



# **FlexSystem Holdings Limited**

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 8050)

## **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH, 2005**

### **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 financial year 2004/2005, the overall IT industry was challenging. The Group recorded a turnover of approximately HK\$63,826,000 (2004: HK\$51,828,000), and loss attributable to shareholders approximately HK\$2,298,000 (2004: HK\$7,022,000). The increase of both revenue and cost is mainly due to company expansion on the aspects of new sales force and new software products.

### **Research and Development**

The first phase of FlexSystem's software development framework has been completed at year 2004. Based on this technology, new software products have been developed and launched to the market. To further improve our software quality with better productivity, the Group has been working on the next stage of software framework for our enterprise applications development. Once this phase of framework finished within this year, the Group expects the productivity gain with not less than 30% can be achieved.

### **Sales and Marketing**

New sales force has been equipped for our business growth. More sales and marketing activities will be carried out in this year.

### **Final Dividend**

The board of Directors does not recommend a final dividend payment for the year ended 31 March 2005.

### **Outlook**

We believe the long term growth of a software developer is to build high quality software with minimal cost. After several years of technology investment, the effect of productivity gain is showing up gradually. We will continue to focus on investing our technology in order to produce higher quality software, resulting in revenue growth.

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

**Lok Wai Man**  
*Chairman*

Hong Kong, 27 June, 2005

## FINAL RESULTS FOR THE YEAR ENDED 31 MARCH, 2005

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, 2005, together with the comparative figures for the corresponding period in 2004, as follows:

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	<b>63,826</b>	51,828
Cost of sales		<b>(19,724)</b>	(15,144)
Gross profit		<b>44,102</b>	36,684
Other revenues		<b>207</b>	224
Other income	3	<b>152</b>	466
Distribution costs		<b>(13,421)</b>	(9,910)
Administrative expenses		<b>(31,137)</b>	(31,397)
Other operating expenses		<b>(1,429)</b>	(1,843)
Operating loss	3	<b>(1,526)</b>	(5,776)
Provision for amounts due from investee companies		<b>(254)</b>	(584)
Share of loss of a jointly controlled entity		<b>(347)</b>	(107)
Share of loss of an associated company		–	(858)
Loss on disposal of subsidiaries		<b>(37)</b>	–
Loss on disposal of a jointly controlled entity		<b>(62)</b>	–
Loss before taxation		<b>(2,226)</b>	(7,325)
Income tax	4	<b>(72)</b>	470
Loss after taxation		<b>(2,298)</b>	(6,855)
Minority interests		–	(167)
Loss attributable to shareholders		<b>(2,298)</b>	(7,022)
Loss per share, basic	6	<b>(0.38) cents</b>	(1.17) cents

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 are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice (“SSAP”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), 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. Revenues recognised during the year are as follows:

	<b>2005</b>	2004
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Turnover		
Software	<b>36,118</b>	30,456
Services	<b>20,069</b>	17,660
Other operations	<b>7,639</b>	3,712
	<hr/> <b>63,826</b> <hr/>	<hr/> 51,828 <hr/>

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<i>Charging</i>		
Salaries, wages and other benefits	30,286	27,125
Contributions to defined contribution schemes	1,490	1,438
	<hr/>	<hr/>
Total staff costs (including directors' remuneration)	31,776	28,563
	<hr/>	<hr/>
Depreciation of owned fixed assets	1,195	1,334
Cost of inventories	6,732	2,556
Operating lease rentals in respect of rented premises	2,311	2,165
Auditors' remuneration	260	270
Loss on disposal of a long-term investment	17	–
Loss on disposal of fixed assets	–	42
Provision for doubtful debts	150	593
Bad debts written off	1,074	894
	<hr/> <hr/>	<hr/> <hr/>
<i>Crediting</i>		
Gain on disposal of long-term investments	–	59
Net unrealised holding gain on other investments	152	407
	<hr/> <hr/>	<hr/> <hr/>

### 4 Income tax

Hong Kong profits tax is calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit arising in Hong Kong 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 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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim, paid, HK\$Nil (2004: HK\$Nil) per ordinary share	–	–
	<hr/> <hr/>	<hr/> <hr/>

### 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\$2,298,000 (2004: HK\$7,022,000) and the weighted average of 600,000,000 (2004: 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, 2004 and 2005.

## 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:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover		
Software	<b>36,118</b>	30,456
Services	<b>20,069</b>	17,660
Other operations	<b>7,639</b>	3,712
	<hr/> <b>63,826</b> <hr/>	<hr/> 51,828 <hr/>
Other revenues		
Interest income	<b>162</b>	179
Dividend income from listed investments	<b>45</b>	45
	<hr/> <b>207</b> <hr/>	<hr/> 224 <hr/>
Total revenues	<hr/> <b>64,033</b> <hr/>	<hr/> 52,052 <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 People's Republic of China (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 2005 HK\$'000	Services 2005 HK\$'000	Other operations 2005 HK\$'000	Group 2005 HK\$'000
<b>Income statement</b>				
Turnover	<u>36,118</u>	<u>20,069</u>	<u>7,639</u>	<u>63,826</u>
Segment results	<u>139</u>	<u>2,983</u>	<u>(2,333)</u>	789
Unallocated corporate expenses				<u>(2,315)</u>
Operating loss				(1,526)
Provision for amounts due from investee companies				(254)
Share of loss of a jointly controlled entity	(347)	–	–	(347)
Loss of disposal of subsidiaries				(37)
Loss of disposal of a jointly controlled entity				<u>(62)</u>
Loss before taxation				(2,226)
Income tax				<u>(72)</u>
Loss after taxation				(2,298)
Minority interests				<u>–</u>
Loss attributable to shareholders				<u>(2,298)</u>
<b>Balance sheet</b>				
Segment assets	–	–	1,312	1,312
Unallocated corporate assets	–	–	–	<u>59,127</u>
Total assets				<u>60,439</u>
Segment liabilities	8,665	5,984	–	14,649
Unallocated corporate liabilities				<u>11,781</u>
Total liabilities				<u>26,430</u>

7 **Segment information** (continued)

Primary reporting format – business segments (continued)

	<b>Software</b>	<b>Services</b>	<b>Other</b>	<b>Group</b>
	2004	2004	operations	2004
<b>Income statement</b>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)	–	–	<u>(858)</u>
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>
<b>Balance sheet</b>				
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)

Secondary reporting format – geographical segments

	<b>Hong Kong</b> 2005 <i>HK\$'000</i>	<b>PRC</b> 2005 <i>HK\$'000</i>	<b>Others</b> 2005 <i>HK\$'000</i>	<b>Group</b> 2005 <i>HK\$'000</i>
<b>Income statement</b>				
Turnover	<u>48,988</u>	<u>8,723</u>	<u>6,115</u>	<u>63,826</u>
Segment results	<u>(76)</u>	<u>1,814</u>	<u>(949)</u>	789
Unallocated corporate expenses				<u>(2,315)</u>
Operating loss				<u>(1,526)</u>
<b>Balance sheet</b>				
Segment assets	42,793	6,599	11,047	60,439
	<b>Hong Kong</b> 2004 <i>HK\$'000</i>	<b>PRC</b> 2004 <i>HK\$'000</i>	<b>Others</b> 2004 <i>HK\$'000</i>	<b>Group</b> 2004 <i>HK\$'000</i>
<b>Income statement</b>				
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>	(2,867)
Unallocated corporate expenses				<u>(2,909)</u>
Operating loss				<u>(5,776)</u>
<b>Balance sheet</b>				
Segment assets	46,702	5,677	5,966	58,345

## 8 Reserves

	<b>Group</b>				
	<b>Share premium</b> <i>HK\$'000</i>	<b>Merger reserve</b> <i>HK\$'000</i> <i>(Note)</i>	<b>Exchange reserve</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
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>
As at 1 April, 2004	83,955	(47,430)	(55)	(61,005)	(24,535)
Loss attributable to shareholders for the year	—	—	—	(2,298)	(2,298)
<b>As at 31 March, 2005</b>	<b><u>83,955</u></b>	<b><u>(47,430)</u></b>	<b><u>(55)</u></b>	<b><u>(63,303)</u></b>	<b><u>(26,833)</u></b>
<i>Representing:</i>					
Company and subsidiaries	83,955	(47,430)	(55)	(60,706)	(24,236)
Associated company	—	—	—	(2,597)	(2,597)
<b>As at 31 March, 2005</b>	<b><u>83,955</u></b>	<b><u>(47,430)</u></b>	<b><u>(55)</u></b>	<b><u>(63,303)</u></b>	<b><u>(26,833)</u></b>

*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 thereof.

## 8 Reserves (continued)

	Company		
	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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>
As at 1 April, 2004	85,872	(105,020)	(19,148)
Loss attributable to shareholders for the year	–	(327)	(327)
As at 31 March, 2005	<u>85,872</u>	<u>(105,347)</u>	<u>(19,475)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the year 31 March, 2005, turnover of approximately 64 million and loss attributable to shareholders of approximately HK\$2.3 million were recorded. The increase in turnover of 23% as compared with the previous year was principally due to the recovery of the IT sector.

### FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March, 2005, the shareholders' funds of the Group amounted to approximately HK\$34 million. Current assets were approximately HK\$55 million, mainly comprising bank balances and cash of approximately HK\$39 million, inventories of approximately HK\$1 million and trade and other receivables of approximately HK\$14 million. Current liabilities were approximately HK\$26 million, mainly comprising trade and other payables of approximately HK\$21 million and taxation payable of approximately HK\$5 million. The net asset value per share was HK\$0.05. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March, 2005, 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 2.1:1 (As at 31st March, 2004: 2.3:1), reflecting the adequacy of financial resources.

## **EXPOSURE TO EXCHANGE RATE FLUCTUATION**

During the year ended 31 March, 2005, the Group experienced only immaterial exchange rate 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 risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSAL**

During the year ended 31 March, 2005, the Group disposed of its entire equity interests in Norray Professional Computer (Australia) Pty Limited, Mega Wise Consultants Limited and Net-Accounting Services Limited. The results of the subsidiaries disposed of in the year ended 31 March, 2005 had no significant impact on the Group's consolidated turnover or loss after tax for the year.

During the year ended 31 March, 2005, the Group disposed of the jointly controlled entity in DeloitteFlex e-Business Inc..

The gain and loss on the disposals of the said subsidiaries have been dealt with in the consolidated profit and loss account.

Save as disclosed above, there is no other material acquisitions or disposal of subsidiaries and affiliated companies for the year ended 31 March, 2005.

## **CAPITAL COMMITMENTS**

As at 31 March, 2005, the Group had operating lease commitments in respect of rented office premises of approximately HK\$5,004,000 (2004: HK\$5,677,000). As at 31 March, 2005 and 2004, the Group had no significant capital commitment and has no future plans for material investment.

## **CONTINGENT LIABILITIES**

As at 31 March, 2005, and 2004, the Group had no material contingent liabilities.

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 March, 2005 and 2004, the Group had no charges on the Group's assets.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March, 2005, the Group had 237 employees (2004: 221). The total remuneration to employees, including that to the directors, for the year ended 31 March, 2005 amounted to approximately HK\$31.8 million (2004: HK\$28.6 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 segments*

During the year under review, the turnover of maintenance services has increased by approximately 13.6% as the number of customers have increased as compared with that for the previous year. Moreover, the turnover of software sales has also increased by approximately 18.6% as the market sentiment of the software industry has recovered.

### *Geographical segments*

The major contribution of turnover is still from Hong Kong. Turnover from the Hong Kong segment represented approximately 77% of the total turnover (2004: 75%). The high percentage of the Hong Kong segment is mainly due to the fact that the Group deploys more resources on the local market.

In the PRC, the turnover has slightly increased by approximately 4% to approximately HK\$8.7 million as compared with the previous year as our Group also deploys more sales efforts on the PRC market.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 March, 2005 (2004: Nil).

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

As at 31 March, 2005, 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 5.46 of the GEM Listing Rules, were as follows:

Name of director/ chief executive	Personal interests	Number of shares		Total	Percentage of issued share capital
		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 (Note 1)	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 and Mr. Chow Chi Ming, Daniel are executive directors of the Company and Mr. Leung Wai Cheung is the executive 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., a private company beneficially owned by Mr. Lok Wai Man, Mr. So Yiu King and 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 shareholding in SomaFlex Holdings Inc..

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, 2005.

Save as disclosed above, as at 31 March, 2005, 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 minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March, 2005, 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 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:

	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> )	3,798,000	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, 2005, 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, 2004 and 2005.

## **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, 2005 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, 2005.



## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March, 2005. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 March, 2005.

## **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 Institute of Certified Public 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 three independent non-executive directors, namely Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David. The audited financial statements for the year ended 31 March, 2005 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, 2005, and provide advice and comments to the board of directors.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the year ended 31 March, 2005, none of the directors or the initial 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, 27 June, 2005

*As at the date of this announcement, the board of directors of the Company comprises Mr. Lok Wai Man, Mr. So Yiu King, Mr. Chow Chi Ming, Daniel as executive directors and Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mak Wing Kwong, David as independent non-executive directors.*

*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.*