

**SYSTEK**

Information Technology

Systek Information Technology (Holdings) Limited**訊泰科技(控股)有限公司****(incorporated in the Cayman Islands with limited liability)***CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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This announcement, for which the directors of Systek Information Technology (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to Systek Information Technology (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.

Systek Information Technology (Holdings) Limited
訊泰科技(控股)有限公司*
(incorporated in the Cayman Islands with limited liability)
FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2001
FINAL RESULTS

The Directors of the Company hereby present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2001, together with the comparative audited figures for the corresponding year in 2000, as follows:

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	2	35,628	40,013
Cost of services and merchandise sold		<u>(15,020)</u>	<u>(17,454)</u>
Gross profit		20,608	22,559
Other revenue		3,160	55
Other net income		431	22
Research and development costs		(7,906)	(4,781)
Selling expenses		(17,191)	(1,446)
General and administrative expenses		(24,543)	(7,746)
Other operating expenses		<u>(3,200)</u>	<u>—</u>
(Loss)/profit from operations		(28,641)	8,663
Finance cost		<u>(592)</u>	<u>(124)</u>
(Loss)/profit from ordinary activities before taxation	3	(29,233)	8,539
Taxation	4	<u>(295)</u>	<u>(1,870)</u>
(Loss)/profit from ordinary activities after taxation		(29,528)	6,669
Minority interests		<u>987</u>	<u>—</u>
(Loss)/profit attributable to shareholders		<u><u>(28,541)</u></u>	<u><u>6,669</u></u>

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
(Loss)/earnings per share	5		
Basic (HK cents)		<u>(3.362)</u>	<u>1.112</u>
Diluted (HK cents)		<u>N/A</u>	<u>1.235</u>

Notes:—

1 **Reorganisation and basis of presentation**

(a) *Reorganisation*

The Company was incorporated in the Cayman Islands on 16 March 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company became the holding company of the Group on 26 August 2000 through a reorganisation (the “Reorganisation”).

(b) *Basis of presentation*

The Company and its subsidiaries (the “Group”) resulting from the Reorganisation has been regarded as a continuing group. Accordingly, the consolidated results have been prepared on the basis of merger accounting, under which the Company was the holding company of the Group for both years presented, rather than from 26 August 2000. Furthermore, the results of the Group for the years ended 31 March 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 April 1999 or since their respective dates of incorporation, whichever is a shorter period. In the opinion of the Directors, the resulting consolidated results give a more meaningful view of the results of the Group as a whole.

All material inter-company transactions and balances are eliminated on consolidation.

(c) *Statement of compliances*

The consolidated results have been prepared in accordance with all applicable statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

2 Turnover

An analysis of the principal activities of the operations of the Group during the year is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
<i>Principal activities</i>		
Systems development	12,738	14,375
Sales of software products	9,990	13,072
Professional service fees	7,639	7,641
Training fees	3,362	3,680
Technical support fees	1,557	730
Others	<u>342</u>	<u>515</u>
	<u><u>35,628</u></u>	<u><u>40,013</u></u>

3. (Loss)/profit from ordinary activities before taxation

(Loss)/profit from ordinary activities before taxation is arrived at after charging

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on bank advances and other borrowings repayable within five years	592	124
Staff costs	36,910	24,050
Research and development costs	7,906	4,781
Operating lease rentals - properties	3,304	2,422
Pre-operating costs written off	236	—
Amortisation of deferred assets	48	—
Auditors' remuneration	950	82
Depreciation	1,441	606
Provision for bad and doubtful debts	5,942	—
Provision for foreseeable losses on systems development projects	2,573	—
Provision for diminution in value against investment securities	<u>3,200</u>	<u>—</u>

4 Taxation

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Hong Kong taxation	32	1,588
Overseas taxation	<u>—</u>	<u>282</u>
	32	1,870
Deferred taxation	<u>263</u>	<u>—</u>
	<u>295</u>	<u>1,870</u>

No provision for taxation has been made for the year ended 31 March 2001 as the Group sustained losses for taxation purpose during the year.

The provision for Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits arising in Hong Kong for the year ended 31 March 2000. Taxation on the profits of subsidiaries operating outside Hong Kong is calculated at the current rates applicable in the respective jurisdictions.

A subsidiary operating in the PRC is exempted from PRC income tax for two years commencing from the first profit making year and is entitled to a 50% relief from PRC income tax for the following three years, after which the profits are subject to PRC income tax at the standard rate of 33%. The subsidiary sustained losses since incorporation and the two-year tax exemption period has not been commenced.

5. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the year ended 31 March 2001 is based on the loss attributable to shareholders of \$28,541,000 divided by the weighted average number of 848,922,921 shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 March 2000 is based on the combined profit attributable to shareholders of \$6,669,000 divided by 599,999,942 shares, prior to the placing but after adjusting the effect of the capitalisation issue on 1 September 2000.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in issue as at 31 March 2001.

The calculation of diluted earnings per share for the year ended 31 March 2000 is based on the combined profit attributable to shareholders of \$7,631,000 and the weighted average number of ordinary shares of 618,104,051 shares after adjusting for the effects of the dilutive potential ordinary shares committed under the convertible notes issued on 20 December 1999 and 29 January 2000 which entitle the noteholders to convert the paid up principal into ordinary shares of the Company.

(c) Reconciliations

	2000 <i>HK\$'000</i>
Profit attributable to shareholders	6,669
Interest paid for the convertible notes	<u>962</u>
Adjusted profit attributable to shareholders	<u>7,631</u>
	2000 <i>Number of Shares</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	599,999,942
Deemed issue of ordinary shares	<u>18,104,109</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>618,104,051</u>

6. Reserves

	Share premium <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Retained profits/ losses <i>(Accumulated HK\$'000)</i>	Total <i>\$'000</i>
At 1 April 1999	—	21	704	725
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	—	20	—	20
Profit for the year	<u>—</u>	<u>—</u>	<u>6,669</u>	<u>6,669</u>
At 31 March 2000	<u>—</u>	<u>41</u>	<u>7,373</u>	<u>7,414</u>
At 1 April 2000	—	41	7,373	7,414
Premium on the issuance of shares	127,840	—	—	127,840
Shares issue expenses	(15,389)	—	—	(15,389)
Capitalisation issue	(79,307)	—	—	(79,307)
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	—	(73)	—	(73)
Loss for the year	<u>—</u>	<u>—</u>	<u>(28,541)</u>	<u>(28,541)</u>
At 31 March 2001	<u>33,144</u>	<u>(32)</u>	<u>(21,168)</u>	<u>11,944</u>

The PRC subsidiary may allocate to general reserve, which can be used to make good losses and to convert into paid-up capital, at the discretion of the board of directors of the subsidiary.

No transfer to the general reserve was made by the PRC subsidiary during the year.

DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 March 2001 (2000: \$Nil).

MAJOR AUDIT ADJUSTMENTS

Major audit adjustments are made for the provisions of diminution in value against investment securities, foreseeable losses on systems development projects and bad debts which resulted in additional losses of HK\$6,169,000 when compared with the unaudited results announced on 11 July 2001.

BUSINESS REVIEW

The Group's successful listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong on 8 September, 2000 laid a strong and solid foundation for the Group's future expansion and development.

For the financial year ended 31 March 2001, the Group recorded a turnover of HK\$35.6 Million. The loss attributed to shareholders amounted to HK\$28.5 Million.

The loss can be attributed to several factors. During the financial year ended 31 March 2001, more resources were deployed for development of WinVest 4.0C (the new Chinese release of WinVest®) and other products to accelerate its time-to-market. Certain research and development costs were written off as a prudent measure to reflect the impact.

During the later part of the financial year, as a result of the bursting of the dot.com bubble and the downturn of the stock market in North America, Hong Kong has also experienced a slump in its business climate. As a result, there has been a slowdown in the stock market. Local brokerage houses which were on the point of upgrading their information technology systems in light of the introduction of the AMS/3 terminal system have adopted a passive wait-and-see approach. This reluctance to invest in technology systems affected the Group as the anticipated take-up rate for the Group's signature stock brokerage trading systems and associated services fell short of expectations. Again, because of the weak economic situation, the collection of certain account receivable has become doubtful. Provisions were made as a prudent measure to reflect impact on the turnover of the Group. Similarly provisions were made for foreseeable losses on certain system development projects. The

management believes that some of the accounts receivables which have been provisioned as a prudent measure may be recovered. The Group has made an investment in an unlisted Application Service Provider in November, 2000. The Group feels it is prudent to make a provision for possible diminution in value because of its start-up status.

On the marketing side, the Group has engaged the Gartner Group to assist the Group in the development of a product positioning strategy — which has led to the Group making appropriate directional adjustments for both the long term and the short term. The Group established a North American office, Systek Connect Inc., in Toronto, Ontario, Canada staffed with sales, marketing, technical support, as well as fulfillment. Systek Connect Inc. has been serving as a base to launch the Group's products and services in both North America and in Europe.

During the reporting period, the Group increased its focus on distribution channels while continuing to make aggressive improvements and enhancements on the Group's product lines. At the end of the reporting period, a total of 31 North American re-sellers had signed up and 18 were established in various European countries.

The Group has also aggressively expanded its PRC sales and marketing teams, its product development team, in addition to enhancing its research and development capabilities. It is the Group's intention to increase production efficiency and reduce costs by steering non-reactive workload to the PRC.

The Group's product improvements followed a three pronged approach: (i) enriching each product's functionalities by adding useful functions and innovative features demanded by the market; (ii) enhancing each product's user interface modules to foster a higher standard of usability of the product; and (iii) strengthening the quality management of the product by improving change management procedures, testing procedures and product testing tools.

The Group's business units - the Financial Technology Unit, Internet Interactive Technology Unit, Internet and Messaging Security Unit, and the e-Business Innovation Services Unit all remained as strong contributors to the Group's revenue and will have high potential to contribute significantly towards the Group's future revenue.

Financial Technology Unit Activities.

The Group's Financial Technology Unit continued to be a strong contributor to the Group's business as its original signature products matured into multiple platforms and was introduced into different markets, while new products complementing existing client systems were under development and testing stages.

Subsequent to the successful delivery of the Stock Exchange of Hong Kong's AMS/3 Multiple Workstation System, the Group launched and deployed another product, BIX™ to all of the Group's brokerage based clients. BIX™ is the Group's XML-based advanced message exchange product. The Group has also enhanced BIX™ with clustering functions, datafeed reception functions, and information distribution functions.

-Win Vest®: New Platform, New PRC Version, N.Asian Outlook

During this period, the Financial Unit's signature product, WinVest®, retained its competitive edge in Hong Kong as the solution-of-choice for stock trading, with new features and the additional flexibility of a new platform. WinVest® was also modified and introduced to the PRC. Although the market for stock trading systems is extremely competitive, WinVest® maintains its invaluable edge for the "value conscious" mid- to high-end clients:

- The new WinVest® R4.0 platform was developed. This opened up a new generation of transaction processing capability, providing more flexibility and higher levels of scalability for existing trading and other financial and non-financial related applications.
- WinVest®C was introduced to the PRC market. WinVest®C is a new generation brokerage solution that is incrementally scalable with high standards of customer relationship management, management control and risk management. These characteristics would be attractive to banks and financial services institutions.

The Group's marketing and sales office has had a presence in Shanghai since 1998. The Group believes that the PRC market provides enormous opportunities. In preparing itself for the World Trade Organization (WTO), the PRC's Exchanges and brokerage industry will ultimately need to renew, improve and upgrade their automated solutions to maintain their competitiveness, both internally within the PRC, as well as to meet international standards. The Group believes that the vast number of potential customers for brokerages within the PRC would demand a cost-effective, high performance, and high volume capable solution which WinVest®C has been built to fulfil. In March, 2001, the Group's Shanghai subsidiary launched the WinVest®C product.

In addition to expanding into the PRC, the Group is also currently engaged in introducing WinVest® to countries within the North Asian market. In particular, the Group has had ongoing discussions on distribution opportunities with several potential partners.

Internet Interactive Technology Unit

Growth within the realm of Internet technology was substantially affected by the downturn of the Internet industry. Although several of the Group's products received critical acclaim from its customers, product sales during this period failed to live up to the Group's earlier expectations.

-ezConnectTM

ezConnect, an important member in this unit's portfolio, is a user friendly, Internet enabled interactive collaboration system which allows multiple users to communicate using various Internet messaging means, such as text and voice chat, document and application sharing, among other features. During this period, ezConnect was enhanced with tools and features to support the provision of electronic customer care. ezConnect can also now be fully integrated with telephony equipment, and can therefore be one of the third party solution components for Internet call centers, conventional call centers and customer care centers. An "office" version of ezConnect is currently under design review, which would make ezConnect a broader based product.

-ezXMLTM

The ezXML product line supports the deployment of XML technology. ezXML is now bundled in two packages; a professional version and an enterprise version. The Group is currently discussing bundling possibilities with a leading North American software vendor.

Internet and Messaging Security Unit

-SecurTracTM

The Group's award-winning messaging security software became the winner of the 2001 Editor's Choice Gold Award selected by the panel of experts at the 2001 Lotusphere trade show in Orlando, Florida, USA. The award was judged on "design, functionality, simplicity, ease of integration, and other aspects important for a product to be an industry leader". This shows that the Group is a true world-class technology leader. SecurTrac has been gradually gaining acceptance. It was highly recommended by editors and reviewers in leading technology magazines and forums. The Group continues to enhance SecurTracTM and increase its capabilities. It is now undergoing testing at several governmental agencies in the PRC and overseas.

-Fax Router

The Group has also developed a software-based router for cost-effective facsimile transmission. The sales and marketing of the Fax Router solution has mainly been concentrated in the PRC where it has been well received.

e-Business Innovation Services Unit

During the reporting period, the e-Business Innovation Services Unit, which provides comprehensive one-stop information technology consulting, development and support services to its clients has been active. This unit was awarded with several contracts from the Government of the Hong Kong Special Administrative Region (the “Government of the SAR”). In particular, one significant application was successfully completed and was duly rolled out to all of the governmental departments of the SAR.

Also significant during this Period, Systek Information Technology Limited (“SITL”) one of the Group’s subsidiaries became one of the five preferred technology partners of the Securities and Futures Commission (“SFC”).

SITL has expanded its coverage in its information technology training programs, which are geared towards training experienced software engineers, administrators and other trainers in various languages, and tools. Traditionally providing mainly Lotus and Microsoft training products, SITL now offers a wider scope of programs. For example, SITL’s training center has become Baltimore Technologies Inc.’s first Asian certified partner for training Baltimore IT Security Technology. SITL also offers, in partnership with Intel Corporation, an e-Business Solution Education Program. Further within the provision of IT education, SITL has also entered into an agreement with the Hong Kong Productivity Council and eSchool Limited to promote an Internet based “XML Master” program.

PROSPECTS

The Group believes the expected opening up of the PRC after its entrance into the WTO will provide companies such as the Group with enormous opportunities and that the Group is well prepared to capture the available business opportunities.

It has always been the Group’s intention to expand the market base of its products from heavy reliance on the Hong Kong market, The Group intends to shift its focus to the Greater China Market and the North American market so that it will be in a better position to embrace any future fluctuations from over-reliance on one single market.

The PRC Market

The Group sees great opportunity in the PRC market as it believes that the WTO will force local businesses and industries to modernize its management systems. The Group anticipates that information technology applications will play a significant part in the modernization of management systems.

Expansion into the International Market with Products

The Group sees opportunities in the international market for its packaged products which are not specific to a geographical location, such as ezConnect™ and SecurTrac™. The Group intends that its Toronto subsidiary be responsible for market research, marketing and sales efforts of these products for North America and Europe, while the Hong Kong subsidiary, SITL be responsible for efforts in Asia and South East Asia.

Cost Structure and Performance Improvement

After careful consideration and evaluation of the skills and performance of the PRC information technology workforce in the PRC, and in particular in Shanghai and Beijing, the Group is confident that improvement in the Group's cost structure will be effective by deploying the skilled workforce recruited for the Group's PRC offices.

Internal Management Control

The Group will streamline its internal management structure to attain a higher degree of efficiency as well as cost-effectiveness of production and services. The Group will further its internal automation to enhance its management control system in rise of its expanded multi-branch, multi-country expansion.

DELAY IN PUBLICATION OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2001

References is made to the announcements of the Company dated 22 and 29 June 2001 (the "Announcements") regarding the delay in the publication of the annual results of the year ended 31 March 2001. As stated in the Announcements, the delay is mainly due to the extra time required to collect information from the Company's subsidiary in the PRC due to the increase business activities in the PRC, including research and development and marketing and sales, change in personnel in the PRC and dismissal of an accounting firm in the PRC which kept the books and records of the Group's office in Beijing.

The Board has requested the audit committee to review, among other things, the current reporting procedure between the Group's subsidiaries in the PRC and the head office in Hong Kong and also the administrative procedure of the Hong Kong head office with a view to make appropriate recommendations to the Board to improve the communication and administrative efficiency so as to avoid the reoccurrence of similar incident in future. The audit committee is currently reviewing the matters and is expected to finish its review shortly.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

From the date of listing since 8 September 2000 up to the year ended 31 March 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's primary duties are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Directors.

The audit committee comprises three independent non-executive Directors, namely The Hon. Dr. Wong Yu Hong Philip, Mr. Chan Wai Dune Charles and Dr. Leininger, William Joseph. The Hon. Dr. Wong Yu Hong Philip is the chairperson of the audit committee. The audit committee has met three times since its establishment on 18 May 2000.

On behalf of the Board
To Cho Kei
Chairman

Hong Kong, 31 July, 2001

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of its posting.

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