 2004	1,463,430	2,204,436	158,257	141,161	3,967,284
Provided during the year	113,308	251,691	59,830	56,432	481,261
Disposal	–	(1,414,433)	(79,894)	(15,167)	(1,509,494)
Written-off	(1,553,863)	(3,141)	–	–	(1,557,004)
	<u>22,875</u>	<u>1,038,553</u>	<u>138,193</u>	<u>182,426</u>	<u>1,382,047</u>
At 31 July 2005 and 1 August 2005	22,875	1,038,553	138,193	182,426	1,382,047
Exchange adjustment	311	1,400	–	428	2,139
Provided during the year	201,943	266,567	30,472	32,136	531,118
Disposal	(38,858)	(45,168)	(1,333)	–	(85,359)
Written-off	–	(117,057)	(97,745)	(808)	(215,610)
	<u>186,271</u>	<u>1,144,295</u>	<u>69,587</u>	<u>214,182</u>	<u>1,614,335</u>
At 31 July 2006	<u>186,271</u>	<u>1,144,295</u>	<u>69,587</u>	<u>214,182</u>	<u>1,614,335</u>
Net book value:					
At 31 July 2006	<u>345,932</u>	<u>242,828</u>	<u>60,528</u>	<u>36,027</u>	<u>685,315</u>
At 31 July 2005	<u>557,347</u>	<u>467,331</u>	<u>104,337</u>	<u>68,989</u>	<u>1,198,004</u>

	Leasehold improvements HK\$	Computer equipment and software HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
Company					
Cost:					
At 1 August 2004	263,762	50,087	86,348	100,090	500,287
Additions	–	–	1,740	–	1,740
Disposal	–	–	(31,230)	(35,000)	(66,230)
Written off	(263,762)	(4,832)	–	–	(268,594)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2005 and 1 August 2005	–	45,255	56,858	65,090	167,203
Additions	–	160	–	–	160
Disposal	–	–	(2,580)	–	(2,580)
Written off	–	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation:					
At 1 August 2004	100,064	10,811	23,807	23,071	157,753
Provided during the year	90,433	15,026	17,951	20,018	143,428
Disposal	–	–	(18,192)	(15,168)	(33,360)
Written off	(190,497)	(3,141)	–	–	(193,638)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2005 and 1 August 2005	–	22,696	23,566	27,921	74,183
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Charge for the year	–	13,585	11,070	13,018	37,673
Disposal	–	–	(1,333)	–	(1,333)
Written off	–	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value:					
At 31 July 2006	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2005	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15. INTERESTS IN SUBSIDIARIES

	Company	
	2006 HK\$	2005 HK\$
Unlisted shares, at cost	891,031	891,031
Due from subsidiaries	21,316,195	22,535,306
	<u>22,207,226</u>	<u>23,426,337</u>
Provision for impairment	(22,207,226)	(23,426,337)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The carrying amount of amounts due from subsidiaries approximates to its fair value.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of issued shares/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sys Solutions (BVI) Limited [#]	British Virgin Islands/Hong Kong	US\$10,000 ordinary	100	–	Investment holding
Sys Solutions (China) Limited	Hong Kong	HK\$1,000,000 ordinary	–	100	Dormant
Sys Solutions Limited	Hong Kong	HK\$1,000,000 ordinary	–	100	Provision of network infrastructure solutions and services
Sys Solutions Technology Consulting Limited	Hong Kong	HK\$10,000 ordinary	–	100	Provision of network infrastructure solutions and services
Sys Solutions GlobalSoft Limited	Hong Kong	HK\$10,000 ordinary	–	100	Provision of network infrastructure solutions and services
Sys Solutions System Management Limited ("Sys System Management")	Hong Kong	HK\$10,000 ordinary	–	100	Investment holding
廣州軟迅網絡科技 有限公司 ^{#/**} Sys Solutions (Guangzhou) Limited	People's Republic of China	HK\$2,000,400	–	100	Provision of technical services and research and development of web-based software

** *Sys Solutions (Guangzhou) Limited is a wholly foreign-owned enterprise established by Sys Solutions Limited in Mainland China for a period of 11 years commencing the date of issuance of its business licence of 2 July 2001.*

Not audited by Lak & Associates C.P.A. Limited

16. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2006	2005
	HK\$	HK\$
Share of net assets, unlisted	1,457,726	1,457,726
Provision for impairment	(1,457,726)	(1,457,726)
	<u> -</u>	<u> -</u>

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration and operations	ownership interest	Percentage of voting power	profit sharing	Principal activities
杭州軟均信息系統 工程監理有限公司 ("Hangzhou JV")	Corporate	People's Republic of China	50	60	50	Provision of information technology consulting services

Hangzhou JV is a sino-foreign equity joint enterprise established by Sys System Management and a joint venturer in Mainland China for a period of 20 years commencing from the date of issuance of its business licence of 10 October 2003. Hangzhou JV is accounted for as a jointly-controlled entity by virtue of the fact that neither the Group nor the joint venturer can exercise unilateral control over its economic activity.

The jointly-controlled entity is not audited by Lak & Associates C.P.A. Limited.

In view of the recurring operating losses of the jointly-controlled entity and the unfavourable market conditions, an impairment loss of HK\$1,457,726 was charged to the consolidated profit and loss account in the prior year.

At 31 July 2006, Hangzhou JV had a number of unsettled obligations due to problem in recovering of debts due from third parties with an approximate total amount of HK\$3,119,000 (2005: HK\$3,019,000). Due to the financial difficulty of the jointly-controlled entity, the Directors are uncertain whether it is able to repay the debts at the balance sheet date. In case of failure of repayment, Hangzhou JV may incur additional liabilities such as penalties for late payment, or be exposed to possible lawsuits. Since there is no clause in the joint venture agreement signed with the joint venturer in Mainland China stating that Sys System Management has a commitment to provide additional financial support to Hangzhou JV other than the contributed amount stated in the joint venture agreement, the Directors are not aware of the possibility of any contingent liability.

The Group discontinued the use of equity accounting method as the carrying amount of the investment was reduced to nil.

The following financial information and share of loss of the jointly-controlled entity as shown in the consolidated profit and loss account for the year ended 31 July 2005 were derived from unaudited management accounts of jointly-controlled entity.

	2005 <i>HK\$</i>
Operating results	
Turnover	36,240
Net loss for the year	(955,776)
	At 31 July 2005 <i>HK\$</i>
Assets and liabilities	
Non-current assets	385,980
Current assets	3,022,409
Current liabilities	(492,938)

17. INVENTORIES

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Computer hardware and software held for re-sale	3,874	73,402

None of the inventories included above were carried at net realisable value as at 31 July 2006 (2005: Nil).

18. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 60 days.

An aged analysis of the trade receivables of the Group (net of specific provision for doubtful debts) as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	422,859	570,296
Between 31 – 60 days	166,481	63,692
Between 61 – 90 days	103,407	1,800
Between 91 – 180 days	1,500	129,715
Over 181 days	–	59,935
	<u>694,247</u>	<u>825,438</u>

The carrying amount of trade receivables approximates to its fair value.

Included in the Group's trade receivables are amounts due from the Group's related companies of which Mr. Lam Chi Shing, the chairman and an executive director of the Company, is also a director.

Particulars of which disclosed pursuant to Section 161B of the Hong Kong Companies Ordinances are as follows:

Name of related company	Balance at		Maximum amount outstanding during the year HK\$
	31 July 2006 HK\$	31 July 2005 HK\$	
Pushang Management Services Limited	<u>1,500</u>	<u>67,740</u>	142,853

The amounts due are unsecured, interest-free and repayable on credit terms similar to those offered to the other customers of the Group.

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	2005
United States Dollars	<u>546</u>	<u>43,111</u>

19. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS IN SECURITIES

	Group and Company	
	2006 HK\$	2005 HK\$
Certificate of deposit, unlisted and at cost	<u>-</u>	<u>300,000</u>

20. CASH AND BANK BALANCES

	The Group		The Company	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Bank balances	469,185	7,489,164	15,596	217,362
Cash balances	<u>16,606</u>	<u>24,138</u>	<u>-</u>	<u>2,000</u>
Cash and cash equivalents in the consolidated cash flow statement	<u>485,791</u>	<u>7,513,302</u>	<u>15,596</u>	<u>219,362</u>

Included in the cash and bank balances are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	2006	2005
United States Dollars	1,566	57,251	-	-
Renminbi	<u>62,666</u>	<u>107,874</u>	<u>-</u>	<u>-</u>

Cash at bank earns interest at floating rates based on daily bank deposits rates. The carrying amounts of the cash and bank balances approximate to their fair values.

21. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006 HK\$	2005 HK\$
Within 30 days	725,691	359,929
Between 31 – 60 days	34,755	51,672
Between 61 – 90 days	225,427	18,403
Between 91 – 180 days	158,050	44,459
Over 181 days	382,462	1,618
	<u>1,526,385</u>	<u>476,081</u>

The carrying amount of trade payables approximates to its fair value.

Included in the trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	2005
United States Dollars	<u>144,141</u>	<u>28,529</u>

22. DEPOSITS RECEIVED

The deposits received represent an unearned portion of deposits received from customers in respect of the provision of the network maintenance and reinforcement services and other professional value-added solutions and services.

23. AMOUNT DUE TO A DIRECTOR

Name of director	Group	
	2006 HK\$	2005 HK\$
Lam Chi Shing	<u>3,187,329</u>	<u>5,000,000</u>

The amount due to a director was unsecured, interest-free and repayable on demand.

24. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$
Authorised:		
At 31 July 2005 and 31 July 2006	<u>5,000,000,000</u>	<u>50,000,000</u>
Issued and fully paid:		
At 1 August 2004	384,840,000	3,848,400
Exercise of share options	<u>11,340,000</u>	<u>113,400</u>
At 31 July 2005 and 31 July 2006	<u>396,180,000</u>	<u>3,961,800</u>

There was no movement in the share capital of the Company for the year ended 31 July 2006.

25. SHARE OPTION SCHEMES

- (i) On 25 January 2003, a 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 Placing and the capitalization issue, at a subscription prices ranging from HK\$0.11 to HK\$0.27 per share. 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 year:

Category of participant	Number of share options granted on 25 January 2003			At 31 July 2006	Exercise period of share options	Exercise price per share HK\$
	At 1 August 2005	Exercised during the year	Lapsed during the year			
Employees of the Group	954,000	–	(684,000)	270,000	18 February 2004 to 17 February 2007	0.27
	<u>954,000</u>	<u>–</u>	<u>(684,000)</u>	<u>270,000</u>		

During the year, 684,000 share options lapsed following the resignation of employees. The outstanding 270,000 share options have been lapsed subsequent to the balance sheet date following the resignation of employees.

- (ii) 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 of directors 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 10 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 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 option. 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 under the Post-Scheme during the year ended 31 July 2006 or up to the date of approval of these financial statements.

- (iii) Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

26. RESERVES

	Share premium account HK\$	Capital reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Total HK\$
Group					
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 year	-	-	-	(13,619,267)	(13,619,267)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July and 1 August 2005	29,685,786	19,980,000	-	(49,948,953)	(283,167)
Net loss for the year	-	-	-	(7,786,129)	(7,786,129)
Exchange differences on translation of the financial statements of an overseas subsidiary	-	-	(56,832)	-	(56,832)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	<u>29,685,786</u>	<u>19,980,000</u>	<u>(56,832)</u>	<u>(57,735,082)</u>	<u>(8,126,128)</u>
Company					
At 1 August 2004	28,551,786	871,031	-	(19,127,353)	10,295,464
Exercise of share options	1,134,000	-	-	-	1,134,000
Net loss for the year	-	-	-	(14,976,341)	(14,976,341)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July and 1 August 2005	29,685,786	871,031	-	(34,103,694)	(3,546,877)
Net loss for the year	-	-	-	(500,594)	(500,594)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	<u>29,685,786</u>	<u>871,031</u>	<u>-</u>	<u>(34,604,288)</u>	<u>(4,047,471)</u>

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. The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the share capital of the Company issued in exchange therefor. Under the Companies Law of the Cayman Islands, the capital reserve of the Company may be distributable to its shareholders, provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

27. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements for terms ranging from one to three years. None of the leases includes contingent rentals.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Within one year	689,056	687,370	-	-
After 1 year but within 5 years	447,853	983,488	-	-
	<u>1,136,909</u>	<u>1,670,858</u>	<u>-</u>	<u>-</u>

28. COMMITMENTS

Except for the operating lease commitments detailed in note 27 above, the Group and the Company had no significant commitments outstanding at the balance sheet date.

29. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the years ended 31 July 2006 and 2005.

	2006 HK\$	2005 HK\$
Speed Sourcing Limited*		
Network maintenance and reinforcement services income	13,250	188,233
Other professional value-added solutions and services income and dataline rental income	3,470	76,340
Pushang Management Services Limited*		
Network infrastructure construction solutions income	176,255	79,743
Network maintenance and reinforcement services income	86,600	-
Other professional value-added solutions and services income and dataline rental income	9,000	-
Rental income	14,795	35,000
Sales proceeds on disposal of furniture	1,250	-
Wong Sze Shun Syson****		
Staff cost	-	429,434
Wong Wing Hong**		
Renovation fee paid (included in leasehold improvement cost capitalised in fixed assets)	-	487,580
Hong Shing Decoration Co.***		
Renovation fee paid	27,600	-
Lam Chi Shing		
Cash advance from a director	3,187,329	-
Loan from a director	-	5,000,000

* *Speed Sourcing Limited and Pushang Management Limited are companies incorporated in Hong Kong, each of which Mr. Lam Chi Shing, the chairman and an executive director of the Company, is also a director.*

** *Mr. Wong Wing Hong is a significant shareholder of the Company.*

*** *Mr. Wong Wing Hong is the owner of the company.*

**** *Ms. Wong Sze Shun Syson was a significant shareholder of the Company until 24 January 2006.*

(b) Key management personnel compensation

	2006 HK\$	2005 HK\$
Short-term employee benefits	1,332,407	1,737,793
Post-employment benefits	28,113	58,000
	<u>1,360,520</u>	<u>1,795,793</u>

(c) Movement of non-trade balance with related party

	2006 HK\$	2005 HK\$
Non-trade balance due to:		
<i>Director – Mr. Lam Chi Shing</i>		
Beginning of the year	5,000,000	–
Loan to the Group	–	5,000,000
Cash advance to the Group	3,187,329	–
Repayment of loan	(5,000,000)	–
	<u>3,187,329</u>	<u>5,000,000</u>

30. POST BALANCE SHEET EVENTS

Save as disclosed in note 25(i) to the financial statements, the Group did not have any other significant events taken place subsequent to the balance sheet date.

31. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Impairment of investment in a jointly-controlled entity

The Group's management determines impairment of investment in the jointly-controlled entity on an annual basis. In the previous year, full impairment of investment in the jointly-controlled entity in Hangzhou has been made. Details of the basis of the impairment are disclosed in the note 16 to these financial statements. The management will reassess the impairment of the provision for impairment at each balance sheet date.

(b) Depreciation

The Group's net book value of fixed assets as at 31 July 2006 was HK\$685,315. The Group depreciates its fixed assets on a straight line basis over the estimated useful life as set out in note 4(f), commencing from the date the fixed asset is placed into productive use. The estimated useful life and dates that the Group places the fixed asset into productive use reflects the Directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's fixed assets.

32. POTENTIAL IMPACT ON STANDARDS, AMENDMENTS OR INTERPRETATIONS NOT YET EFFECTIVE

The Group has commenced considering the potential impact of the following new standards, amendments or interpretations that have been issued but are not effective, but is not yet in a position to determine whether these standards, amendments or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented. These standards, amendments and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 21 (Amendment)	Net investment in a foreign operation ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS-INT 4	Determining whether an arrangement contains a lease ²
HKFRS-INT 5	Right to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment ³
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴
HK(IFRIC)-INT 8	Scope of HKFRS 2 ⁵
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁶
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ⁷

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2006.

³ Effective for annual periods beginning on or after 1 December 2005.

⁴ Effective for annual periods beginning on or after 1 March 2006.

⁵ Effective for annual periods beginning on or after 1 May 2006.

⁶ Effective for annual periods beginning on or after 1 June 2006.

⁷ Effective for annual periods beginning on or after 1 November 2006.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 October 2006.

3. INDEBTEDNESS

Borrowings

As at the close of business on 30 September 2006, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this Composite Offer Document, the Group had outstanding amount due to a Director, Mr. Lam of approximately HK\$4,187,000. The amount due to Mr. Lam was unsecured, interest-free and was waived by Mr. Lam under the Deed of Release.

Commitments

As at 30 September 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises and staff quarters amounting to approximately HK\$1,062,000, of which approximately HK\$670,000 will fall due within one year and approximately HK\$392,000 will fall due in more than one year but not exceeding five years.

Disclaimer

Save as aforesaid or otherwise disclosed in the paragraphs above, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 September 2006, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 30 September 2006.

4. MATERIAL CHANGE

As at the Latest Practicable Date, save for the information as disclosed in notes 30 and 25(i) to the financial statements and the paragraph headed "Indebtedness" regarding the waiver of the amount due to a Director, Mr. Lam, under the Deed of Release in this Appendix, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 July 2006, being the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than information relating to the Offeror and its associates and the information relating to the Share Charge and Irrevocable Undertaking and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than opinions expressed by the Offeror and its associates and opinions relating to the Share Charge and Irrevocable Undertaking) have been arrived at after due and careful consideration and there are no other facts (other than facts relating to the Offeror and its associates and facts relating to the Share Charge and Irrevocable Undertaking) not contained in this Composite Offer Document, the omission of which would make any statements contained in this Composite Offer Document (other than statements relating to the Offeror and its associates and statements relating to the Share Charge and Irrevocable Undertaking) misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Offer Document (other than information relating to the Group and the Vendors and their respective associates) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Offer Document (other than opinions expressed by the Group and the Vendors and their respective associates) have been arrived at after due and careful consideration and there are no other facts (other than facts relating to the Group and the Vendors and their respective associates) not contained in this Composite Offer Document, the omission of which would make any statements contained in this Composite Offer Document (other than statements relating to the Group and the Vendors and their respective associates) misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 3 July 2002 as an exempted company under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong. The company secretary of the Company is Mr. Chan Chun-Hung James who is a member of the Certified Management Accountant of British Columbia, Canada.

3. SHARE CAPITAL OF THE COMPANY

(a) Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorized</i>	<i>HK\$</i>
<u>5,000,000,000 Shares</u>	<u>50,000,000</u>
<i>Issued and fully paid</i>	
<u>396,180,000 Shares</u>	<u>3,961,800</u>

No Shares have been issued by the Company since 31 July 2006 (being the date to which its latest published audited accounts were prepared) up to the Latest Practicable Date. All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital.

As at the Latest Practicable Date, the Company did not have any outstanding warrants or share options or other securities carrying rights of conversion into or exchange or subscription for Shares.

(b) Listing

The Shares are listed and traded on GEM. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on, any other stock exchange.

4. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange. None of the Directors is a director or an employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates was considered to have interests in any competing businesses pursuant to the GEM Listing Rules.

6. SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the Directors and chief executive of the Company, there were no other persons who has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the Company's issued share capital
The Offeror	Beneficial Owner	269,768,428 28,350,000	68.09% (Note 1) 7.16% (Note 3)
Mr. Chan	Attributable interest of controlled corporation	269,768,428 28,350,000	68.09% (Note 1) 7.16% (Note 3)
Century Pilot	Beneficial Owner	28,350,000	7.16% (Notes 2 and 3)
Mr. Wong Wing Hong ("Mr. Wong")	Attributable interest of controlled corporation	28,350,000	7.16% (Notes 2 and 3)
Ms. Elizabeth Helen Narain	Beneficial Owner	20,670,000	5.22%
CIF	Beneficial Owner	104,000,899	26.25% (Note 4)
Ms. Suen	Beneficial Owner	173,334,833	43.75% (Note 5)

Notes:

- (1) The entire issued share capital of the Offeror is solely and beneficially owned by Mr. Chan who is therefore deemed to be interested in the 269,768,428 Shares being acquired pursuant to the Share Sale Agreement and held by the Offeror. Accordingly, the interest in the 269,768,428 Shares held by each of the Offeror and Mr. Chan refers to the same parcel of Shares.

- (2) The entire issued share capital of Century Pilot is solely and beneficially owned by Mr. Wong who is therefore deemed to be interested in the 28,350,000 Shares held by Century Pilot. Accordingly, the interest in the 28,350,000 Shares held by each of Century Pilot and Mr. Wong refers to the same parcel of Shares.
- (3) Pursuant to the Irrevocable Undertaking, Century Pilot had irrevocably undertaken to accept the Offer at the Offer Price in respect of 28,350,000 Shares, representing approximately 7.16% of the entire issued share capital of the Company as at the Latest Practicable Date. Since the entire issued share capital of the Offeror is solely and beneficially owned by Mr. Chan, each of the Offeror and Mr. Chan is also interested in the 28,350,000 Shares owned by Century Pilot as at the Latest Practicable Date.
- (4) Pursuant to the Loan Agreement, the Offeror had by the Share Charge charged 88,323,750 Shares (representing approximately 22.29% of the entire issued share capital of the Company as at the Latest Practicable Date) to CIF and had agreed to further charge up to 15,677,149 Shares (representing up to approximately 3.96% of the entire issued share capital of the Company as at the Latest Practicable Date) to CIF if such further Shares are transferred to the Offeror pursuant to the Offer. Accordingly, the Offeror had charged or agreed to charge an aggregate of up to 104,000,899 Shares (representing up to approximately 26.25% of the entire issued share capital of the Company as at the Latest Practicable Date) to CIF.
- (5) Pursuant to the Loan Agreement, the Offeror had by the Share Charge charged 147,206,250 Shares (representing approximately 37.16% of the entire issued share capital of the Company as at the Latest Practicable Date) to Ms. Suen and had agreed to further charge up to 26,128,583 Shares (representing up to approximately 6.59% of the entire issued share capital of the Company as at the Latest Practicable Date) to Ms. Suen if such further Shares are transferred to the Offeror pursuant to the Offer. Accordingly, the Offeror had charged or agreed to charge an aggregate of up to 173,334,833 Shares (representing up to approximately 43.75% of the entire issued share capital of the Company as at the Latest Practicable Date) to Ms. Suen.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, there was no service contract in force, which is continuous contract with a notice period of 12 months or more or is fixed term contract with more than 12 months to run irrespective of the notice period, between any Director and the Company or any of its subsidiaries or associated company.

Save as disclosed below, none of the Directors had entered into or amended any service contracts within six months before the commencement of the offer period with the Company or any of its subsidiaries or associated company:

- (a) Mr. Lam entered into a service agreement ("**Mr. Lam's Service Agreement**") with the Company on 25 January 2003 for an initial term of 3 years. Pursuant to Mr. Lam's Service Agreement, Mr. Lam is entitled to a salary of HK\$50,000 per month and a management bonus ("**Management Bonus**") in respect of each of the financial year of the Company after 31 July 2004 in an amount to be determined by the Board in its absolute discretion. The initial term of Mr. Lam's Service Agreement had expired on 24 January 2006 and is automatically renewable for successive terms of one year until being terminated by not less than 3 months' notice in writing. Mr. Lam has orally agreed to waive his emoluments of HK\$50,000 per month from 1 January 2006 until the date of his resignation as Director. Mr. Lam has not received any Management Bonus up to the Latest Practicable Date; and

- (b) Mr. Chan Chi Hung entered into a service agreement (“**Mr. Chan’s Service Agreement**”) with Sys Solutions (BVI) Limited (“**Sys (BVI)**”), a wholly owned subsidiary of the Company, on 10 November 2006 for fixed term of six months commencing from the date of his resignation from the directorship of the Company and terminable by one month’s written notice thereafter. Pursuant to Mr. Chan’s Service Agreement, Mr. Chan Chi Hung will be entitled to a bonus of HK\$50,000 (“**Bonus**”) paid and payable by two installments and a discretion bonus (“**Discretionary Bonus**”) which payment and amount are in the absolute discretion of Sys (BVI). Save and except for the Bonus and the Discretionary Bonus, Mr. Chan Chi Hung is not entitled to any other fixed remuneration under Mr. Chan’s Service Agreement. Immediately before entering into Mr. Chan’s Service Agreement, Mr. Chan Chi Hung’s remuneration as a Director was HK\$475,500 in total (as to HK\$463,500 being the salary and HK\$12,000 being pension scheme contribution) for the year ended 31 July 2006.

8. DISCLOSURE OF SHAREHOLDING IN THE GROUP AND THE OFFEROR

As at the Latest Practicable Date,

- (a) save for the Sale Shares acquired by the Offeror pursuant to the Share Sale Agreement, for which Mr. Chan, the sole director of the Offeror, is also deemed to be interested and the parties involved in the Share Charge and the Irrevocable Undertaking, none of the Offeror nor parties acting in concert with it owned or controlled any securities of the Company;
- (b) no subsidiary of the Company, or any pension fund of the Company or any member of the Group, owned or controlled any securities in the Company;
- (c) to the best knowledge of the Directors after making reasonable enquiries, none of the professional advisers named under the section headed “Experts and Consents” in this Appendix or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any securities of the Company;
- (d) no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company;
- (e) save for Century Pilot which had executed the Irrevocable Undertaking and the parties involved in the Share Charge and the Irrevocable Undertaking, to the best knowledge of the sole director of the Offeror after making all reasonable enquiries, no person, who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any party acting in concert with it, had any interest in any securities of the Company;

- (f) to the best knowledge of the Directors after making all reasonable enquiries, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of class (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had any interest in any securities of the Company; and
- (g) none of the Company or any of the Directors is interested in the securities of the Offeror.

9. DEALINGS IN SECURITIES

In the six-month period prior to the commencement of the offer period and ending with the Latest Practicable Date,

- (a) save for the acquisition of the Sale Shares by the Offeror pursuant to the Share Sale Agreement and the parties involved in the Share Charge and Irrevocable Undertaking, none of the Offeror or parties acting in concert with it had dealt for value in any securities of the Company;
- (b) save for the acquisition of the Sale Shares by the Offeror pursuant to the Share Sale Agreement, the Share Charge and the Irrevocable Undertaking, the sole director of the Offeror had not dealt for value in any securities of the Company;
- (c) save for the disposal of the Sale Shares pursuant to the Share Sale Agreement and the acquisition of 1,803,875 Shares by Hankison at HK\$0.05 per Share on 7 September 2006, neither the Company nor any of the Directors had dealt for value in the securities of the Offeror or the Company;
- (d) none of the subsidiaries of the Company, any pension funds of the Company or any of its subsidiaries, any of the professional advisers named under the paragraph headed “Experts and Consents” in this Appendix nor any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value as principal in any securities in the Company;
- (e) to the best knowledge of the Directors after making all reasonable enquiries, no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any securities in the Company;
- (f) save for Century Pilot which had executed the Irrevocable Undertaking and the parties involved in the Share Charge and Irrevocable Undertaking, to the best knowledge of the sole director of the Offeror after making all reasonable enquiries, no persons who had any arrangement of the kind referred to in

Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any parties acting in concert with it had dealt for value in any securities in the Company;

- (g) to the best knowledge of the Directors after making all reasonable enquiries, no fund managers (other than exempted fund managers) who managed funds on a discretionary basis or connected with the Company had dealt for value in any securities in the Company; and
- (h) none of the Directors or the Company had dealt for value in any securities in the Offeror.

10. MARKET PRICES

The highest and lowest closing prices of the Shares quoted on GEM in the six-month period preceding the date of the Joint Announcement and ending on the Latest Practicable Date were respectively HK\$0.65 per Share on 9 November 2006 and HK\$0.03 per Share on 28 August 2006 respectively.

The table below sets out the respective closing prices of the Shares on GEM (a) on the last trading date of each of the calendar months during the period commencing six months preceding the date of the Joint Announcement and ending on the Latest Practicable Date; (b) on 7 September 2006, being the last full trading day prior to the suspension of the trading in the Shares on 8 September 2006 pending the publication of the Joint Announcement; and (c) on the Latest Practicable Date:

Date	Closing price (HK\$)
28 February 2006	0.023
30 March 2006	0.02
28 April 2006	0.04
30 May 2006	0.037
30 June 2006	0.037
31 July 2006	0.04
31 August 2006	0.04
7 September 2006	0.05
29 September 2006	Suspended
31 October 2006	Suspended
Latest Practicable Date	0.33

11. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

12. MATERIAL CONTRACT

Save for the Deed of Release entered into between the Company and Mr. Lam on 10 November 2006 and became effective on the same date, pursuant to which Mr. Lam had waived and released the Company from the repayment of the Shareholder's Loan in the sum of HK\$4,987,329.00, no contracts were entered into by the Company or its subsidiaries which were not in the ordinary course of business and are or may be material after the date two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Offer Document:

Name	Qualification
Baron Capital	a licensed corporation to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror
VXLFS	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offer

Each of Baron Capital and VXLFS has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

14. GENERAL

- (a) As at the Latest Practicable Date, no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (b) Save for the Share Charge and the Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer as at the Latest Practicable Date.
- (c) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

- (d) Save for Century Pilot which had executed the Irrevocable Undertaking, no person had irrevocably committed himself/herself/itself to accepting or rejecting the Offer as at the Latest Practicable Date.
- (e) Save for the Share Charge and the Irrevocable Undertaking, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror, or any parties acting in concert with it, and any other person as at the Latest Practicable Date.
- (f) There was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offer.
- (g) There was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Company or any person who is an associate of the Company by virtue of class (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person.
- (h) As at the Latest Practicable Date, there was no material contract entered into by the Offeror as a party in which any Director has a material personal interest.
- (i) Save for information as disclosed in the paragraph headed “Indebtedness” in Appendix II of this Composite Offer Document and the Shareholder’s Loan being waived and released under the Deed of Release by Mr. Lam, there was no bank overdrafts or loans, or other similar indebtedness, mortgage, charge or guarantees or other material contingent liabilities of the Company and any of its subsidiaries in the three months preceding the Latest Practicable Date;
- (j) The English text of this Composite Offer Document and the Form of Acceptance shall prevail over the Chinese text in the case of inconsistency.
- (k) The registered office of the Offeror is situated at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, the British Virgin Islands.
- (l) The Offeror is a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Chan. Mr. Chan is also the sole director of the Offeror.
- (m) The registered office and correspondence address of Baron Capital, the financial adviser to the Offeror is at 4/F, Aon China Building, 29 Queen’s Road Central, Hong Kong.
- (n) Save for the Share Charge and the Irrevocable Undertaking, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror or any parties acting in concert with it or any person who is an associate of the Offeror by virtue of class (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong during normal business hours from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. on any Business Day and on the website of the Company (www.syssolutions.net) and the SFC (www.sfc.hk) until and including the closing date of the Offer, being Wednesday, 20 December 2006:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of the Company for the two years ended 31 July 2006;
- (d) the letter from Baron Capital as set out on pages 12 to 20 of this Composite Offer Document;
- (e) the letter from the Independent Board Committee as set out on pages 21 to 22 of this Composite Offer Document;
- (f) the letter from VXLFS to the Independent Board Committee in relation to the Offer as set out on pages 23 to 38 of this Composite Offer Document;
- (g) the written consents from the experts referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (h) the Deed of Release;
- (i) Mr. Lam's Service Agreement;
- (j) Mr. Chan's Service Agreement;
- (k) the Loan Agreement;
- (l) the Share Charge; and
- (m) the Irrevocable Undertaking.

Copies of this Composite Offer Document will be available for inspection at the head office of the Company. The Form of Acceptance will be available for collection from the Registrar, the office of the Company and the office of Baron Capital respectively.