



**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)

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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*This report, 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 report 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 report misleading; and (iii) all opinions expressed in this report 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 and six months ended 31 January 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 and six months ended 31 January 2006, together with the unaudited comparative figures for the corresponding period in 2005 as follows:

	Notes	Three months ended 31 January		Six months ended 31 January	
		2006 HK\$ (Unaudited)	2005 HK\$ (Unaudited)	2006 HK\$ (Unaudited)	2005 HK\$ (Unaudited)
TURNOVER	3	<b>1,286,861</b>	7,996,929	<b>3,993,536</b>	16,251,401
Cost of sales		<b>(732,147)</b>	(7,263,766)	<b>(3,177,557)</b>	(14,646,931)
Gross profit		<b>554,714</b>	733,163	<b>815,979</b>	1,604,470
Other revenue	3	<b>21,041</b>	48,858	<b>22,107</b>	70,271
Administrative and operating expenses		<b>(2,096,642)</b>	(3,710,960)	<b>(4,755,932)</b>	(6,652,543)
LOSS FROM OPERATING ACTIVITIES	4	<b>(1,520,887)</b>	(2,928,939)	<b>(3,917,846)</b>	(4,977,802)
Finance costs	5	-	(37,316)	-	(37,316)
Share of loss of a jointly-controlled entity		<b>(61,574)</b>	(111,511)	<b>(165,421)</b>	(247,266)
LOSS BEFORE TAX		<b>(1,582,461)</b>	(3,077,766)	<b>(4,083,267)</b>	(5,262,384)
Tax	6	-	-	-	-
NET LOSS FOR THE PERIOD		<b>(1,582,461)</b>	(3,077,766)	<b>(4,083,267)</b>	(5,262,384)
Attributable to: Equity holders of the Company		<b>(1,582,461)</b>	(3,077,766)	<b>(4,083,267)</b>	(5,262,384)
BASIC LOSS PER SHARE	7	<b>HK0.40 cent</b>	HK0.78 cent	<b>HK1.03 cents</b>	HK1.33 cents

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

As at 31 January 2006

	<i>Notes</i>	<b>31 January 2006 HK\$ (Unaudited)</b>	31 July 2005 HK\$ (Audited)
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	<b>975,488</b>	1,198,004
Investment in a jointly-controlled entity	9	<b>–</b>	–
		<b>975,488</b>	1,198,004
<b>CURRENT ASSETS</b>			
Inventories		<b>37,274</b>	73,402
Accounts receivable	10	<b>554,436</b>	825,438
Deposits, prepayments and other receivables		<b>866,902</b>	1,367,780
Investment in securities		<b>300,000</b>	300,000
Cash and cash balances		<b>970,080</b>	7,513,302
		<b>2,728,692</b>	10,079,922
<b>CURRENT LIABILITIES</b>			
Accounts payable	11	<b>670,106</b>	476,081
Deposits received		<b>1,187,068</b>	1,265,273
Accrued liabilities and other payables		<b>818,807</b>	857,939
Amount due to a director		<b>1,480,769</b>	5,000,000
		<b>4,156,750</b>	7,599,293
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(1,428,058)</b>	2,480,629
		<b>(452,570)</b>	3,678,633
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	<b>3,961,800</b>	3,961,800
Reserves	13	<b>(4,414,370)</b>	(283,167)
Equity attributable to equity holders of the Company		<b>(452,570)</b>	3,678,633
Minority interests		<b>–</b>	–
<b>Total equity</b>		<b>(452,570)</b>	3,678,633

## CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 January 2006

	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2006</b>	2005
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	(Unaudited)
At beginning of period - total equity	<b>3,678,633</b>	16,050,500
Exercise of share options	-	1,247,400
Exchange differences on translation of PRC operations	<b>(47,936)</b>	-
Net loss for the period	<b>(4,083,267)</b>	(5,262,384)
At end of period - total equity	<b><u>(452,570)</u></b>	<u>12,035,516</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 January 2006

	<b>Six months ended 31 January</b>	
	<b>2006 HK\$ (Unaudited)</b>	2005 HK\$ (Unaudited)
Net cash outflow from operating activities	<b>(3,010,748)</b>	(12,494,967)
Net cash outflow from investing activities	<b>(13,243)</b>	(112,608)
Net cash (outflow)/inflow from financing activities	<b>(3,519,231)</b>	3,510,714
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(6,543,222)</b>	(9,096,861)
Cash and cash equivalents at beginning of period	<b>7,513,302</b>	13,787,932
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>970,080</b>	4,691,071
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>970,080</b>	4,691,071

Notes:

## 1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The accounting policies and method of computation used in the preparation of the unaudited consolidated results are consistent with those adopted by the Group in its annual accounts for the year ended 31 July 2005.

In 2004, HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

## 2. SEGMENT INFORMATION

No analysis for geographical segment is presented as over 90% of the Group's revenue was derived from services rendered in or located in Hong Kong during each of the six months ended 31 January 2005 and 2006.

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

	<b>Network infrastructure construction solutions segment</b>	<b>Network infrastructure maintenance and reinforcement services segment</b>	<b>Other professional value-added solutions and services segment</b>	<b>Consolidated</b>
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 31 January 2006				
Segment revenue:				
Sales to external customers	<u><b>2,199,440</b></u>	<u><b>173,805</b></u>	<u><b>1,620,291</b></u>	<u><b>3,993,536</b></u>
Segment results	<u><b>(341,437)</b></u>	<u><b>38,697</b></u>	<u><b>(619,129)</b></u>	<u><b>(921,869)</b></u>
Unallocated income				<b>22,107</b>
Unallocated expenses				<u><b>(3,018,084)</b></u>
Loss from operating activities				<b>(3,917,846)</b>
Share of loss of a jointly-controlled entity				<u><b>(165,421)</b></u>
Loss before tax				<b>(4,083,267)</b>
Tax				<u><b>-</b></u>
Net loss attributable to equity holders of the Company				<u><b>(4,083,267)</b></u>

	<b>Network infrastructure construction solutions segment</b>	<b>Network infrastructure maintenance and reinforcement services segment</b>	<b>Other professional value-added solutions and services segment</b>	<b>Consolidated</b>
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 31 January 2005				
Segment revenue:				
Sales to external customers	<u>14,588,917</u>	<u>617,036</u>	<u>1,045,448</u>	<u>16,251,401</u>
Segment results	<u>(606,100)</u>	<u>120,467</u>	<u>83,010</u>	(402,623)
Unallocated income				70,271
Unallocated expenses				<u>(4,645,450)</u>
Loss from operating activities				(4,977,802)
Finance costs				(37,316)
Share of loss of a jointly -controlled entity				<u>(247,266)</u>
Loss before tax				(5,262,384)
Tax				<u>-</u>
Net loss attributable to equity holders of the Company				<u>(5,262,384)</u>



### 3. 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.

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

	Three months ended 31 January		Six months ended 31 January	
	2006 HK\$ (Unaudited)	2005 HK\$ (Unaudited)	2006 HK\$ (Unaudited)	2005 HK\$ (Unaudited)
<b>Turnover</b>				
Network infrastructure construction solutions – Sale of computer hardware and software and the provision of related services	<b>601,418</b>	7,343,406	<b>2,199,440</b>	14,588,917
Rendering of network infrastructure maintenance and reinforcement services	<b>111,748</b>	405,273	<b>173,805</b>	617,036
Other professional value-added solutions and services	<b>573,695</b>	248,250	<b>1,620,291</b>	1,045,448
	<b>1,286,861</b>	7,996,929	<b>3,993,536</b>	16,251,401
<b>Other revenue</b>				
Interest income	<b>3,829</b>	11,353	<b>4,273</b>	20,180
Sundry income	<b>17,212</b>	37,505	<b>17,834</b>	50,091
	<b>21,041</b>	48,858	<b>22,107</b>	70,271
Total revenue	<b>1,307,902</b>	8,045,787	<b>4,015,643</b>	16,321,672

**4. Loss from operating activities**

The Group's loss from operating activities is arrived at after charging:

	Three months ended		Six months ended	
	31 January		31 January	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	514,558	6,918,336	1,943,468	14,146,959
Cost of services provided	217,589	345,430	1,234,089	499,972
Depreciation	117,473	114,672	239,011	226,392
Staff costs (including directors' remuneration)	1,423,765	2,306,611	3,208,095	4,176,991

**5. Finance costs**

	Three months ended		Six months ended	
	31 January		31 January	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on trust receipt loans	-	37,316	-	37,316

**6. Tax**

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the three months and six months ended 31 January 2006 (three months and six months ended 31 January 2005: Nil). 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 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%).

**7. Loss per share**

The calculation of basic loss per share for the three months and six months ended 31 January 2006 is based on the unaudited net loss attributable to equity holders of the Company of HK\$1,582,461 and HK\$4,083,267 respectively (three months and six months ended 31 January 2005: HK\$3,077,766 and HK\$5,262,384, respectively) and the weighted average of 396,180,000 ordinary shares in issue for the three months and six months ended 31 January 2006 respectively (three months and six months ended 31 January 2005: 396,180,000 and 395,440,435 ordinary shares in issue respectively).

Diluted loss per share amount for each of the three months and six months ended 31 January 2006 and 2005 has not been presented, as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for the respective periods.

**8. Fixed assets**

	HK\$ (Unaudited)
Cost:	
At 1 August 2005	2,580,051
Additions	28,139
Disposal	(34,393)
Written off	(228,120)
Exchange realignment	2,931
	<hr/>
At 31 January 2006	2,348,608
	<hr/>
Accumulated depreciation:	
At 1 August 2005	1,382,047
Provided during the period	239,011
Disposal	(34,393)
Written off	(214,802)
Exchange realignment	1,257
	<hr/>
At 31 January 2006	1,373,120
	<hr/>
Net book value:	
At 31 January 2006	975,488
	<hr/> <hr/>
At 31 July 2005	1,198,004
	<hr/> <hr/>

## 9. Investment in a jointly controlled entity

	<b>31 January 2006 HK\$ (Unaudited)</b>	31 July 2005 HK\$ (Audited)
Share of net assets	<b>1,260,305</b>	1,425,726
Provision for impairment	<b>(1,260,305)</b>	(1,425,726)
	<b>—</b>	<b>—</b>

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	Corporate	People's Republic of China ("PRC")	50	60	50	Provision of information technology consulting services

## 10. Accounts receivable

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 accounts receivable of the Group as at the balance sheet date, based on the invoice date, is as follows:

	<b>31 January 2006 HK\$ (Unaudited)</b>	31 July 2005 HK\$ (Audited)
Within 30 days	<b>262,801</b>	570,296
Between 31-60 days	<b>68,310</b>	63,692
Between 61-90 days	<b>209,819</b>	1,800
Between 91-180 days	<b>13,506</b>	129,715
Over 181 days	<b>—</b>	59,935
	<b>554,436</b>	825,438

**11. Accounts payable**

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

	<b>31 January 2006 HK\$ (Unaudited)</b>	31 July 2005 HK\$ (Audited)
Within 30 days	<b>160,217</b>	359,929
Between 31-60 days	<b>176,609</b>	51,672
Between 61-90 days	<b>11,683</b>	18,403
Between 91-180 days	<b>321,597</b>	44,459
Over 181 days	<b>—</b>	1,618
	<b><u>670,106</u></b>	<u>476,081</u>

**12. Share capital**

	Number of shares		Nominal value	
	At 31 January 2006	At 31 July 2005	At 31 January 2006 HK\$	At 31 July 2005 HK\$
Authorised:				
Ordinary shares of HK\$0.01 each	<b><u>5,000,000,000</u></b>	<u>5,000,000,000</u>	<b><u>50,000,000</u></b>	<u>50,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<b><u>396,180,000</u></b>	<u>396,180,000</u>	<b><u>3,961,800</u></b>	<u>3,961,800</u>

**13. Reserves**

	Share premium account HK\$	Capital reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 August 2004	28,551,786	19,980,000	-	(36,329,686)	12,202,100
Exercise of share options	1,134,000	-	-	-	1,134,000
Net loss for the three months ended 31 January 2005	-	-	-	(5,262,384)	(5,262,384)
At 31 January 2005	<u>29,685,786</u>	<u>19,980,000</u>	<u>-</u>	<u>(41,592,070)</u>	<u>8,073,716</u>
At 1 August 2005	29,685,786	19,980,000	-	(49,948,953)	(283,167)
Exchange differences on translation of PRC operations	-	-	(47,936)	-	(47,936)
Net loss for the three months ended 31 January 2006	-	-	-	(4,083,267)	(4,083,267)
At 31 January 2006	<u>29,685,786</u>	<u>19,980,000</u>	<u>(47,936)</u>	<u>(54,032,220)</u>	<u>(4,414,370)</u>

**14. Operating lease commitments**

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

	<b>31 January 2006 HK\$ (Unaudited)</b>	31 July 2005 HK\$ (Audited)
Within one year	<b>655,564</b>	687,370
After 1 year but within 5 years	<b>823,851</b>	983,488
	<b><u>1,479,415</u></b>	<u>1,670,858</u>

**15. Related party transactions**

Particulars of significant transactions between the Group and related parties during the periods are summarised below:

	Notes	Three months ended 31 January		Six months ended 31 January	
		2006 HK\$ (Unaudited)	2005 HK\$ (Unaudited)	2006 HK\$ (Unaudited)	2005 HK\$ (Unaudited)
Speed Sourcing Limited*					
Network maintenance and reinforcement services income	(i)	-	17,000	21,500	89,500
Other professional value-added solutions and services income and dataline rental income	(ii)	-	20,820	-	41,640
Pushang Management Services Limited**					
Network infrastructure construction solutions income	(i)	138,050	1,550	146,500	33,603
Network maintenance and reinforcement services income	(i)	25,000	-	25,000	-
Other professional value-added solutions and services income	(ii)	-	-	9,000	-
Wong Sze Shun Syson***					
Staff cost	(iii)	-	165,625	-	291,934
Wong Wing Hong****					
Renovation fee	(iv)	-	-	27,600	-
Lam Chi Shing					
Loan from a director	(v)	1,480,769	-	1,480,769	-

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

\*\* Pushang Management Services Limited is a company incorporated in Hong Kong, of which Mr. Lam Chi Shing, the chairman and an executive director of the Company, has a beneficial interest.

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

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

*Notes:*

- (i) The directors of the Company consider that the prices and terms of the sales transactions with related companies of the Company approximated to those with independent third parties.
- (ii) The income includes sales of internally developed software and dataline rental income. The sales of internally developed software were made according to the actual costs incurred for the software development and approximated to those with independent third parties. Dataline rental income was recorded based on a cost-plus basis according to the direct costs incurred, with a margin of 18%.
- (iii) The staff cost was charged on a monthly basis plus a performance bonus based on gross profits determined between the Company and the related party.
- (iv) The transactions were conducted in accordance with the quotation agreed by the director of the Company.

In the opinion of the directors of the Company, the above related party transactions were entered into by the Group in the ordinary course of business.

- (v) The loan is unsecured, interest-free and has no fixed terms of repayment.



## INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 January 2006 (2005: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

### FINANCIAL REVIEW

For the six months ended 31 January 2006, the Group recorded an unaudited turnover HK\$3,993,536, representing a decrease of 75% as compared with HK\$16,251,401 of the same period last year. The unaudited gross profit margin ratio for the three months ended 31 January 2006 is 20%, while it was 10% for the corresponding period last year. During the period, we focused on developing and brand building for our self-developed human resources management information system, which had a higher gross profit margin ratio.

The self-branded solution is a web-based software, which could simplify the processes in human resources management, including leave records, salary calculation, staff training management and performance appraisal. The web-based operation mode could especially fit for multi-national corporations in managing human resources duties in a number of branch offices all over the world. It was expected that the performance of the Group will be improved by completion of certain projects of the self-branded solution in current financial year.

The unaudited loss from operating activities for the six months ended 31 January 2006 decreased by 21% from HK\$4,977,802 to HK\$3,917,846, as a result of decrease in overall administrative and operating expenses by 28% from HK\$6,652,543 in the same period last year to HK\$4,755,932 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 during the period.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the period 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 January 2006, a loan of HK\$1,480,769 was advanced from a director, which was unsecured, interest free and had no fixed terms of repayment.

As at 31 January 2006, the Group had net liabilities of HK\$452,570 (31 July 2005: net assets of HK\$3,678,633), of which approximately HK\$970,080 (31 July 2005: HK\$7,513,302) were bank and cash balances.

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

For the six months ended 31 January 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 January 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 acquisition or disposal of subsidiaries and affiliated companies during the period under review.

### **EMPLOYEE INFORMATION**

As at 31 January 2006, the Group had 23 full-time employees (31 July 2005: 33) working in Hong Kong and Mainland China. The total staff costs, including directors' emoluments, amounted to approximately HK\$3,208,295 for the period under review (2005: HK\$4,176,991). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

### **CHARGE ON GROUP ASSETS**

As at 31 January 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 1.12 as at 31 January 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 rates between Hong Kong dollars, Renminbi, as well as United States dollars.

### **CONTINGENT LIABILITIES**

As at 31 January 2006, the Group did not have any significant contingent liabilities (31 July 2005: Nil).

### **OUTLOOK**

The information technology industry in 2006 continued on the path of increasing competition. We are optimistic about the outlook for the year ahead and intend to continue our emphasis on disciplined cost-control and targeting higher levels of efficiency and effectiveness.

We will continue to strengthen our development force for our self-developed application solutions, and we are confident that our self-developed application solutions could enable the Group to obtain favourable returns and the Group will perform better in current financial year.

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

As at 31 January 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, 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>112,580,003</u>	<u>28.4</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, Hankison Investments Limited, Expedition Management Limited and Sun Strategic Investments Limited (collectively the "Shareholding Companies"). The respective entire 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 January 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.

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

At 31 January 2006, the following interests and short positions of 5% or more of the issued share capital and share options of the Company held 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
<b>Substantial shareholders</b>				
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
<b>Other shareholders</b>				
Century Pilot Investments Limited	(c)	28,350,000	Directly beneficially owned	7.2
Mr. Wong Wing Hong	(c)	28,350,000	Through a controlled corporation	7.2
Expeditious Management Limited	(d)	28,350,000	Directly beneficially owned	7.2
Ms. 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 and debentures".
- (b) The entire issued share capital of Cyber Profit Group Limited is beneficially owned by Mr. Yuen Kin Tong, the non-executive director of the Company, who is therefore deemed to be interested in the 51,795,450 shares held by Cyber Profit Group Limited. Mr. Yuen Kin Tong's indirect interest in 51,795,450 shares in the Company held through Cyber Profit Group Limited have also been set out in the above section heading "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures".
- (c) The entire issued share capital of Century Pilot Investments Limited is beneficially owned by Mr. Wong Wing Hong, who is therefore deemed to be interested in the 28,350,000 shares held by Century Pilot Investments Limited.

- (d) The entire issued share capital of Expeditious Management Limited is beneficially owned by Mr. Yuen Kin Tong, the non-executive director of the Company, who is therefore deemed to be interested in the 28,350,000 shares held by Expeditious Management Limited. Mr. Yuen Kin Tong's indirect interest in 28,350,000 shares in the Company held through Expeditious Management 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 and debentures".

Save as disclosed above, as at 31 January 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 and debentures" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### **SHARE OPTION SCHEMES**

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

The following share options were outstanding under the Pre-Scheme during the period:

Name or category of participant	Number of share options granted on 25 January 2003			Exercise period of share options	Exercise price per share HK\$
	At 1 August 2005	Lapsed during the year	At 31 January 2006		
Employees of the Group	954,000	(420,000)	534,000	18 February 2004 to 17 February 2007	0.27
	<u>954,000</u>	<u>(420,000)</u>	<u>534,000</u>		

During the period, 420,000 share options lapsed following the resignation of an employee. As at 31 January 2006, 534,000 share options are available for issue under the Pre-Scheme, representing 0.13% of the issued share capital of the Company at that time.

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

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

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

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

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

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

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **COMPETITION AND CONFLICT OF INTERESTS**

As at 31 January 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 complied with Rules 5.48 to 5.67 of the GEM Listing Rules concerning securities transactions by directors of the Company throughout the six months period ended 31 January 2006 and all directors of the Company have complied with the required standard of dealings set out therein.

## CORPORATE GOVERNANCE

### CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practice (the "CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 January 2006, except for the following deviations:

- (i) The Company does not have a remuneration committee; and
- (ii) The Company has not disclosed the terms of reference of the audit committee.

#### **Code Provision B.1.1**

A remuneration committee was established on 14 March 2006 with written terms of reference. The remuneration committee comprises one executive director, namely, Mr. Chan Chi Hung and the two independent non-executive directors, namely, Mr. Lau Siu Ki Kevin and Mr. Wang Yat Yee Mark (Chairman of the remuneration committee).

#### **Code B.1.4 and C.3.4**

Appropriate actions are being taken to update the website for the Company, whereat the written terms of reference of the audit committee and remuneration committee will be disclosed. These terms of reference was also available from the company secretary of the Company on request.

## 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 unaudited results for the six months ended 31 January 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 report, the board of directors of the Company comprises two executive directors, namely, Mr. Lam Chi Shing and Mr. Chan Chi Hung, one non-executive director, namely Mr. Yuen Kin Tong, and three independent non-executive directors, namely Mr. Lau Siu Ki Kevin, Mr. Wang Yat Yee Mark and Mr. Zhang Guo Xuan.

By order of the Board  
**Lam Chi Shing**  
Chairman