



FLEXSYSTEM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Results Announcement For the year ended 31 March, 2002

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “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 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 of Hong Kong Limited 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 however arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of FlexSystem Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to FlexSystem 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.

Chairman's Statement

Business Review

This is the second fiscal year since the Group has been successfully listed its shares on GEM and the overall economic condition remains a difficult one. Although some market observers declare the global recession is coming to an end, with which business will begin to recover, the computer industry market is far from getting back on its feet and the demand of enterprise application software has not improved much. In fact, the Group is being challenged with a decrease in turnover as compared with that of last year.

Deploying resources in research and development

Despite the decrease in turnover, the Group persists in its research and development investment, which covers many areas, including operating system study, enhancement in programming skill and new system framework researching. The Group believes that new and improved technology always leads to operation efficiency and at the same time decreasing development cost. In addition, the Group can leverage on its research and development result to expand the Group's products horizontally and vertically, as well as offer value-added services to meet the variety of customer needs. In order to provide the growth in shareholders' wealth in future, developing resources in research and development is a key success factor.

The non-recurring write-offs in this year

The Group incurred a loss attributable to shareholders of approximately HK\$67 million for the year ended 31 March 2002, mainly due to the following non-recurring write-offs and provision made.

HK\$' million

Impairment charge for goodwill previously written off to reserves	25
Impairment charge for long term investments	12
Provision for amount due from investee companies	13

These write-offs and provision were made as a result of the unsatisfactory performance of the investee companies. The board of Directors is projecting a continuous loss-making or unfavourable performance for these investee companies and consider prudent to make a one-time write-off/provision for these investments and advances made. However, these write-offs and provision have not affected the liquidity position of the Group and the Group still remains a debt free capital structure.

Final dividend

The board of Directors recommends a final dividend payment of HK\$0.01 per share for the year ended 31 March, 2002 subject to approval by our shareholders at the Annual General Meeting.

Outlook

The computer industry is still undergoing a slow recovery as the market's IT expenditure remains stumped. The shortage in demand means a more competitive environment. In general, the market players have to go an extra mile for its customers. In short, the one who succeeds in utilising the best technology, best business know-how, best services and best price will be the one who continues to stand up in the market.

The Group continues its enterprise solutions business, with additional sales and marketing effort for its flagship accounting products and some vertical market solutions. In the near term, the Group has scheduled to launch the next generation enterprise computing solutions and decision-making tools in late 2002.

While the Group continues its overseas expedition, the Greater China region has become the focal point. Most importantly, the Group makes special effort to ensure that the regional offices are always running at optimum efficiency to pursue business opportunities with a controlled operating cost.

Finally, the Group attaches utmost importance in maintaining its competitiveness via technology advancement. The Group will invest in areas which promise satisfactory return and will benefit the Group in the long-run. The areas include enhancing products' functionalities; developing new application; raising programming efficiency and lowering production cost.

The Group believes that new business opportunities will open up in Asia once the economy finds its way back to stability and the Group has been equipped with all the market edges at that time.

People are always the key component to our Group's success. On behalf of the Board, I would like to extend my deepest appreciation to our management and staff for their dedication and commitment in the past year.

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH, 2002

The board of Directors (“Board”) of FlexSystem Holdings Limited (“FlexSystem” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March, 2002, together with the comparative figures for the corresponding period in 2001, as follows:

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	2	56,198	61,898
Cost of sales		<u>(9,853)</u>	<u>(5,771)</u>
Gross profit		46,345	56,127
Other revenue		2,273	4,626
Distribution costs		(11,806)	(11,765)
Administrative expenses		(35,153)	(19,692)
Other operating expenses		<u>(16,256)</u>	<u>(7,069)</u>
Operating (loss)/profit	3	(14,597)	22,227
Finance costs		(17)	(10)
Impairment charge for goodwill previously written off to reserves		(25,367)	—
Impairment charge for goodwill arising in current year		(1,566)	—
Impairment charge for long-term investments		(11,503)	—
Provision for amounts due from investee companies		(12,818)	—
Share of loss of a jointly controlled entity		(639)	(127)
Share of loss of an associated company		<u>(585)</u>	<u>—</u>
(Loss)/profit before taxation		(67,092)	22,090
Taxation	4	<u>(111)</u>	<u>(1,903)</u>
(Loss)/profit after taxation		(67,203)	20,187
Minority interests		479	(173)
(Loss)/profit attributable to shareholders		<u>(66,724)</u>	<u>20,014</u>
Dividends	5	<u>12,000</u>	<u>18,000</u>
(Loss)/earnings per share	6	<u>(11.12) cents</u>	<u>3.57 cents</u>

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 May, 2000 under the Companies Law (2000 Revised) of the Cayman Islands. In preparation for the listing of the Company's shares on GEM, a group reorganisation was effected whereby the Company became the holding company of the Group on 10 July, 2000. The shares of the Company (the "Shares") were listed on GEM on 24 July, 2000.

The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice ("SSAP") 2.127 "Accounting for group reconstructions". The consolidated accounts of the Group for the year ended 31 March, 2002, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

The accounts have been prepared under the historical cost convention as modified by the revaluation of leasehold property and investment in securities, in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

2. Turnover

The Group is principally engaged in the development and sale of enterprise software in Hong Kong, the People's Republic of China (the "PRC") and other Asia Pacific countries. The audited consolidated turnover are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sale of enterprise software	35,758	45,735
Maintenance services	18,024	14,790
Resale of hardware	<u>2,416</u>	<u>1,373</u>
	<u>56,198</u>	<u>61,898</u>

3. **Operating (loss)/profit is stated after charging the following:**

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Charging		
Depreciation:		
Owned fixed assets	1,590	879
Leased Fixed assets	—	33
Total staff costs (including directors' emoluments)	35,700	26,380
Less: amounts capitalised as intangible assets	<u>(1,288)</u>	<u>(8,501)</u>
	<u>34,472</u>	<u>17,879</u>
Cost of inventories	2,047	86
Operating leases in respect of land and buildings	3,462	2,546
Retirement benefit costs	1,644	796
Auditors' remuneration	666	688
Research and development costs	6,107	4,348
Write off of deferred development costs	5,163	—
Amortisation of deferred development costs	1,972	1,972
Loss on disposal of fixed assets	258	163
Provision for doubtful debts	4,231	799
Bad debts written off	1,983	—
Net unrealised loss on other investments	<u>554</u>	<u>—</u>

4. **Taxation**

Hong Kong profits tax has been provided for at the rates of 16% (2001: 16%) on the estimated assessable profit for the year. PRC income tax has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing to the enterprises in the PRC.

5. **Dividends**

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interim, paid, of HK\$0.010 (2001: HK\$0.015) per ordinary share	6,000	9,000
Final, proposed, of HK\$0.010 (2001: HK\$0.015) per ordinary share	<u>6,000</u>	<u>9,000</u>
	<u>12,000</u>	<u>18,000</u>

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31 March, 2001 were HK\$9,000,000. Under the Group's new accounting policy, these have been written back against opening reserves as at 1 April, 2001 and are now charged in period in which they were proposed.
- (b) At a meeting held on 25 June, 2002 the directors declared a final dividend of HK\$0.010 per ordinary share. This proposed final dividend is not reflected as a dividend payable in the accounts for the year ended 31 March, 2002, but will be reflected as an appropriation of the share premium account for the year ending 31 March, 2003.

6. **(Loss)/Earnings per share**

The calculation of the Group's basic (loss)/earnings per share is based on the Group's audited consolidated loss attributable to shareholders of HK\$66,724,000 (2001: profit of HK\$20,014,000) and the weighted average number of 600,000,000 (2001: 561,287,671) ordinary shares in issue during the year.

There were no dilutive potential shares in issue during the year ended 31 March, 2002.

7. Segment information

Primary reporting format - business segments

	Software	Services	Other	Group
	2002	2002	operations	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2002</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	
Turnover	<u>35,758</u>	<u>18,024</u>	<u>2,416</u>	<u>56,198</u>
Segment results	<u>(9,862)</u>	<u>2,643</u>	<u>(895)</u>	(8,114)
Unallocated				<u>(6,483)</u>
Operating loss				(14,597)
Finance costs				(17)
Impairment charge for goodwill previously written off to reserve				(25,367)
Impairment charge for goodwill				(1,566)
Impairment charge for long-term investments				(11,503)
Provision for amount due from investee companies				(12,818)
Share of losses of a jointly controlled entity	(639)	—	—	(639)
an associated company	(585)	—	—	<u>(585)</u>
Loss before taxation				(67,092)
Taxation				<u>(111)</u>
Loss after taxation				(67,203)
Minority interests				<u>479</u>
Loss attributable to shareholders				<u>(66,724)</u>
Segment assets	2,341	—	702	3,043
Investment in a jointly controlled entity	520	—	—	520
Unallocated assets				<u>83,397</u>
Total assets				<u>86,960</u>
Segment liabilities	3,672	5,222	—	8,894
Unallocated liabilities				<u>10,918</u>
Total liabilities				<u>19,812</u>
Capital expenditure	1,228	—	—	<u>1,228</u>
Amortisation charge	1,972	—	—	1,972

Primary reporting format - business segments

	Software 2001 HK\$'000	Services 2001 HK\$'000	Other operations 2001 HK\$'000	Group 2001 HK\$'000
Turnover	<u>45,735</u>	<u>14,790</u>	<u>1,373</u>	<u>61,898</u>
Segment results	<u>14,193</u>	<u>6,980</u>	<u>68</u>	21,241
Unallocated				986
Operating profit				22,227
Finance costs				(10)
Share of loss of a jointly controlled entity	(127)	—	—	<u>(127)</u>
Profit before taxation				22,090
Taxation				<u>(1,903)</u>
Profit after taxation				20,187
Minority interests				<u>(173)</u>
Profit attributable to shareholders				<u>20,014</u>
Segment assets	8,248	—	695	8,943
Investment in a jointly controlled entity	1,122	—	—	1,122
Unallocated assets				<u>134,761</u>
Total assets				<u>144,826</u>
Segment liabilities	2,707	5,291	—	7,998
Unallocated liabilities				<u>22,999</u>
Total liabilities				<u>30,997</u>
Capital expenditure	8,501	—	—	8,501
Amortisation charge	1,972	—	—	1,972

Secondary reporting format - geographical segments

	Hong Kong 2002 HK\$'000	PRC 2002 HK\$'000	Others 2002 HK\$'000	Group 2002 HK\$'000
Turnover	<u>47,092</u>	<u>7,183</u>	<u>1,923</u>	<u>56,198</u>
Segment results	<u>(1,748)</u>	<u>(3,053)</u>	<u>(3,313)</u>	(8,114)
Unallocated				<u>(6,483)</u>
Operating loss				<u>(14,597)</u>
Segment assets	2,388	56	599	3,043
Investment in a jointly controlled entity	—	—	520	520
Segment liabilities	8,345	549	—	8,894
Capital expenditure	1,228	—	—	1,228

Secondary reporting format - geographical segments

	Hong Kong 2001 HK\$'000	PRC 2001 HK\$'000	Others 2001 HK\$'000	Group 2001 HK\$'000
Turnover	<u>54,209</u>	<u>5,296</u>	<u>2,393</u>	<u>61,898</u>
Segment results	<u>22,336</u>	<u>325</u>	<u>(1,420)</u>	21,241
Unallocated				<u>986</u>
Operating profit				<u>22,227</u>
Segment assets	8,042	51	850	8,943
Investment in a jointly controlled entity	—	—	1,122	1,122
Segment liabilities	7,476	522	—	7,998
Capital expenditure	8,501	—	—	8,501

8 Reserves

	Share premium HK\$'000	Merger reserve HK\$'000	Group Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2000	—	(47,430)	—	—	7,191	(40,239)
Premium on issue of shares	135,600	—	—	—	—	135,600
Share issue expenses	(16,728)	—	—	—	—	(16,728)
Surplus on revaluation	—	—	44	—	—	44
Goodwill arising on acquisitions	(27,284)	—	—	—	—	(27,284)
Exchange differences	—	—	—	(25)	—	(25)
2001 interim dividend paid	(9,000)	—	—	—	—	(9,000)
Profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,014</u>	<u>20,014</u>
At 31 March 2001	<u>82,588</u>	<u>(47,430)</u>	<u>44</u>	<u>(25)</u>	<u>27,205</u>	<u>62,382</u>
Representing:						
31 March 2001 after proposed final dividend	73,588					
2001 final dividend proposed	<u>9,000</u>					
	<u>82,588</u>					
Company and subsidiaries	82,588	(47,430)	44	(25)	27,332	62,509
Jointly controlled entity	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(127)</u>	<u>(127)</u>
At 31 March 2001	<u>82,588</u>	<u>(47,430)</u>	<u>44</u>	<u>(25)</u>	<u>27,205</u>	<u>62,382</u>

	Share	Merger	Group		Retained	Total
	premium	reserve	Revaluation	Exchange	earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2001, as previously reported	73,588	(47,430)	44	(25)	27,205	53,382
Effect of adopting SSAP 9 (revised)	<u>9,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,000</u>
At 1 April 2001, as restated	82,588	(47,430)	44	(25)	27,205	62,382
Impairment of goodwill previously written off to reserves	25,367	—	—	—	—	25,367
Disposal of fixed assets	—	—	(44)	—	—	(44)
Exchange differences	—	—	—	(30)	—	(33)
2001 final dividend paid	(9,000)	—	—	—	—	(9,000)
2002 interim dividend paid	(6,000)	—	—	—	—	(6,000)
Loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(66,724)</u>	<u>(66,724)</u>
At 31 March 2002	<u>92,955</u>	<u>(47,430)</u>	<u>—</u>	<u>(55)</u>	<u>(39,519)</u>	<u>5,951</u>
Representing:						
At 31 March 2002 after proposed final dividend	86,955					
2002 final dividend proposed	<u>6,000</u>					
At 31 March 2002	<u>92,955</u>					
Company and subsidiaries	92,955	(47,430)	—	(55)	(38,168)	7,302
Jointly controlled entity	—	—	—	—	(766)	(766)
Associated company	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(585)</u>	<u>(585)</u>
At 31 March 2002	<u>92,955</u>	<u>(47,430)</u>	<u>—</u>	<u>(55)</u>	<u>(39,519)</u>	<u>5,951</u>

	Share premium <i>HK\$'000</i>	Company Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Premium on issuance of new shares	135,600	—	135,600
Share issue expenses	(16,728)	—	(16,728)
2001 interim dividend paid	(9,000)	—	(9,000)
Profit for the year	<u>—</u>	<u>890</u>	<u>890</u>
At 31 March 2001	<u>109,872</u>	<u>890</u>	<u>110,762</u>
Representing:			
At 31 March 2001 after proposed final dividend	100,872		
2001 final dividend proposed	<u>9,000</u>		
At 31 March 2001	<u>109,872</u>		
At 1 April 2001, as previously reported	100,872	890	101,762
Effect of adopting SSAP 9 (revised)	<u>9,000</u>	<u>—</u>	<u>9,000</u>
At 1 April 2001, as restated	109,872	890	110,762
2001 final dividend paid	(9,000)	—	(9,000)
2002 interim dividend paid	(6,000)	—	(6,000)
Loss for the year	<u>—</u>	<u>(1,307)</u>	<u>(1,307)</u>
At 31 March 2002	<u>94,872</u>	<u>(417)</u>	<u>94,455</u>
Representing:			
At 31 March 2002 after proposed final dividend	88,872		
2002 final dividend proposed	<u>6,000</u>		
At 31 March 2002	<u>94,872</u>		

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the year ended 31 March, 2002, turnover of approximately HK\$56 million and the loss attributable to shareholders of approximately HK\$67 million was recorded. The decrease in turnover of 9.2% as compared with the corresponding period last year was principally due to the economic conditions pertaining to the IT industry. Our group still maintains a non gearing capital structure.

Financial Resources and Liquidity

As at 31 March, 2002, the shareholders' funds of the Group amounted to approximately HK\$66 million. Current assets amounted to approximately HK\$72 million, of which approximately HK\$50.8 million were cash and bank deposits and approximately HK\$21.2 were debtors, deposits, prepayments and inventory. Its current liabilities amounted to approximately HK\$20 million, mainly comprise of creditors, accruals and deposits received and taxation payable amounted to approximately HK\$13 million and HK\$7 million respectively. The net asset value per share was HK\$0.11. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March, 2002, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 3.7:1 (2001: 5.4:1), reflecting the adequacy of financial resources.

Exposure to Exchange Rate Fluctuations

During the year ended 31 March, 2002, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this type of currency. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Significant Investments and Acquisitions

During the year ended 31 March, 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31 March, 2002, the Group had no material investment.

Capital commitments

As at the two years ended 31 March, 2002, the Group had no future plans for material investment.

Contingent liabilities

As at the two years ended 31 March, 2002, the Group had no material contingent liabilities.

Charges on the Group's assets

As at 31 March, 2002, the Group had no charges on the Group's assets.

Employees and Remuneration Policies

As at 31 March, 2002, the Group had 212 employees. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Business development

This is the second fiscal year since the Group's shares are listed on GEM and the overall economic condition remains a difficult one. Although some market observers declare the global recession is coming to an end, the IT market is far from getting back on its feet and the demand of enterprise solutions has not improved to a significant extent.

Under such market conditions, the Group is also affected with a decrease in sales revenue. The Group regards this as being one of the obstacles that one inevitably run into as the local commercial sector reduces IT spending along with the economic downturn over an extended period of time. In view of this, the Group has implemented different measures to monitor and control its operation cost. Nonetheless, the Group continues to deploy resources in R&D, which will bring promising return in the long run.

The Group has re-assessed its Asian Pacific business strategy to cope with the economic hardship. Geographically, the Group has put more weight on its

primary markets, namely Hong Kong, the PRC and Taiwan, where the Group has a well-established market position. Overseas operations have been restructured and consolidated accordingly to provide regional sales and support in a more cost effective manner. In term of product offering, the Group's flagship product – FlexAccount Financial Management Suite – will continue being highlighted, which helps the Group to fortify its market share and maintain a steady income.

Despite a decrease in turnover, the Group persists in its R&D investment, which covers many areas, including operating system study, enhancement in programming skill and researching new system framework. The Group believes that new and improved technology always lead to operation efficiency and at the same time lowering development overhead. In addition, the Group is leveraging on its R&D result to expand the Group's products horizontally and vertically, and to offer value-added services to meet the variety of customer needs.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Comparison of use of proceeds

	Amount to be used up to 31 March, 2002 as disclosed in the prospectus dated 18 July, 2000	Actual amount used
<i>(in HK\$ million)</i>		
Strategic acquisition and investment	30.0	30.0
Geographic expansion	19.0	13.8
Research and development	18.0	13.2
ASP Business	17.0	2.5
Marketing and promotional activities	<u>7.5</u>	<u>5.7</u>
Total	<u>91.5</u>	<u>65.2</u>

The under-utilization is mainly attributable to the proportion of proceeds set aside for ASP business which has not been utilised as expected during the year given the unfavourable market sentiment which hindered the growth of the ASP business.

The unused proceeds have been placed into bank accounts of the Group maintained in the licensed banks in Hong Kong.

Comparison of Business Objective

RESEARCH AND DEVELOPMENT

Product Development

Objective: Develop the next generation FlexAccount products

Actual: Development of the next generation FlexAccount products, including FlexAccount Ver 10 and FION Ver 3.0 is on schedule, and have been scheduled to be launched in late 2002.

Objective: Enhance the functionality such as data mining, reporting, user's interactive of FlexAccount products

Actual: The Group continues enhancing FlexSystem Solutions' functionality. The Group's latest product enhancement includes the embedding of a data visualization and decision-making tool onto its Enterprise Solution Suite.

Objective: Develop application for the catering and hotel industry

Actual: After detail studies of the catering and hotel industry within the region and evaluating the return on investment against the development cost, the Group has concluded that the return would be less than desirable and has held up the development plan for the time being and until the market sector of this industry has been recovered.

Objective: Develop application to handle time billing and job costing

Actual: The Group starts to evaluate the development of this system at an initial stage.

Objective: Develop Linux application for FlexAccount products

Actual: The Group has conducted a preliminary study regarding the Linux based business application market and concluded that the market is not yet ready for this product. The Group will have the development plan pending for the time being and until the market sector of this industry has been recovered.

Objective: Perform localization of FlexAccount products for the Malaysian and Singaporean markets

Actual: The Group had restructured its operations in Malaysia and Singapore, its subsidiaries in Singapore and Malaysia acts as the representative offices within the region, to provide sales, localization and support services to the customers. The localisation of the product had been completed.

Research

Objective: To research and implement new technology, such as component based business logic program, on FlexAccount products

Actual: New technologies including Microsoft.net framework are used to build a workflow solution and a web-based ERP suite. The new technology enhances the performance of FlexSystem products, while significantly reduces the development cost.

Objective: Develop solutions to enable wireless application on platforms such as WAP

Actual: The Internet based wireless distribution and logistics system, and a wireless stock audit management solution have been completed and launched in this year. The Group conducts feasibility studies on the new wireless application system on the education software.

Objective: To develop new Internet enabling technologies for deployment on the next generation of Soma*AI

Actual: The Group is working on a new version of its Soma*AI. The final product will be an ultra-thin client framework with the most advance server memory cache management algorithm and it is expected that the development will be completed by the end of this year.

Objective: To enhance the functionality of FlexAccount Data Center

Actual: The company has invested intensively on new application framework, such as an ultra-thin client technology that enhances the application servers' performance and scalability.

Objective: To research and implement new technology such as multi-lingual Internet Application Browsers, high speed Internet communication algorithm and high speed data encrypting algorithm for ASP business

Actual: The Group is working on its ultra-thin client technology and will utilize this new technology on its ASP business as the application server will be running more effectively.

Objective: To develop the next generation of Soma*AI

Actual: To perform the development of the next generation of Soma*AI at an initial stage.

ASP BUSINESS

PRC

Objective: Recruit business partners in various major cities in the PRC for the ASP business

Actual: The Group has restructured its PRC business and has put additional efforts on direct sales and marketing activities. The Group has suspended recruiting business partner at this stage as it is difficult to successfully recruit more business partners.

Objective: Set-up and establish 5-10 call centres for its ASP clients in the PRC

Actual: Since a majority of the ASP business are conducted in the Enterprise Data Center Model, and maintained by the corporate customers themselves, the Group has slowed down the plan of setting up call centres at this stage and will be resumed until the setting up of call centers is feasible.

Hong Kong

Objective: Promote ASP business by direct marketing to existing corporate users of FlexAccount Products in Hong Kong

Actual: The Group will continue the sales and marketing activities relating to the FlexAccount Enterprise Server Edition to FlexSystem's existing corporate users via direct sales approaches.

Objective: To recruit international accounting firms and ISPs as value-added partners

Actual: The Group has restructured its ASP business and has put more emphasis on direct sales and marketing activities. The Group has ceased recruiting business partner at this stage and will be resumed until the market sentiment is being recovered.

Objective: To recruit value-added partners who are MPF providers

Actual: The Group will continue its joint effort with MRC Holdings Ltd. (Stock Code: 8070) to develop and market the next generation human resources management/ MPF solution.

Objective: To recruit valued-added partners for its on-line stock trading service

Actual: In view of the severe competition, the Group has suspended its investment on the on-line stock brokerage system development, thus ceased recruiting business partner at this stage and will resumed until the on-line stock trading system is profitable.

Other Asian markets

Objective: Expand ASP business in selected Asian Markets, including Taiwan and Japan

Actual: The Group has restructured its ASP business and has put more emphasis on the solution sales business. The Group has put relatively less resources on its ASP business in Taiwan and Japan.

Objective: To recruit business partners in Japan for the ASP business

Actual: The Group is looking for the recruitment of business partners in Japan and did not succeed at this stage and will continue until the market sector has been recovered.

Objective: To recruit business partners in selected markets in the other Asian markets for the ASP business

Actual: The Group has restructured its Asia Pacific market, and put focus on the Greater China region and will adopt a more direct sales and marketing approach. The Group has suspended all recruitment of business partner activities in the area and will be resumed until the business sector in Asian market is recovered.

ENTERPRISE APPLICATION BUSINESS

Objective: To promote FlexAccount products by direct and Internet-based marketing to the general business sector in selected Asian markets

Actual: The Group will continue its direct marketing and Internet-based marketing approach to introduce FlexSystem products to the overseas markets through the regional offices.

Objective: To launch and promote new generation of the FlexAccount Financial Management System and FION

Actual: The development of a new generation FlexAccount Financial Management System and FION is almost finished and the Group has begun its market evaluation and positioning. The Group has scheduled the launch of the products in late 2002.

Objective: To launch and promote the localised version of FlexAccount products in Japan

Actual: The Group is still in the process of conducting feasibility studies for the Japanese Market as the market is still not recovered.

RESOURCES DEPLOYMENT

Objective: To expand research and development team:

PRC	20 staff
Macau	10 staff
Malaysia	10 staff

Actual: In view of the cost effectiveness of its operation, the Group has devoted resources to the R&D team base in Macau and PRC, whose primary task is to assist the Hong Kong R&D team to develop new product with great market value. The development staff in PRC, Hong Kong and Macau have been increased to 24, 45 and 7 respectively. In view of the cost and benefit analysis, the Group slow-downs the development term in Malaysia.

The Directors consider that there is no disclosure considered necessary for the purpose of Rule 17.25. The Directors are of the view that though there are certain adjustments to the business plan of the Group in light of the market

conditions, the Group's core business has not been changed and the focused line of business of the Group remains as the development and sale of enterprise software products in Hong Kong, the PRC and other Asian countries, as stated in the prospectus.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK\$0.01 per share for the year ended 31 March, 2002 (2001: HK\$0.015). The dividend will be payable on Thursday, 25 July 2002 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 22 July 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed between Monday, 22 July 2002 and Wednesday, 24 July 2002 during which period no transfer of shares will be effected. To rank for the aforesaid final dividend, all completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrars, Hong Kong Registrars Limited at shops 1712 - 1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:00 p.m. on Friday, 19 July, 2002.

DIRECTORS' INTERESTS IN EQUITY AND EXECUTIVES' INTEREST IN SECURITIES

DIRECTORS' INTERESTS IN SECURITIES

At 31 March, 2002, the interests of the directors and chief executive in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

	Number of shares		Total
	Personal interests	Corporate interests	
Mr. Lok Wai Man (<i>note 1</i>)	3,414,000	475,500,000 (<i>note 2</i>)	478,914,000
Mr. So Yiu King (<i>note 1</i>)	2,000	3,600,000 (<i>note 2</i>)	3,602,000
Mr. Chow Chi Ming, Daniel (<i>note 1</i>)	2,000	3,600,000 (<i>note 2</i>)	3,602,000
Mr. Leung Wai Cheung (<i>note 1</i>)	Nil	1,000,000 (<i>note 2</i>)	1,000,000

1. Mr. Lok Wai Man, being a substantial shareholder of the Company entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company, is regarded as initial management shareholder (as defined in the GEM Listing Rules) of the Company. Mr. So Yiu King, Mr. Chow Ching Ming, Daniel and Mr. Leung Wai Cheung are executive directors of the Company and are also considered to be initial management shareholders of the Company.
2. The 475,500,000 shares were held by SomaFlex Holdings Inc., a private company beneficially owned by Mr. Lok Wai Man, Mr. So Yiu King, Mr. Chow Chi Ming, Daniel and Mr. Leung Wai Cheung. As Mr. Lok Wai Man is entitled to exercise or control the exercise of one third or more of the voting rights of SomaFlex Holdings Inc., he is deemed, by virtue of the SDI Ordinance, to be interested in the same 475,500,000 shares held by SomaFlex Holdings Inc.. The indirect interest of the other remaining Directors are the corresponding number of shares held by SomaFlex Holdings Inc. by reference to their respective shareholding in SomaFlex Holdings Inc..

Save as disclosed above, as at 31 March, 2002, none of the Directors, chief executive of the Company or their associates had any interests in or rights to subscribe for any securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

Pursuant to the share option scheme for employees which was adopted on 15 July, 2000, the Directors may at their discretion grant options to full-time employees and executive directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the share option scheme. The maximum number of ordinary shares in respect of which options may be granted under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

No share options were granted by the Company during the year ended 31 March, 2002.

MANAGEMENT SHAREHOLDERS

Save for the Directors and substantial shareholders as herein disclosed, the Directors are not aware of any persons who, as at 31 March, 2002 were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who were able, as a practical matter, to direct or influence the management of the Company.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the shares during the year.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practice and Procedure as set out in Rule 5.28 to 5.39 of the GEM Listing Rules throughout the financial year.

SUBSTANTIAL SHAREHOLDERS

Other than the interest disclosed herein in respect of the Directors, chief executives and their respective associates, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31 March, 2002, the Company had the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

	Number of shares			Percentage of issued share capital
	Personal interests	Corporate Interests	Total	
SomaFlex Holdings Inc. (<i>Note 1</i>)	Nil	475,500,000	475,500,000	79.25%
Mr. Lok Wai Man (<i>Note 2</i>)	3,414,000	475,500,000	478,914,000	79.82%

Note:

1. SomaFlex Holdings Inc. is beneficially owned as to 98.27% by Mr. Lok Wai Man, 0.76% by Mr. So Yiu King, 0.76% by Mr. Chow Chi Ming, Daniel and 0.21% by Mr. Leung Wai Cheung.
2. As Mr. Lok Wai Man is entitled to exercise or control the exercise of one third or more of the voting rights of SomaFlex Holding Inc., he is deemed, by virtue of the SDI Ordinance, to be interested in the same 475,500,000 shares held by SomaFlex Holdings Inc..

INTEREST OF SPONSOR

DBS Asia Capital Limited (the “Sponsor”) has been appointed as the continuing sponsor to the Company. Pursuant to the appointment, for a fee, the Sponsor will act as the Company’s continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up to 31 March, 2003.

As updated and notified by the Sponsor, as at 31 March, 2002, one of its fellow subsidiaries, DBS Vickers (Hong Kong) Limited, beneficially held 19,834,000 Shares (approximately 3.3% of the issued share capital) in the Company.

Saved as disclosed above, neither the Sponsor nor its directors or employees or associates, as at 31 March, 2002, had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the year ended 31 March, 2002, none of the directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

By Order of the Board
Lok Wai Man
Chairman

Hong Kong, 25 June, 2002

This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting and on the Company’s website.