



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2006

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

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the three months ended 31 October 2006

The board of directors (the “Board”) of Sys Solutions Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 October 2006, together with the comparative figures for the corresponding period in 2005 as follows:

		Three months ended	
		31 October	
	<i>Notes</i>	2006	2005
		<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)
TURNOVER	2	711,809	2,706,675
Cost of sales		<u>(505,783)</u>	<u>(2,445,410)</u>
Gross profit		206,026	261,265
Other revenue		8	1,066
Administrative and operating expenses		<u>(1,353,450)</u>	<u>(2,659,290)</u>
LOSS FROM OPERATING ACTIVITIES		(1,147,416)	(2,396,959)
Share of loss of a jointly-controlled entity		<u>–</u>	<u>(103,847)</u>
LOSS BEFORE TAX		(1,147,416)	(2,500,806)
Tax	3	<u>–</u>	<u>–</u>
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>(1,147,416)</u>	<u>(2,500,806)</u>
BASIC LOSS PER SHARE	5	<u>HK0.29 cent</u>	<u>HK0.63 cent</u>

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). They have been prepared under historical cost convention.

The accounting policies adopted in the preparation of the unaudited consolidated results are consistent with those adopted by the Group in its annual accounts for the year ended 31 July 2006.

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered. All significant transactions among the companies now comprising the Group have been eliminated on consolidation.

3. TAX

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

4. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the three months ended 31 October 2006 (2006: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss attributable to equity holders of the Company for the three months ended 31 October 2006 of HK\$1,147,416 (2005: HK\$2,500,806) and the weighted average of 396,180,000 (2005: 396,180,000) ordinary shares in issue during the period.

Diluted loss per share amount for each of the three months ended 31 October 2006 and 2005 have not been presented, as the share options outstanding during the three months ended 31 October 2005 had an anti-dilutive effect on the basic loss per share for the respective period, and there was no outstanding share options as at 31 October 2006.

6. RESERVES

	Share premium account HK\$	Capital reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 August 2005	29,685,786	19,980,000	–	(49,948,953)	(283,167)
Exchange differences on translation of financial statements of an overseas subsidiary	–	–	(47,936)	–	(47,936)
Net loss for the three months ended 31 October 2005	–	–	–	(2,500,806)	(2,500,806)
At 31 October 2005	<u>29,685,786</u>	<u>19,980,000</u>	<u>(47,936)</u>	<u>(52,449,759)</u>	<u>(2,831,909)</u>
At 1 August 2006	29,685,786	19,980,000	(56,832)	(57,735,082)	(8,126,128)
Exchange differences on translation of financial statements of an overseas subsidiary	–	–	(2,576)	–	(2,576)
Net loss for the three months ended 31 October 2006	–	–	–	(1,147,416)	(1,147,416)
At 31 October 2006	<u>29,685,786</u>	<u>19,980,000</u>	<u>(59,408)</u>	<u>(58,882,498)</u>	<u>(9,276,120)</u>

7. POST BALANCE SHEET EVENTS

On 10 November 2006, a loan of HK\$4,987,329 due to a director of the Company was waived and released, as a result of completion of the acquisition of controlling interest in the Company by Colpo Mercantile Inc. on the same date. The details have been set out in the composite offer document of the Company dated 29 November 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

The Group focused on developing and brand building for our self-developed human resources management information system, and enriching our product portfolio by strengthening the cooperation with our business partners.

Financial review

For the three months ended 31 October 2006, the Group recorded an unaudited turnover HK\$711,809, representing a decrease of 74% as compared with HK\$2,706,675 of the same period last year. The unaudited gross profit margin ratio for the three months ended 31 October 2006 is 29%, while it was 10% for the corresponding period last year. During the period, we focused on business areas which had a higher gross profit margin ratio, including software development and information technology services and consultations.

The unaudited loss from operating activities for the three months ended 31 October 2006 decreased by 52% from HK\$2,396,959 to HK\$1,147,416, as a result of decrease in overall administrative and operating expenses by 49% from HK\$2,659,290 last period to HK\$1,353,450 in this period. Such decrease was due to more efficient method of resources allocation applied by the Group, as a result of performance review conducted since last year.

Outlook

The information technology industry continues to be highly competitive. We intend to continue our emphasis on disciplined cost-control, monitoring the performance of the Group's business, eliminating loss-making businesses and targeting higher levels of efficiency and effectiveness.

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

As at 31 October 2006, the interests and short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of the Company:

Name of director	Notes	Corporate interests	Percentage of the Company's issued share capital	Capacity and nature of interest
Mr. Lam Chi Shing	(a)	144,044,550	36.3	Through a controlled corporation Directly beneficially owned
		11,340,000	2.9	
		<u>155,384,550</u>	<u>39.2</u>	
Mr. Yuen Kin Tong	(b)	<u>114,383,878</u>	<u>28.9</u>	Through controlled corporations

Notes:

- (a) These shares are held by Cyber Mission Ventures Limited. The entire share capital of Cyber Mission Ventures Limited is beneficially owned by Mr. Lam Chi Shing, who is therefore deemed to be interested in the shares held by Cyber Mission Ventures Limited.
- (b) These shares are held by Cyber Profit Group Limited ("Cyber Profit"), Hankison Investments Limited ("Hankison"), Expeditious Management Limited ("Expeditious") and Sun Strategic Investments Limited (collectively the "Shareholding Companies"). The respective entire issued share capitals of the Shareholding Companies are beneficially owned by Mr. Yuen Kin Tong, who is therefore deemed to be interested in the shares held by the Shareholding Companies.

In addition to the above, Mr. Lam Chi Shing has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 October 2006, none of the directors and chief executive had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

In November 2006, both Mr. Lam Chi Shing and Mr. Yuen Kin Tong sold all of their respective shares of the Company to Colpo Mercantile Inc.. The details have been set out in the composite offer document of the Company dated 29 November 2006.

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

At 31 October 2006, the following interests and short positions of 5% or more of the issued share capital of the Company by the following parties (other than directors or chief executive of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Number of ordinary shares held	Capacity and nature of interest	Percentage of holding
<i>Substantial shareholders</i>				
Cyber Mission Ventures Limited	(a)	144,044,550	Directly beneficially owned	36.3
Cyber Profit Group Limited	(b)	51,795,450	Directly beneficially owned	13.1
<i>Other shareholders</i>				
Century Pilot Investments Limited	(c)	28,350,000	Directly beneficially owned	7.2
Mr. Wong Wing Hong	(c)	28,350,000	Through a controlled corporation	7.2
Expeditious Management Limited	(b)	28,350,000	Directly beneficially owned	7.2
Hankison Investments Limited	(b)	21,344,428	Directly beneficially owned	5.4
Ms. Elizabeth Helen Narain		20,670,000	Directly beneficially owned	5.2

Notes:

- (a) The entire issued share capital of Cyber Mission Ventures Limited is beneficially owned by Mr. Lam Chi Shing, the chairman and an executive director of the Company, who is therefore deemed to be interested in the 144,044,550 shares held by Cyber Mission Ventures Limited. Mr. Lam Chi Shing's indirect interest in 144,044,550 shares in the Company held through Cyber Mission Ventures Limited have also been set out in the above section heading "Directors' and chief executive's interests and short positions in shares and underlying shares".
- (b) The entire issued share capitals of Cyber Profit, Expeditious and Hankison are beneficially owned by Mr. Yuen Kin Tong, the executive director of the Company, who is therefore deemed to be interested in the 51,795,450, 28,350,000 and 21,344,428 shares held by Cyber Profit, Expeditious and Hankison respectively. Mr. Yuen Kin Tong's indirect interest in these shares in the Company held through Cyber Profit, Expeditious and Hankison have also been set out in the above section heading "Directors' and chief executive's interests and short positions in shares and underlying shares".
- (c) The entire issued share capital of Century Pilot Investments Limited is beneficially owned by Mr. Wong Wing Hong, who is therefore deemed to be interested in the 28,350,000 shares held by Century Pilot Investments Limited.

Save as disclosed above, as at 31 October 2006, no person (other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

In November 2006, Cyber Mission Ventures Limited, Cyber Profit, Expeditious and Hankison sold all of their respective shares of the Company to Colpo Mercantile Inc.. The details have been set out in the composite offer document of the Company dated 29 November 2006.

SHARE OPTION SCHEMES

On 25 January 2003, the Pre-IPO Share Option Scheme (the “Pre-Scheme”) was approved pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to two executive directors and 18 employees to subscribe for a total of 30,168,000 shares, representing in aggregate approximately 7.84% of the then issued share capital of the Company immediately following the completion of the share placing on 25 January 2003 and the capitalisation issue, at a subscription price ranged from HK\$0.11 each to HK\$0.27 each. No further options can be granted under the Pre-Scheme after the listing of the Company’s shares on the GEM. All these options granted may be exercised after the expiry of 12 months from 18 February 2003, the listing date, and in each case, not later than four years from the listing date. Each grantee has paid HK\$1 to the Company as consideration for such grant.

The details of outstanding share options under the Pre-Scheme during the period are as follows:

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

During the period, 270,000 share options lapsed following the resignation of an employee. As at 31 October 2006, there was no outstanding share options under the Pre-Scheme.

On 25 January 2003, another share option scheme (the “Post-Scheme”) was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at its discretion, grant options to any employee, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The Post-Scheme remains in force for a period of ten years with effect from 25 January 2003.

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

The exercise price for shares under the Post-Scheme may be determined by the Board at its absolute discretion but in any event will be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the shares on the date of grant of the option.

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company at the date of grant in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time, in any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The options granted may be exercised at any time or times during a period to be determined and notified by the Board which period of time shall commence on the expiration of three years after the date of grant of the option and expire on such date as determined by the Board in any event no later than 10 years from the date of the grant of the options. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Post-Scheme.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPETITION AND CONFLICT OF INTERESTS

As at 31 October 2006, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete with the businesses of the Group, or have any other conflict of interests with the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors of the Company (the "Directors") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months period ended 31 October 2006. Having made specific enquiry of all Directors, the Directors have complied such code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the three months period ended 31 October 2006.

AUDIT COMMITTEE

The audit committee comprises three members who are the three independent non-executive directors of the Company, with terms of reference in compliance with code provision C.3.3 of the Code on Corporate Governance Practices. Mr. Lau Siu Ki Kevin is the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The Group's unaudited consolidated financial statements for the three months period ended 31 October 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

As at the date of this announcement, executive directors of the Company are Mr. Lam Chi Shing, Mr. Yuen Kin Tong, Mr. Chan Chi Hung, Mr. Chan Wing Him Kenny and Mr. Chan Man Ching, and the independent non-executive directors are Mr. Lau Siu Ki Kevin, Mr. Wang Yat Yee Mark and Mr. Zhang Guo Xuan.

By order of the Board
Lam Chi Shing
Chairman

Hong Kong, 8 December 2006

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