



FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH, 2004

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

In the year under review the overall Hong Kong IT industry remained difficult. The Group recorded a turnover of approximately HK\$51,828,000 (2003: HK\$53,799,000) and loss attributable to shareholders of approximately HK\$7,022,000 (2003: HK\$14,464,000). Under the tough economic environment in the local market, the Group takes stringent cost control to narrow down the loss. Despite the unfavorable conditions, the Group continues to give top priority to technology research and development by expanding its R&D department so as to enhance the technology, enrich product portfolio and improve production efficiency.

Research and Development

Producing high quality software for the competitive commercial markets has never been an easy task. Starting from the year 2002, the Group has been working on a project called FlexSystem's Commercial Software Infrastructure (FlexCSI). The project aims to provide a business software framework for developing stable, high efficiency, rich functionality and easy-to-use commercial computing applications. The FlexCSI has been successfully completed in the first quarter of the year 2004. In the near term, the Group has started using the FlexCSI development framework to build new product line in our enterprise solution suite. With the power of FlexCSI, development time and costs are reduced by more than 30% and the software quality also gains remarkable improvement. By the end of the year 2004, the Group will launch a series of products including Enterprise Resources Planning (ERP), Customer Relation Management (CRM), Supply Chain Management (SCM) and Business Intelligence (BI) systems based on the FlexCSI technologies.

Sales and Marketing

The Group has actively expanded its sales and marketing department by allocating more resources and increasing its office capacity by 20% early this year. The Group also plans to employ more sales and marketing staff by 30% before the end of this year. When new products are launched in the last quarter of this year, new sales force has been well-equipped for business already.

Final Dividend

The board of Directors does not recommend the payment of a final dividend for the year ended 31 March, 2004.

Outlook

Upon the completion of the FlexCSI technologies, the Group expects the new series of software products will be launched within this year. The sales and marketing workforce will be enlarged and we will allocate more effort in the sales network and use our best endeavors to open up new markets for our products and services.

Finally, I would like to thank all my fellow directors and staff for their contribution in this year.

Lok Wai Man

Chairman

Hong Kong, 21 June, 2004

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH, 2004

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, 2004, together with the comparative figures for the corresponding period in 2003, as follows:

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	51,828	53,799
Cost of sales		(15,144)	(11,482)
Gross profit		36,684	42,317
Other revenues		224	603
Other income	3	466	–
Distribution costs		(9,910)	(10,076)
Administrative expenses		(31,397)	(36,055)
Other operating expenses		(1,843)	(10,312)
Operating loss	3	(5,776)	(13,523)
Impairment charge for long-term investments		–	(660)
Provision for amounts due from investee companies		(584)	(778)
Share of (loss)/profit of a jointly controlled entity		(107)	250
Share of loss of an associated company		(858)	(856)
Loss before taxation		(7,325)	(15,567)
Income tax	4	470	581
Loss after taxation		(6,855)	(14,986)
Minority interests		(167)	522
Loss attributable to shareholders		<u>(7,022)</u>	<u>(14,464)</u>
Dividends	5	<u>–</u>	<u>3,000</u>
Loss per share, basic	6	<u>(1.17) cents</u>	<u>(2.41) 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 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 GEM. The financial statements have been prepared under the historical cost convention except that certain investments in securities are stated at fair value.

2. Turnover

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

	2004 <i>HK\$’000</i>	2003 <i>HK\$’000</i>
Turnover		
Software	30,456	33,734
Services	17,660	18,137
Other operations	3,712	1,928
	<hr/> 51,828 <hr/>	<hr/> 53,799 <hr/>

3. Operating loss is stated after charging and crediting the following:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<i>Charging:</i>		
Salaries, wages and other benefits	27,125	29,917
Contributions to defined contribution schemes	<u>1,438</u>	<u>1,548</u>
Total staff costs (including directors' remuneration)	<u><u>28,563</u></u>	<u><u>31,465</u></u>
Depreciation of owned fixed assets	1,334	1,821
Cost of inventories	2,556	1,344
Operating lease rentals in respect of premises	2,165	2,449
Amortisation of deferred development costs	–	2,341
Loss on disposal of fixed assets	42	173
Provision for doubtful debts	593	4,084
Bad debts written off	894	2,686
Net unrealised holding loss on other investments	<u>–</u>	<u>402</u>
<i>Crediting:</i>		
Gain on disposal of long-term investments	59	–
Net unrealised holding gain on other investments	<u>407</u>	<u>–</u>

4. Income tax

Hong Kong profits tax is calculated at the rate of 17.5% (2003: 16%) on the estimated assessable profits 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 profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

5. Dividends

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim, paid, HK\$Nil (2003: HK\$0.005) per ordinary share	<u>–</u>	<u>3,000</u>

6. Loss per share

The calculation of the basic loss per share is based on the Group's loss attributable to shareholders of approximately HK\$7,022,000 (2003: HK\$14,464,000) and 600,000,000 (2003: 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 in existence for the years ended 31 March, 2003 and 2004.

7. Segment information

Turnover, revenues and segment information

The Group is principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services. Revenues recognised during the year are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Software	30,456	33,734
Services	17,660	18,137
Other operations	3,712	1,928
	<hr/> 51,828 <hr/>	<hr/> 53,799 <hr/>
Other revenues		
Interest income	179	589
Dividend income from listed investments	45	14
	<hr/> 224 <hr/>	<hr/> 603 <hr/>
Total revenues	<hr/> 52,052 <hr/>	<hr/> 54,402 <hr/>

Primary reporting format – business segments

The Group is organised into two main business segments:

- Software – sale of enterprise software
- Services – rendering of maintenance services

Other operations of the Group mainly comprise sale of hardware products.

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

Secondary reporting format – geographical segments

The Group's business segments mainly operate in Hong Kong, the PRC and other Asia Pacific countries.

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

7. **Segment information** (continued)

Primary reporting format – business segments

	Software 2004 HK\$'000	Services 2004 HK\$'000	Other operations 2004 HK\$'000	Group 2004 HK\$'000
Income statement				
Turnover	<u>30,456</u>	<u>17,660</u>	<u>3,712</u>	<u>51,828</u>
Segment results	<u>(1,122)</u>	<u>(818)</u>	<u>(927)</u>	(2,867)
Unallocated corporate expenses				<u>(2,909)</u>
Operating loss				(5,776)
Provision for amounts due from investee companies				(584)
Share of loss of				
a jointly controlled entity	(107)	–	–	(107)
an associated company	(858)	–	–	(858)
Loss before taxation				(7,325)
Income tax				<u>470</u>
Loss after taxation				(6,855)
Minority interests				<u>(167)</u>
Loss attributable to shareholders				<u>(7,022)</u>
Balance sheet				
Segment assets	–	–	947	947
Investment in a jointly controlled entity	669	–	–	669
Unallocated corporate assets				<u>56,729</u>
Total assets				<u>58,345</u>
Segment liabilities	5,374	5,613	–	10,987
Unallocated corporate liabilities				<u>11,051</u>
Total liabilities				<u>22,038</u>

7. Segment information (continued)

Primary reporting format – business segments (continued)

	Software 2003 HK\$'000	Services 2003 HK\$'000	Other operations 2003 HK\$'000	Group 2003 HK\$'000
Income statement				
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 corporate expenses				<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)
Income tax				<u>581</u>
Loss after taxation				(14,986)
Minority interests				<u>522</u>
Loss attributable to shareholders				<u>(14,464)</u>
Balance sheet				
Segment assets	–	–	891	891
Investment in a jointly controlled entity	776	–	–	776
Unallocated corporate assets				<u>61,967</u>
Total assets				<u>63,634</u>
Segment liabilities	4,009	5,704	–	9,713
Unallocated corporate liabilities				<u>10,759</u>
Total liabilities				<u>20,472</u>
Other information				
Amortisation	2,341	–	–	2,341

7. **Segment information** (continued)

Secondary reporting format – geographical segments

	Hong Kong 2004 <i>HK\$'000</i>	PRC 2004 <i>HK\$'000</i>	Others 2004 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Income statement				
Turnover	<u>38,997</u>	<u>8,367</u>	<u>4,464</u>	<u>51,828</u>
Segment results	<u>(2,408)</u>	<u>1,223</u>	<u>(1,682)</u>	<u>(2,867)</u>
Unallocated corporate expenses				<u>(2,909)</u>
Operating loss				<u>(5,776)</u>
Balance sheet				
Segment assets	46,702	5,677	5,966	58,345
	Hong Kong 2003 <i>HK\$'000</i>	PRC 2003 <i>HK\$'000</i>	Others 2003 <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>
Income statement				
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 corporate expenses				<u>(8,296)</u>
Operating loss				<u>(13,523)</u>
Balance sheet				
Segment assets	52,940	5,278	5,416	63,634

8. Reserves

	Group				
	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(Note)</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>(55)</u>	<u>(53,983)</u>	<u>(17,513)</u>
<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>(55)</u>	<u>(53,983)</u>	<u>(17,513)</u>
As at 1 April, 2003	83,955	(47,430)	(55)	(53,983)	(17,513)
Loss attributable to shareholders for the year	–	–	–	(7,022)	(7,022)
As at 31 March, 2004	<u>83,955</u>	<u>(47,430)</u>	<u>(55)</u>	<u>(61,005)</u>	<u>(24,535)</u>
<i>Representing:</i>					
Company and subsidiaries	83,955	(47,430)	(55)	(58,083)	(21,613)
Jointly controlled entity	–	–	–	(623)	(623)
Associated company	–	–	–	(2,299)	(2,299)
As at 31 March, 2004	<u>83,955</u>	<u>(47,430)</u>	<u>(55)</u>	<u>(61,005)</u>	<u>(24,535)</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.

8. Reserves (continued)

	Company		
	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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>
As at 1 April, 2003	85,872	(1,827)	84,045
Loss attributable to shareholders for the year	–	(103,193)	(103,193)
As at 31 March, 2004	<u>85,872</u>	<u>(105,020)</u>	<u>(19,148)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the year ended 31 March, 2004, turnover of approximately HK\$52 million and loss attributable to shareholders of approximately HK\$7 million were recorded. The decrease in turnover of 3.7% 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, 2004, the shareholders' funds of the Group amounted to approximately HK\$35 million. Current assets were approximately HK\$51 million, mainly comprising bank balances and cash of approximately HK\$37 million, inventories of approximately HK\$1 million and trade and other receivables of approximately HK\$13 million. Current liabilities were approximately HK\$22 million, mainly comprising trade and other payable of approximately HK\$17 million and taxation payable of approximately HK\$5 million. The net asset value per share was HK\$0.06. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March, 2004, 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 2.3:1 (2003: 2.5:1), reflecting the adequacy of financial resources.

Exposure to exchange rate fluctuations

During the year ended 31 March, 2004, 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. 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, 2004, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31 March, 2004, the Group had no material investment.

Capital commitments

As at 31 March, 2004, the Group had operating lease commitments in respect of rented office premises of approximately HK\$5,677,000 (2003: HK\$3,089,000). As at 31 March, 2004 and 2003, the Group had no significant capital commitment and have no future plans for material investment.

Contingent liabilities

As at 31 March, 2004 and 2003, the Group had no material contingent liabilities.

Charges on the Group's assets

As at 31 March, 2004, the Group had no charges on the Group's assets.

Employees and remuneration policies

As at 31 March, 2004, the Group had 221 employees (2003: 238). The total remuneration to employees, including that to the directors, for the year ended 31 March, 2004 amounted to approximately HK\$28.6 million (2003: HK\$31.5 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 decreased by approximately 2.6% as the number of customers has decreased as compared with that for the previous year. Moreover, the turnover of software sales has also slightly decreased by approximately 9.7% 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 75% of the total turnover (2003: 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 increased by approximately 40% to approximately HK\$8 million as compared with the previous year. The contribution was attributed by the Group's sales and marketing team in the PRC.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March, 2004 (2003: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March, 2004, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.40 to 5.58 of the GEM Listing Rules, were as follows :

Name of Director	Number of shares		Total	Percentage of issued share capital
	Personal interests	Corporate interests		
Mr. Lok Wai Man (Note 1)	3,798,000	475,500,000 (Note 2)	479,298,000	79.88%
Mr. So Yiu King (Note 1)	2,000	3,600,000 (Note 2)	3,602,000	0.60%
Mr. Chow Chi Ming, Daniel (Note 1)	2,000	3,600,000 (Note 2)	3,602,000	0.60%
Mr. Leung Wai Cheung (Notes 1 and 3)	Nil	1,000,000 (Note 2)	1,000,000	0.17%

Notes:

- 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.
- The 475,500,000 shares were held by SomaFlex Holdings Inc., 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 SFO, 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 shareholdings in SomaFlex Holdings Inc..
- Mr. Leung Wai Cheung resigned as a Director of the Company on 31 December, 2003.

No share options were granted by the Company and no debt securities were issued by the Company at any time during the year ended 31 March, 2004.

Save as disclosed above, as at 31 March, 2004, none of the directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the “SFO”) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 March, 2004, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interests in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group :

	Number of shares		Total	Percentage of issued share capital
	Personal interests	Corporate interests		
SomaFlex Holdings Inc. (<i>Note 1</i>)	Nil	475,500,000	475,500,000	79.25%
Mr. Lok Wai Man (<i>Note 2</i>)	3,798,000	475,500,000	479,298,000	79.88%

Notes:

1. SomaFlex Holdings Inc. is beneficially owned as to 98.27% by Mr. Lok Wai Man, as to 0.76% by Mr. So Yiu King, as to 0.76% by Mr. Chow Chi Ming, Daniel, and as to 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 Holdings Inc., he is deemed, by virtue of the SFO, to be interested in the same 475,500,000 shares held by SomaFlex Holdings Inc..

Save as disclosed above, as at 31 March, 2004, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

SHARE OPTIONS

Pursuant to the share option scheme for employees which was adopted on 15 July, 2000, the directors of the Company may at their discretion, invite any full-time employees of the Group, including executive directors of any companies in the Group to take up options to subscribe for ordinary shares in the Company. It is believed that the share option scheme will assist the Group in its recruitment and retention of high calibre computer professionals, executives and employees.

Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant. The subscription price of a share in respect of any particular option granted under the share option scheme shall be such price as the board of directors of the Company shall determine save that such price will not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

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 employee shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25% of the aggregate number of shares for the time being issued or issuable under the share option scheme.

An option may be exercised in accordance with the terms of the share option scheme at any time during a period of three years commencing on the expiry of six months after the date of acceptance of the option and expiring on the last day of the three-year period or the tenth anniversary of the date of adoption of the share option scheme, whichever is earlier.

The share option scheme will remain in force for a period of 10 years from the date of adoption of such scheme, or unless terminated earlier by resolution of the board of directors of the Company or by shareholders' resolution, after which period or resolution no further options will be granted but the provisions of the share option scheme shall remain in full force and effect in all other respects.

No share options were granted by the Company or outstanding at any time during the years ended 31 March, 2003 and 2004.

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, 2004 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March, 2004.

CORPORATE GOVERNANCE

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the financial year.

AUDIT COMMITTEE

The audit committee has been established since May, 2000. The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted with reference to "A Guide for The Formation of an Audit Committee" published by the Hong Kong Society of Accountants.

The principal duties of the audit committee include the review and supervision of the Company's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors, namely Mr. Tse Lin Chung and Mr. Lee Kar Wai. The audited accounts for the year ended 31 March, 2004 have been reviewed by the audit committee.

The audit committee has met four times to discuss and review the Company's annual report and accounts, interim and quarterly reports during the year ended 31 March, 2004, and provide advice and comments to the board of directors.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 March, 2004, 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, 21 June, 2004

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.