



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 2006

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

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 traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded 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 in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2006, together with the comparative figures for the year ended 31 July 2005 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 July 2006

	<i>Notes</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Turnover	2	6,988,225	22,514,073
Cost of sales		<u>(6,600,069)</u>	<u>(20,238,879)</u>
Gross profit		388,156	2,275,194
Other revenue	2	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		<u>–</u>	<u>(1,457,726)</u>
Loss from operating activities		(7,786,129)	(13,076,620)
Finance costs	4	–	(64,759)
Share of loss of a jointly-controlled entity		<u>–</u>	<u>(477,888)</u>
Loss before tax	4	(7,786,129)	(13,619,267)
Tax	5	<u>–</u>	<u>–</u>
Net loss attributable to equity holders of the Company		<u>(7,786,129)</u>	<u>(13,619,267)</u>
BASIC LOSS PER SHARE	7	<u>HK1.97 cents</u>	<u>HK3.44 cents</u>

CONSOLIDATED BALANCE SHEET

31 July 2006

	<i>Notes</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Non-current assets			
Fixed assets		685,315	1,198,004
Investment in a jointly-controlled entity		—	—
		<u>685,315</u>	<u>1,198,004</u>
Current assets			
Inventories		3,874	73,402
Trade receivables	8	694,247	825,438
Deposits, prepayments and other receivables		1,178,810	1,367,780
Available-for-sale investments/Investments in securities		—	300,000
Cash and bank balances		485,791	7,513,302
		<u>2,362,722</u>	<u>10,079,922</u>
Current liabilities			
Trade payables	9	1,526,385	476,081
Deposits received		1,642,675	1,265,273
Accrued liabilities and other payables		855,976	857,939
Amount due to a director		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		3,961,800	3,961,800
Reserves	10	(8,126,128)	(283,167)
		<u>(4,164,328)</u>	<u>3,678,633</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 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 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 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 July 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.

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:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
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>

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 2005 and 2006.

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 <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>
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>

	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	20,150,642	1,388,517	974,914	22,514,073
Segment results	(3,021,203)	612,743	(1,120,442)	(3,528,902)
Unallocated income				105,334
Unallocated expenses				(9,653,052)
Loss from operating activities				(13,076,620)
Finance costs				(64,759)
Share of loss of a jointly-controlled entity				(477,888)
Loss before tax				(13,619,267)
Tax				–
Net loss attributable to equity holders of the Company				(13,619,267)
Segment assets	789,714	74,300	685,557	1,549,571
Unallocated assets				9,728,355
Total assets				11,277,926
Segment liabilities	472,115	1,126,723	169,138	1,767,976
Unallocated liabilities				5,831,317
Total liabilities				7,599,293
Other segment information:				
Depreciation	–	–	59,251	59,251
Unallocated depreciation				422,010
				481,261

4. LOSS BEFORE TAX

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Cost of inventories sold	3,452,062	19,006,862
Cost of services provided	3,148,007	1,232,017
Depreciation	531,118	481,261
Finance costs		
– Bank interest wholly repayable within five year	–	64,759

5. 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		2005	
	HK\$	%	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.

6. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 July 2006 (2005: Nil).

7. 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 ended 31 July 2006 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.

8. TRADE RECEIVABLES

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

	2006 <i>HK\$</i>	2005 <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>

9. 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:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
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>

10. RESERVES

	Share premium account <i>HK\$</i>	Capital reserve <i>HK\$</i>	Exchange reserves <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total
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)
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)
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>

QUALIFIED AUDITORS' REPORT

The auditors' report on the annual accounts of the Group for the year ended 31 July 2006 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 2006 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 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. The self-branded solution is a web-based software, which could simply 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.

Financial review

For the year ended 31 July 2006, the Group recorded a turnover of HK\$6,988,225, representing a decrease of 69% as compared with HK\$22,514,073 of last year. The gross profit margin ratio for the year was 5%, while it was about 10% in the previous year. The decrease was mainly attributable to gross loss incurred as a result of failure of some software development projects during the year. The Group has strengthened its controls to closely monitor costing and progress of the software development projects.

The loss from operating activities for the year ended 31 July 2006 decreased by 40% from HK\$13,076,620 to HK\$7,786,129, as a result of decrease in overall administrative and operating expenses by 41% from HK\$13,999,422 last year to HK\$8,247,844 in this year. Such decrease was due to more efficient method of resources allocation applied by the Group, as a result of performance review conducted during the year.

Liquidity, financial resources and capital structure

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 2006, a loan of HK\$3,187,329 was advanced from a director, which was unsecured, interest-free and repayable on demand.

As at 31 July 2006, the Group had net liabilities of approximately HK\$4,164,328 (2005: net assets of HK\$3,678,633), of which approximately HK\$485,791 (2005: HK\$7,513,302) were bank and cash balances.

As at 31 July 2006, the Group did not have any composite banking facilities (2005: Nil).

For the year ended 31 July 2006, there was no change in the capital structure and issued capital of the Group.

Significant investments and future plans for material investments

As at 31 July 2006, the Group had not authorised or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

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 2006.

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 2006, the Group had 28 full-time employees (2005: 33) working in Hong Kong and Mainland China. The total staff costs, including directors' emoluments, amounted to approximately HK\$5,305,372 for the year under review (2005: HK\$8,072,868). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Charge on group assets

As at 31 July 2006, the Group did not have any charge on group assets or any significant contingent liabilities (31 July 2005: Nil).

Gearing ratio

The gearing ratio of the Group calculated as a ratio of total liabilities to total assets was 2.36 as at 31 July 2006 as compared to 0.67 as at 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 2006, the Group did not have any significant contingent liabilities (2005: Nil).

Outlook

The information technology industry in 2006 continued on the path of increasing competition. 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.

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.

COMPETITION AND CONFLICT OF INTERESTS

As at 31 July 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 sent out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 July 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 year ended 31 July 2006.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices as set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 15 of the GEM Listing Rules with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the CG Code, except for the following deviations:

Code Provision A.4.2

Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Relevant amendments to the articles of association of the Company to comply with code provision A.4.2 will be proposed at the forthcoming annual general meeting of the Company.

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board of a listed issuer should attend the issuer’s annual general meeting. Mr. Lam Chi Shing, the chairman of the Board was unable to attend 2005 annual general meeting of the Company on 9 December 2005 as he had another important business engagement. Despite his absence, he had arrange for Mr. Chan Chi Hung, an executive director of the Company, taking chair of the meeting and answering shareholders’ questions.

AUDIT COMMITTEE

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. On 14 March 2006, the Company adopted new terms of reference for the audit committee to include such duties as are stipulated in code provision C.3.3 of the CG Code.

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 audited consolidated financial statements for the year ended 31 July 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 and Mr. Chan Chi Hung, 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, 20 October 2006

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.