



FLEXSYSTEM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Results Announcement For the year ended 31 March, 2003

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.

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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

Although the overall local market condition is being worsen, the Group's business is relatively stable. In recent months, both local and international application software developers are struggling for survival in view of the tough economic conditions in Hong Kong. However, the Group has been able to maintain its competitive edge in the market. Such achievement has clearly demonstrated the fact that we are going in the right direction - deploying resources in research and development ("R&D"). The Group is of the view that the R&D efforts would bring forth new and improved products and technologies to our new and potential customers.

Deploying resources in research and development

Despite the market sentiment is not good, the Group persists in deploying resources in research and development. During the year under review, the Group has expanded its R&D department by employing more new staff and injecting additional resources. Following the completion of its ECSS, an enterprises computing support tool, the Group is allocating more resources to develop new ERP application software to enrich the Group's application suite.

Final dividend

The board of Directors does not recommend a final dividend payment for the year ended 31 March, 2003.

Outlook

Due to the unfavorable economical conditions in Hong Kong, the Group believes that the computer industry is still undergoing a slow recovery. As most companies curtail their IT expenditure budget, fierce competition in our industry is still ongoing. In order to well-equip ourselves, the Group had undergone a re-structure by tightening the growth of overseas operations as well as the operation cost of the Group.

The Group continues to pursue on its enterprise solutions business, with additional sales and marketing efforts for the ERP products. Most importantly, the Group makes special effort in Hong Kong and the PRC markets by employing more sales and marketing staff in these areas.

The Group believes that R&D is the most important factor in maintaining its competitiveness in the industry. The Group is now employing almost 60 staff in the R&D department to fine-tune the basic development framework and upgrade the ERP products. Upon successful completion of the development framework, it is expected save more than 70% development time.

Finally, People are always the key component to the 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.

Lok Wai Man
Chairman

Hong Kong, 19th June, 2003

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH, 2003

The board of Directors (the “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, 2003, together with the comparative figures for the corresponding period in 2002, as follows:

	<i>Note</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	2	53,799	56,198
Cost of sales		<u>(11,482)</u>	<u>(9,853)</u>
Gross profit		42,317	46,345
Other revenues		603	2,273
Distribution costs		(10,076)	(11,806)
Administrative expenses		(36,055)	(35,153)
Other operating expenses		<u>(10,312)</u>	<u>(16,256)</u>
Operating loss	3	(13,523)	(14,597)
Finance costs		—	(17)
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		(660)	(11,503)
Provision for amounts due from investee companies		(778)	(12,818)
Share of profit/(loss) of a jointly controlled entity		250	(639)
Share of loss of an associated company		<u>(856)</u>	<u>(585)</u>
Loss before taxation		(15,567)	(67,092)
Taxation	4	<u>581</u>	<u>(111)</u>
Loss after taxation		(14,986)	(67,203)
Minority interests		<u>522</u>	<u>479</u>
Loss attributable to shareholders		<u>(14,464)</u>	<u>(66,724)</u>
Dividends	5	<u>3,000</u>	<u>12,000</u>
Loss per share	6	<u>(2.41) cents</u>	<u>(11.12) cents</u>

All of the Group’s operations are classed as continuing.

Notes:

1. Corporate information and basis of preparation

The Company was incorporated in the Cayman Islands on 8 May, 2000 as an exempted company with limited liability under the Companies Law (2000 Revised) of the Cayman Islands. The shares of the Company (the “Shares”) are listed on GEM of the Exchange.

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Exchange. The financial statements have been prepared under the historical cost convention except that certain property and investments in securities are stated at fair value.

2. Turnover

The Group is principally engaged in the development and sales of enterprise software, the provision of maintenance services and hardware products in Hong Kong, the People’s Republic of China (the “PRC”) and other Asia Pacific countries. The audited consolidated turnover is analysed as follows:

	2003 <i>HK\$’000</i>	2002 <i>HK\$’000</i>
Turnover		
Sales of enterprise software	33,734	35,758
Provision of maintenance services	18,137	18,024
Sales of hardware products	<u>1,928</u>	<u>2,416</u>
	<u>53,799</u>	<u>56,198</u>

3. **Operating loss is stated after charging the following:**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries, wages and other benefits	29,917	34,056
Contributions to defined contribution schemes	<u>1,548</u>	<u>1,644</u>
Total staff costs (including directors' remuneration)	31,465	35,700
Less: amounts capitalised as intangible assets	<u>—</u>	<u>(1,228)</u>
	<u><u>31,465</u></u>	<u><u>34,472</u></u>
Depreciation of owned fixed assets	1,821	1,590
Cost of inventories	1,344	2,047
Operating lease rentals in respect of premises	2,449	3,462
Auditors' remuneration	334	666
Research and development costs	—	6,107
Write-off of deferred development costs	—	5,163
Amortisation of deferred development costs	2,341	1,972
Loss on disposal of fixed assets	173	258
Provision for doubtful debts	4,084	4,231
Bad debts written off	2,686	1,983
Net unrealised loss on other investments	<u>402</u>	<u>554</u>

4. **Taxation**

Hong Kong profits tax is calculated at the rate of 16% (2002: 16%) on the estimated assessable profit for the year. No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong did not have any assessable profits in both the current and prior years. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

5. **Dividends**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interim, paid, of HK\$0.005 (2002: HK\$0.010) per ordinary share	3,000	6,000
Final, HK\$Nil (2002: HK\$0.010) per ordinary share	<u>—</u>	<u>6,000</u>
	<u><u>3,000</u></u>	<u><u>12,000</u></u>

6. Loss per share

The calculation of the basic loss per share is based on the Group's audited consolidated loss attributable to shareholders of approximately HK\$14,464,000 (2002: HK\$66,724,000) and 600,000,000 (2002: 600,000,000) ordinary shares in issue during the year.

There is no diluted loss per share since the Company has no dilutive potential ordinary shares.

7. Segment information

Primary reporting format - business segments

	Software	Services	Other	Group
	2003	2003	operations	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>33,734</u>	<u>18,137</u>	<u>1,928</u>	<u>53,799</u>
Segment results	<u>(4,541)</u>	<u>(11)</u>	<u>(675)</u>	(5,227)
Unallocated				<u>(8,296)</u>
Operating loss				(13,523)
Impairment charge for long-term investments				(660)
Provision for amounts due from investee companies				(778)
Share of profit/(loss) of a jointly controlled entity	250	—	—	250
an associated company	(856)	—	—	<u>(856)</u>
Loss before taxation				(15,567)
Taxation				<u>581</u>
Loss after taxation				(14,986)
Minority interests				<u>522</u>
Loss attributable to shareholders				<u>(14,464)</u>
Segment assets	—	—	891	891
Investment in a jointly controlled entity	776	—	—	776
Unallocated assets				<u>61,967</u>
Total assets				<u>63,634</u>
Segment liabilities	4,009	5,704	—	9,713
Unallocated liabilities				<u>10,759</u>
Total liabilities				<u>20,472</u>
Amortisation charge	2,341	—	—	2,341

Primary reporting format - business segments

	Software	Services	Other	Group
	2002	2002	operations	2002
	<i>HK\$'000</i>	<i>HK\$'000</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 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 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	—	—	1,228
Amortisation charge	1,972	—	—	1,972

There are no sales or other transactions between the business segments.

Secondary reporting format - geographical segments

	Hong Kong 2003	PRC 2003	Others 2003	Group 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>45,123</u>	<u>5,966</u>	<u>2,710</u>	<u>53,799</u>
Segment results	<u>(2,175)</u>	<u>(690)</u>	<u>(2,362)</u>	<u>(5,227)</u>
Unallocated				<u>(8,296)</u>
Operating loss				<u>(13,523)</u>
Segment assets	54	23	814	891
Investment in a jointly controlled entity	—	—	776	776
Segment liabilities	8,052	1,661	—	9,713
	Hong Kong 2002	PRC 2002	Others 2002	Group 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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>	<u>(8,114)</u>
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

8 Reserves

Group

	Share premium HK\$'000	Merger reserve HK\$'000 <i>(Note)</i>	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April, 2001	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)	—	(30)
2001 final dividend paid	(9,000)	—	—	—	—	(9,000)
2002 interim dividend paid	(6,000)	—	—	—	—	(6,000)
Loss attributable to shareholders for the year	—	—	—	—	(66,724)	(66,724)
As 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>
<i>Representing:</i>						
As at 31 March, 2002 after proposed final dividend	86,955					
2002 final dividend proposed	<u>6,000</u>					
As 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	—	—	—	—	(585)	(585)
As 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>
As at 1 April, 2002	92,955	(47,430)	—	(55)	(39,519)	5,951
2002 final dividend paid	(6,000)	—	—	—	—	(6,000)
2003 interim dividend paid	(3,000)	—	—	—	—	(3,000)
Loss attributable to shareholders for the year	—	—	—	—	(14,464)	(14,464)
As at 31 March, 2003	<u>83,955</u>	<u>(47,430)</u>	<u>—</u>	<u>(55)</u>	<u>(53,983)</u>	<u>(17,513)</u>

Group	Share premium HK\$'000	Merger reserve HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
		(Note)				
<i>Representing:</i>						
Company and subsidiaries	83,955	(47,430)	—	(55)	(52,026)	(15,556)
Jointly controlled entity	—	—	—	—	(516)	(516)
Associated company	—	—	—	—	(1,441)	(1,441)
As at 31 March, 2003	<u>83,955</u>	<u>(47,430)</u>	<u>—</u>	<u>(55)</u>	<u>(53,983)</u>	<u>(17,513)</u>

Note: The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the share capital of the Company issued in exchange therefor.

Company	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April, 2001	109,872	890	110,762
2001 final dividend paid	(9,000)	—	(9,000)
2002 interim dividend paid	(6,000)	—	(6,000)
Loss attributable to shareholders for the year	—	(1,307)	(1,307)
As at 31 March, 2002	<u>94,872</u>	<u>(417)</u>	<u>94,455</u>
<i>Representing:</i>			
As at 31 March, 2002 after proposed final dividend	88,872		
2002 final dividend proposed	<u>6,000</u>		
As at 31 March, 2002	<u>94,872</u>		
As at 1 April, 2002	94,872	(417)	94,455
2002 final dividend paid	(6,000)	—	(6,000)
2003 interim dividend paid	(3,000)	—	(3,000)
Loss attributable to shareholders for the year	—	(1,410)	(1,410)
As at 31 March, 2003	<u>85,872</u>	<u>(1,827)</u>	<u>84,045</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the year ended 31 March, 2003, turnover of approximately HK\$54 million and loss attributable to shareholders of approximately HK\$14 million were recorded. The decrease in turnover of 4.2% as compared with the previous 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, 2003, the shareholders' funds of the Group amounted to approximately HK\$42 million. Current assets were approximately HK\$52 million, mainly comprising cash and bank deposits of approximately HK\$35.3 million and debtors, deposits, prepayments and inventories of approximately HK\$16.7 million. Current liabilities were approximately HK\$20 million, mainly comprising creditors, accruals and deposits received of approximately HK\$14 million and taxation payable of approximately HK\$6 million. The net asset value per share was HK\$0.07. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March, 2003, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 2.5:1 (2002: 3.7:1), reflecting the adequacy of financial resources.

Exposure to exchange rate fluctuations

During the year ended 31 March, 2003, 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 currency. The Group considered that as the exchange rate risk of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Significant investments, acquisitions and disposals

During the year ended 31 March, 2003, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31 March, 2003, the Group had no material investment.

Capital commitments

As at 31 March, 2003, the Group had operating lease commitments in respect of rented office premises of approximately HK\$3,089,000 (2002: HK\$3,750,000). As at 31 March, 2002 and 2003, the Group had no significant capital commitment and have no future plans for material investment.

Contingent liabilities

As at 31 March, 2002 and 2003, the Group had no material contingent liabilities.

Charges on the Group's assets

As at 31 March, 2003, the Group had no charges on the Group's assets.

Employees and remuneration policies

As at 31 March, 2003, the Group had 238 employees (2002: 212). The total remuneration to employees, including that to the directors, for the year ended 31 March, 2003 amounted to approximately HK\$31.6 million (2002: HK\$35.7 million). 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 and Singapore.

Segmental information

Business segment

During the year under review, the turnover of maintenance services has slightly increased by approximately 1% as the number of customers have increased as compared with the previous year. However, the turnover of software sales has slightly decreased by approximately 6% as the market sentiment of the software industry has not yet recovered.

Geographical segments

The major contribution of turnover is still from Hong Kong. Turnover from the Hong Kong segment represented approximately 84% of the total turnover (2002: 84%). The high percentage of the Hong Kong segment is mainly due to the fact that the market sentiment of Asian markets has not yet recovered.

In the PRC, the turnover has decreased by approximately 17% to approximately HK\$6 million as compared with the previous year. The decrement was attributed by the restructuring of the Group's sales and marketing team in the PRC.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Comparison of use of proceeds

<i>(in HK\$ million)</i>	Amount to be used up to 31 March, 2003 as disclosed in the prospectus dated 18 July, 2000	Actual amount used
Strategic acquisition and investment	30.0	30.0
Geographic expansion	25.0	21.0
Research and development	25.0	24.0
ASP Business	25.0	7.0
Marketing and promotional activities	<u>10.0</u>	<u>9.0</u>
Total	<u>115.0</u>	<u>91.0</u>

The under-utilisation 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.

Difference of HK\$24 million between Placing of shares proceeds of HK\$115 million and the actual amount used up to 31 March, 2003 of HK\$91 million was used as additional working capital for the Group.

Comparison of business objectives with actual business progress

RESEARCH AND DEVELOPMENT

Product development

Objective: Develop the next generation of FlexAccount products.

Actual: The Group has completed and launched a series of Enterprise Solutions into the market, including V10 FMS, workflow management and web-based ERP.

Objective: Enhance the functionality of FlexAccount products.

Actual: Resources have been allocated on products upgrade. New version of FlexAccount NV5 with modern technology and rich features have been developed.

Objective: Develop application for insurance industry

Actual: The Group has been re-focusing on its core development, which is accounting, business intelligence and trading and manufacturing. Hence, the Group will put the development plan on hold, until the market conditions recover.

Objective: Perform localisation of FlexAccount products for the Australian market

Actual: The Group has restructured its Australian operations to maintain a minimum running cost, instead of allocating resources on product localisation for the market.

Objective: Perform localisation of FlexAccount products for the US Market

Actual: The Group has conducted a preliminary study regarding the US market and concluded that the market is not yet ready for the product. Therefore, the Group will have the localisation plan pending for the time being, until the market in the US is being deemed appropriate.

Research

Objective: To research and implement new technology on FlexAccount products

Actual: The Group has built a series of new technologies, such as OLAP, Ultra-Thin Client, .net and has applied the technologies on its latest products suite.

Objective: To enhance the functionality of FlexAccount Data Center

Actual: The Group will deploy new Ultra-Thin Client technology to improving its Data Center performance and connectivity.

Objective: To research and implement new technology for ASP business.

Actual: The group is working on a computer grid technology, in which the multiple server is capable to expand the accessibility of concurrent user, in order to enhance the scalability of the ASP business.

Objective: To develop the next generation of Soma*AI

Actual: The Group has upgraded its Soma*AI (Thin Client Technology) to the Ultra-Thin Client Technology with higher performance and lower bandwidth consumption.

Objective: To implement the next generation Soma*AI on FlexAccount Data Centre.

Actual: The Group has utilised the Ultra-Thin Client technology to implement on the data center.

ASP BUSINESS

In Hong Kong

Objective: To 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 of its Enterprise Server Edition to existing FlexSystem's corporate users via direct sale approaches.

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

Actual: The Group is still in the process of locating business partners.

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

Actual: The Group has re-structured its ASP business model in the district, and will put more emphasis on the Enterprise Data Center sector, in which the client will host and maintain its own application server. As a result, the Group will halt recruiting value-added partners who are MPF providers for SME clients.

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

Actual: The Group has suspended its investment on the on-line stock brokerage system development at this stage and will resume until the on-line stock trading system is profitable.

In other Asian markets

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

Actual: The Group will continue its ASP business in Taiwan, though the main focus will shift back to the sales of enterprise solutions.

Objective: To set up call center for its ASP clients in Malaysia and Singapore.

Actual: The Group has suspended to set up call center for the time being and will resume when the business sector in the Asian market recovers.

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 has placed 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 resume until the business sector in the Asian market recovers.

In other markets outside Asia

Objective: To expand the ASP business into Australia and the US.

Actual: The Group has placed 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 resume until the business sector in Australia and the US recovers.

ENTERPRISE APPLICATION BUSINESS

Objective: To launch and promote the Linux compatible version of FlexAccount products in Hong Kong and the PRC.

Actual: The Group's study of the Linux market indicates an overall unfavorable economic environment. The Group has concluded to postpone the said application development at this stage.

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 approach to introduce FlexSystem products to the overseas market through the regional offices.

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

Actual: The Group expects the next generation FlexAccount - FlexAccount NV5 will be launched by the middle of year 2003 and the next generation BI tools - ECSS launched in December 2002.

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

Actual: The Group signed a business partnership with a software developer in Japan.

Objective: To launch and promote FlexAccount products for wireless applications in selected Asian markets.

Actual: The Group's study of the wireless application market indicates an overall unfavorable economic environment. The Group has concluded to postpone the said application development at this stage.

RESOURCES DEPLOYMENT

Objective: To continue to expand the research and development team in the PRC, Macau and Malaysia.

Actual: In view of the number of R&D professionals being employed and the development projects as planned, the Group has concluded that R&D expansion has reached a stage of equilibrium, and thus will cease its R&D expansion in Malaysia.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March, 2003 (2002: final dividend of HK\$0.01 per share).

DIRECTORS' INTERESTS IN EQUITY AND EXECUTIVES' INTERESTS IN SECURITIES

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March, 2003, the interests of the directors and chief executives 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		
	Personal interests	Corporate interests	Total
Mr. Lok Wai Man (<i>note 1</i>)	3,534,000	475,500,000 (<i>note 2</i>)	479,034,000
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 an 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, 2003, none of the Directors, chief executives of the Company or their respective 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, 2003.

MANAGEMENT SHAREHOLDERS

Save for the Directors and substantial shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 March, 2003 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 Practices and Procedures as set out in Rules 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, 2003, 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>)	3,534,000	475,500,000	479,034,000	79.84%

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..

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 March, 2003, 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 or might compete with the business of the Group.

By Order of the Board
Lok Wai Man
Chairman

Hong Kong, 19 June, 2003

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.