



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)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2005

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

FINAL RESULTS

The board of directors (the “Board”) of Sys Solutions Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 July 2005, together with the comparative figures for the year ended 31 July 2004 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>
TURNOVER	2	22,514,073	15,881,193
Cost of sales		<u>(20,238,879)</u>	<u>(13,668,306)</u>
Gross profit		2,275,194	2,212,887
Other revenue	2	105,334	96,379
Administrative and operating expenses		(13,999,422)	(14,038,512)
Impairment loss recognised in respect of an investment in a jointly-controlled entity		<u>(1,457,726)</u>	<u>–</u>
LOSS FROM OPERATING ACTIVITIES		(13,076,620)	(11,729,246)
Finance costs		(64,759)	–
Share of loss of a jointly-controlled entity		<u>(477,888)</u>	<u>(436,015)</u>
LOSS BEFORE TAX	4	(13,619,267)	(12,165,261)
Tax	5	<u>–</u>	<u>–</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(13,619,267)</u>	<u>(12,165,261)</u>
LOSS PER SHARE			
Basic	7	<u>HK3.44 cents</u>	<u>HK3.16 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“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.

In 2004, HKICPA issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (hereinafter collectively referred to as “new HKFRSs”) that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 “Business Combinations”. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 July 2005. HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. HKFRS 3 did not have any impact on the Group’s financial statements for the year ended 31 July 2005.

The Group has already commenced an assessment of the impact of the new HKFRSs but is not yet in a position to state whether the new HKFRSs would have a significant impact on its results of operations and financial position.

2. TURNOVER AND 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:

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Turnover		
Network infrastructure construction solutions		
– Sale of computer hardware and software and the provision of related services	20,150,642	12,085,031
Rendering of network infrastructure maintenance and reinforcement services	1,388,517	1,053,936
Other professional value-added solutions and services	974,914	2,742,226
	<u>22,514,073</u>	<u>15,881,193</u>
Other revenue		
Bank interest income	27,192	72,698
Other interest income	64,733	–
Sundry income	13,409	23,681
	<u>105,334</u>	<u>96,379</u>
Total revenue	<u><u>22,619,407</u></u>	<u><u>15,977,572</u></u>

3. 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 2004 and 2005.

An analysis of the Group's revenue and profit/(loss) for the Group's business segments is as follows:

	Network infrastructure construction solutions segment <i>HK\$</i>	Network infrastructure maintenance and reinforcement services segment <i>HK\$</i>	Other professional value-added solutions and services segment <i>HK\$</i>	Consolidated <i>HK\$</i>
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 shareholders				<u>(13,619,267)</u>
Other segment information:				
Depreciation	–	–	59,251	59,251
Unallocated depreciation				<u>422,010</u>
	<u> </u>	<u> </u>	<u> </u>	<u>481,261</u>

	Network infrastructure construction solutions segment <i>HK\$</i>	Network infrastructure maintenance and reinforcement services segment <i>HK\$</i>	Other professional value-added solutions and services segment <i>HK\$</i>	Consolidated <i>HK\$</i>
2004				
Segment revenue:				
Sales to external customers	12,085,031	1,053,936	2,742,226	15,881,193
Segment results	<u>(601,422)</u>	<u>(1,090,834)</u>	<u>(1,604,216)</u>	(3,296,472)
Unallocated income				96,379
Unallocated expenses				<u>(8,529,153)</u>
Loss from operating activities				(11,729,246)
Share of loss of a jointly- controlled entity				<u>(436,015)</u>
Loss before tax				(12,165,261)
Tax				<u>–</u>
Net loss attributable to shareholders				<u>(12,165,261)</u>
Other segment information:				
Depreciation	–	–	497,846	497,846
Unallocated depreciation				<u>453,023</u>
				<u>950,869</u>

4. LOSS BEFORE TAX

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

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Cost of inventories sold	19,006,862	11,640,620
Cost of services provided	1,232,017	2,027,686
Depreciation	<u>481,261</u>	<u>950,869</u>

5. TAX

Hong Kong profits tax has not been provided (2004: Nil) as the Group did not generate any assessable profits in Hong Kong during the year. No provision for corporate income tax for a subsidiary and the jointly-controlled entity established and operating in Mainland China (2004: 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% (2004: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2004: 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			
	2005	%	2004	%
	<i>HK\$</i>		<i>HK\$</i>	
Loss before tax	<u>(13,619,267)</u>		<u>(12,165,261)</u>	
Tax credit at statutory tax rate	(2,383,372)	(17.5)	(2,128,921)	(17.5)
Higher tax rate for specific provinces and local authority	(209,095)	(1.5)	(114,869)	(0.9)
Income not subject to tax	(4,750)	(0.1)	(13,386)	(0.1)
Expenses not deductible for tax	1,001,324	7.4	1,075,391	8.8
Temporary differences not recognised	(119,466)	(0.9)	–	–
Tax losses not recognised as deferred tax assets	<u>1,715,359</u>	12.6	<u>1,181,785</u>	9.7
	<u>–</u>		<u>–</u>	

The Group has unrecognised deferred tax assets from tax losses of HK\$7,087,802 (2004: HK\$4,685,744) 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 loss of HK\$1,323,511 (2004: HK\$878,342) that will expire in five years from the respective year of loss. Other losses could be carried forward indefinitely.

6. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 July 2005 (2004: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of the Company for the year ended 31 July 2005 of HK\$13,619,267 (2004: HK\$12,165,261) and the weighted average of 395,807,178 (2004: 384,840,000) ordinary shares in issue during the year.

Diluted loss per share for each of the years ended 31 July 2004 and 2005 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.

8. RESERVES

	Share premium account HK\$	Capital reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 August 2003	28,551,786	19,980,000	(24,164,425)	24,367,361
Net loss for the year	–	–	(12,165,261)	(12,165,261)
At 31 July 2004 and 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)
At 31 July 2005	<u>29,685,786</u>	<u>19,980,000</u>	<u>(49,948,953)</u>	<u>(283,167)</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.

QUALIFIED AUDITORS' REPORT

The auditors' report on the annual accounts of the Group for the year ended 31 July 2005 has been qualified. Details of which are reproduced as follows:

“Fundamental uncertainty relating to the going concern basis of the Group

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The Group's financial statements have been prepared on a going concern basis, the validity of which is dependent upon the successful outcome of the Group's funding plans, the ability to obtain continuing financial support from the controlling shareholder and the attainment of profitable and positive cash flow operations of the Group to meet its future working capital and financial requirements. The financial statements do not include any adjustments that would result from the failure of such measures.

We consider that appropriate disclosures have been made, but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Because of the significance of the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2005 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.”

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year under review, the Group continued to invest and to strengthen its position to provide the best-of-breed information technology solutions and services in Hong Kong and Mainland China, including information technology integrations and solutions, software development for e-commerce and human resources management, as well as information technology services and consultations.

The Group launched a self-branded human resources management information system solution during the year, which was newly developed last year. The solution is a web-based software, which could simplify the processes in human resources management, including leave records, salary calculation, staff training management and performance appraisal. The web-based operation mode could especially fit for multi-national corporations in managing human resources duties in a number of branch offices all over the world. Given powerful functionalities and specialization of the solution, we are confident that it could enable the Group to obtain favourable returns.

In view of the Group's continuing business development, the Group collaborated with a number of internationally renowned software vendors, in order to provide our customers with solutions in areas of data storage and management, data encryption, data backup and recovery, network management and system security. In addition, the Group has started its root in Hong Kong and aimed at accelerating its business expansion into the market of Mainland China. Having footprint in Hong Kong, Guangzhou, Shanghai and Hangzhou, the Group could effectively provide its customers with one-stop-trans-territorial solutions and services.

Financial review

For the year ended 31 July 2005, turnover of the Group increased by 41.8% to HK\$22,514,000 (2004: HK\$15,881,000). This is 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 with information technology companies in Hong Kong and effective promotional campaigns carried out throughout the year.

The gross profit margin ratio for the year ended 31 July 2005 was about 10.1%, while it was about 13.9% in the previous year. The decrease was attributable to the increase in the revenue generated from the sales of computer hardware which comparatively had a lower gross profit margin ratio.

As a result of an impairment of an investment in a jointly-controlled entity made during the year under review, the loss before tax for the year ended 31 July 2005 increased by 11.9% to HK\$13,619,000 (HK\$12,165,000).

Liquidity and financial resources

For the year under review, the Group financed its operations primarily with internally generated cash flows and the balance of the net proceeds from the listing of the Company's shares on GEM on 18 February 2003. As at 31 July 2005, a loan of HK\$5,000,000 was advanced from a director, which was unsecured, interest free and fully settled subsequent to the balance sheet date.

As at 31 July 2005, the Group had net assets of approximately HK\$3,679,000 (2004: HK\$16,051,000), of which approximately HK\$7,513,000 (2003: HK\$13,788,000) were bank and cash balances.

As at 31 July 2005, the Group did not have any composite banking facilities (2004: HK\$4.5 million).

Capital structure

The shares of the Company were listed on the GEM of the Stock Exchange on 18 February 2003. On 13 August 2004, a total of 11,340,000 share options were exercised at a subscription price of HK\$0.11 per share and resulted in the issue of 11,340,000 new ordinary shares in the Company of HK\$113,400. The excess of the cash consideration received over the nominal value of the issued shares of HK\$1,134,000 was credited to the share premium account.

Significant investments and future plans for material investments

Other than those disclosed in the prospectus dated 30 January 2003 under the section headed "Business Objectives and Implementation Plans" and the Company's announcements dated 24 October 2003 and 21 October 2004, the Company did not have any plan for material investments and acquisition of material capital assets as at 31 July 2005.

Acquisitions and disposals of subsidiaries and affiliated companies

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 July 2005.

Comments on segmental information

The directors of the Company consider that the Group's primary segment reporting basis is by business segment. The Group's operating businesses are structured and managed separately, according to the nature of their operations and products and services they provide.

The directors of the Company consider that 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 the current and the prior year.

Employee information

As at 31 July 2005, the Group had 33 full-time employees (2004: 30) working in Hong Kong and Mainland China. The total staff costs, including directors' emoluments, amounted to approximately HK\$8,073,000 for the year under review (2004: HK\$7,733,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Charge on group assets

As at 31 July 2004, the Group's time deposits of HK\$3 million was pledged to secure general banking facilities granted to the Group. During the year under review, the pledged time deposits of HK\$3 million were released as a result of withdrawal of the bank facilities at the request of the Group.

Gearing ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 2.07 as at 31 July 2005 (2004: 0.39). The increase in gearing ratio was mainly due to the decrease in shareholders' equity caused by enlarged accumulated losses during the year ended 31 July 2005.

Foreign exchange exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars, Renminbi and United States dollars. Risk on exposure to fluctuation in exchange rates should be minimal as there is no material fluctuation in the exchange rate between Hong Kong dollars, Renminbi, as well as United States dollars.

Contingent liabilities

As at 31 July 2005, the Group did not have any significant contingent liabilities (2004: Nil).

Outlook

The Group's missions are to help our customers to maximize their return by advanced resources management, as well as to apply latest technologies through our best practice for this purposes. The Group's performance will be driven by offering self-branded web-based resources management information system solution, distributing our global partners' technology products and offering our best consultation services.

A booming economy is expected with China's entering into the World Trade Organization. In view of that, the state enterprises and private enterprises will have a bigger demand in their information technologies requirement to cope with the growing market. The Group has a long track record in providing unsurpassed information technology solutions and services. The investment we have been made throughout the years has enabled us to build a sustainable foundation which is essential for the future growth of our business in Hong Kong and Mainland China.

INTERESTS OF SPONSOR/COMPLIANCE ADVISOR

As at 31 July 2005, neither Celestial Capital Limited (the "Celestial Capital"), the sponsor/compliance advisor of the Company up to 31 July 2005 nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to an agreement dated 30 January 2003 entered into between the Company and Celestial Capital, Celestial Capital is entitled to receive a fee for acting as the sponsor (and now the compliance advisor) of the Company for the period from 18 February 2003 to 31 July 2005, or until the agreement is terminated upon the terms and conditions as set out therein. The agreement was expired on 31 July 2005.

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 year.

BOARD PRACTICES AND PROCEDURES

During the year, the Company complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules before the replacement of those rules by the Code on Corporate Governance Practices (the “Code”) as set out in the new Appendix 15 to the GEM Listing Rules with effect from 1 January 2005. The Code has become effective for accounting periods commencing on or after 1 January 2005. The Group will start to report on its compliance with the Code provisions for the year ending 31 July 2006 in accordance with the requirement on Corporate Governance Report set out in the new Appendix 16 to the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPETITION AND CONFLICT OF INTERESTS

As at 31 July 2005, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete with the businesses of the Group, or have any other conflict of interests with the Group.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with Rules 5.28, 5.29 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three members who are the three independent non-executive directors of the Company. Mr. Lau Siu Ki Kevin is the chairman of the audit committee. The audit committee held four meetings during the year. The Group’s audited consolidated financial statements for the year ended 31 July 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards, requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

As at the date of this announcement, executive directors of the Company are Mr. Lam Chi Shing and Mr. Chan Chi Hung, and the non-executive director is Mr. Yuen Kin Tong, 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, 25 October 2005

This announcement 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 its posting and on the Company’s website at www.syssolutions.net.