



FlexSystem Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of FlexSystem Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to FlexSystem Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

Business Review

During the year under review, we have achieved a solid financial performance in the face of intense competition and rising operating expense. We continued to leverage on our proprietary technologies and realized the benefits of significant investment on research and development in past few years. Our high-quality software applications and professional service standards put us in an advantageous position on the market.

Final Dividend

The board of directors recommends a final dividend payment of HK\$0.005 per share (2006: NIL) for the year ended 31 March 2007 subject to approval by our shareholders at the Annual General Meeting. Upon approval by the shareholders, the final dividend will be paid on or about 1 August 2007 to shareholders whose names appear on the register of members of the Company on 27 July 2007.

Outlook

In the years ahead, we will face the challenges of maintaining or increasing our profitability while the competition and operating cost are expected to have an upward trend. The steady performance of 2006 reflects we are continuing our strategy to enrich capabilities of our software applications by leveraging our innovative technologies and investing new business opportunities. Much of the benefits from the investment on technology research and development will come in future years.

Finally, on the occasion of FlexSystem's 20th anniversary, I would like to take a moment to acknowledge Flex's people and customers for their continual support and contribution.

Lok Wai Man
Chairman

Hong Kong, 25 June 2007

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH, 2007

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 2007, together with the comparative figures for the corresponding period in 2006, as follows:

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	3	79,982	71,497
Cost of sales		<u>(21,820)</u>	<u>(18,130)</u>
Gross profit		58,162	53,367
Other income	4	908	1,024
Other gains	5	193	–
Distribution costs		(17,683)	(15,423)
Administrative expenses		(34,986)	(34,157)
Other operating expenses		<u>(2,759)</u>	<u>(2,882)</u>
Operating profit	6	3,835	1,929
Loss on disposal of subsidiaries		<u>–</u>	<u>(48)</u>
Profit before income tax		3,835	1,881
Income tax	7	<u>1,679</u>	<u>685</u>
Profit for the year		<u>5,514</u>	<u>2,566</u>
Attributable to:			
Equity holders of the Company		5,722	2,566
Minority interests		<u>(208)</u>	<u>–</u>
		<u>5,514</u>	<u>2,566</u>
Earnings per share for profit attributable to the equity holders of the Company during the year – basic and diluted	8	<u>0.95 cents</u>	<u>0.43 cents</u>
Dividends	9	<u>3,000</u>	<u>–</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Leasehold land and land use rights		12,742	–
Property, plant and equipment		14,641	3,386
Intangible assets		–	–
Investment in an associate		–	–
Available-for-sale financial assets		690	1,779
Amounts due from investee companies		–	13
		28,073	5,178
Current assets			
Inventories		1,121	1,094
Trade and other receivables	<i>10</i>	15,749	13,984
Bank balances and cash		21,098	40,619
		37,968	55,697
Total assets		66,041	60,875
Current liabilities			
Trade and other payables	<i>11</i>	21,480	19,790
Current income tax liabilities		2,359	4,295
		23,839	24,085
Net current assets		14,129	31,612
Total assets less current liabilities		42,202	36,790
Net assets		42,202	36,790
Capital and reserves attributable to the Company's equity holders			
Share capital		60,000	60,000
Reserves		(18,432)	(24,052)
		41,568	35,948
Minority interests		634	842
Total equity		42,202	36,790

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Merger reserve	Translation reserve	Available-for-sale investments reserve	Accumulated losses	Total reserves	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2005	60,000	83,955	(47,430)	(55)	(397)	(62,906)	(26,833)	842	34,009
Changes in fair value of available-for-sale financial assets	-	-	-	-	204	-	204	-	204
Currency translation differences – Group	-	-	-	11	-	-	11	-	11
Total income and expense recognized directly in equity	-	-	-	11	204	-	215	-	215
Profit for the year	-	-	-	-	-	2,566	2,566	-	2,566
Total recognized income and expense for the year	-	-	-	11	204	2,566	2,781	-	2,781
Balance at 31 March 2006 and 1 April 2006	60,000	83,955	(47,430)	(44)	(193)	(60,340)	(24,052)	842	36,790
Changes in fair value of available-for-sale financial assets	-	-	-	-	89	-	89	-	89
Currency translation differences – Group	-	-	-	2	-	-	2	-	2
Total income and expense recognized directly in equity	-	-	-	2	89	-	91	-	91
Net gain transferred to profit or loss on disposal	-	-	-	-	(193)	-	(193)	-	(193)
Profit / (loss) for the year	-	-	-	-	-	5,722	5,722	(208)	5,514
Total recognized income and expense for the year	-	-	-	2	(104)	5,722	5,620	(208)	5,412
Balance at 31 March 2007	60,000	83,955	(47,430)	(42)	(297)	(54,618)	(18,432)	634	42,202
Representing:									
31 March 2007 after proposed final dividend		80,955							
2007 final dividend proposed		3,000							
		<u>83,955</u>							

Notes:

1 Corporate information

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 Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The Company's principal place of business is situated at Block A, 4th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong. The shares of the Company are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the parent and ultimate holding company of the Company is SomaFlex Holdings Inc., which is incorporated in the British Virgin Islands.

These financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors on 25 June 2007.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

(a) Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 (Amendment), Net Investment in a Foreign Operation;
- HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 (Amendment), The Fair Value Option;
- HKAS 39 and HKFRS 4 (Amendments), Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4, Determining whether an Arrangement contains a Lease;

- HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (Effective for annual periods beginning on or after 1 December 2005).

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 May 2006 or later periods but that the Group has not early adopted:

- HKFRS 7, Financial Instruments: Disclosures and HKAS 1 (Amendment), Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to HKAS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital. The Group will apply HKFRS 7 and the amendment to HKAS 1 from 1 April 2007;
- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 April 2007, but it is not expected to have a significant impact on the Group’s consolidated financial statements;
- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 April 2007, but it is not expected to have a significant impact on the Group’s consolidated financial statements; and
- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). HK(IFRIC)-Int 11 provides guidance on classifying share-based payment transactions involving an entity’s own equity instruments or the equity instruments of the parent. The Group will apply HK(IFRIC)-Int 11 from 1 April 2007, but it is not expected to have a significant impact on the Group’s consolidated financial statements.

(c) **Interpretations to existing standards that are not yet effective and not relevant to the Group's operations**

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 May 2006 or later periods but are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As the Group does not have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations;
- HK(IFRIC)-Int 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group does not have any embedded derivatives, HK(IFRIC)-Int 9 is not relevant to the Group's operations; and
- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). HK(IFRIC)-Int 12 sets out general principles on recognizing and measuring the obligations and related rights in service concession arrangements, which involve private sector participation in the development, financing, operation and maintenance of governmental infrastructure. Since the Group is not involved in such arrangements, HK(IFRIC)-Int 12 is not relevant to the Group's operations.

3 REVENUE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Software	48,219	45,343
Services	26,004	22,394
Other operations	5,759	3,760
	79,982	71,497

4 OTHER INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Commission income	16	–
Dividend income from listed investments	60	81
Interest income	832	943
	908	1,024

5 OTHER GAINS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net gain transferred from equity on disposal of available-for-sale financial assets	<u>193</u>	<u>–</u>

6 EXPENSES BY NATURE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Salaries, wages and other benefits	35,656	33,608
Pension cost – defined contribution schemes	<u>1,851</u>	<u>1,872</u>
Total employee benefit expense (including directors' remuneration)	<u>37,507</u>	<u>35,480</u>
Depreciation of owned property, plant and equipment	2,021	1,152
Amortization of prepaid operating lease payments	158	–
Loss on disposal of property, plant and equipment	326	–
Cost of inventories expensed	4,570	3,060
Operating lease rentals in respect of rented premises	1,850	2,359
Auditors' remuneration	290	280
Provision for impaired receivables	2,367	1,326
Provision for impairment of amount due from an associate	113	1,107
Provision for impairment of amounts due from investee companies	<u>50</u>	<u>849</u>

7 INCOME TAX

Hong Kong profits tax is calculated at the rate of 17.5% (2006: 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 have taxation losses to set off their assessable profits for the year (2006: Nil). 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.

8 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit of the Group attributable to equity holders of the Company of approximately HK\$5,722,000 (2006: HK\$2,566,000) and the weighted average number of 600,000,000 (2006: 600,000,000) ordinary shares in issue during the year.

There is no diluted earnings per share since the Company has no dilutive potential ordinary shares in existence for the years ended 31 March 2006 and 2007.

9 DIVIDENDS

A final dividend in respect of the year ended 31 March 2007 of HK\$0.005 per Share, amounting to a total dividend of HK\$3,000,000, is to be proposed at the forthcoming annual general meeting.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (<i>Note (a)</i>)	12,272	10,306	–	–
Prepayments, deposits and other receivables	2,441	2,422	112	112
Advances to staff (<i>Note (b)</i>)	1,036	1,256	–	–
	<u>15,749</u>	<u>13,984</u>	<u>112</u>	<u>112</u>

Notes:

- (a) The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically. As at 31 March 2007, the aging analysis of trade receivables (net of provision for impaired receivables) is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
0 – 30 days	3,767	2,965
31 – 60 days	2,492	1,449
61 – 90 days	1,573	915
91 – 180 days	1,485	1,122
181 – 365 days	1,705	2,975
Over 365 days	1,250	880
	<u>12,272</u>	<u>10,306</u>

- (b) The advances to staff are unsecured, interest-free and have no fixed terms of repayment.
- (c) The directors consider that the carrying amounts of the trade and other receivables approximate their fair values.

11 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)	1,029	548	–	–
Other payables and accruals	5,235	5,764	255	407
Amounts due to investee companies (<i>Note (b)</i>)	209	139	–	–
Deferred income	7,687	6,962	–	–
Sales deposits received	7,320	6,377	–	–
	<u>21,480</u>	<u>19,790</u>	<u>255</u>	<u>407</u>

Notes:

(a) Aging analysis of trade payables is as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	778	481
31 – 60 days	236	36
61 – 90 days	–	–
91 – 180 days	–	3
181 – 365 days	2	15
Over 365 days	13	13
	<u>1,029</u>	<u>548</u>

(b) The amounts due to investee companies are unsecured, interest-free and have no fixed terms of repayment.

(c) The directors consider that the carrying amounts of trade and other payables approximate their fair values.

12 SEGMENT INFORMATION

(a) Primary reporting format – business segments

As at 31 March 2007, the Group is organized into two main business segments:

- Software – sale of enterprise software; and
- 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.

The segment results for the year ended 31 March 2007 are as follows:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue	<u>48,219</u>	<u>26,004</u>	<u>5,759</u>	<u>–</u>	<u>79,982</u>
Segment results	2,225	7,060	(1,164)	(4,286)	3,835
Income tax					<u>1,679</u>
Profit for the year					<u>5,514</u>

Other segment items included in the income statement are as follows:

Depreciation	–	–	–	2,021	2,021
Amortization of prepaid operating lease payments	<u>–</u>	<u>–</u>	<u>–</u>	<u>158</u>	<u>158</u>

The segment results for the year ended 31 March 2006 are as follows:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other Operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue	<u>45,343</u>	<u>22,394</u>	<u>3,760</u>	<u>–</u>	<u>71,497</u>
Segment results	1,509	4,313	(993)	(2,900)	1,929
Loss on disposal of subsidiaries					<u>(48)</u>
Profit before income tax					1,881
Income tax					<u>685</u>
Profit for the year					<u>2,566</u>

Other segment items included in the income statement are as follows:

Depreciation	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,152</u>	<u>1,152</u>
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Segment assets consist primarily of inventories. Unallocated assets comprise leasehold land and land use rights, property, plant and equipment, intangible assets, investment in an associate, available-for-sale financial assets, trade and other receivables and bank balances and cash.

Segment liabilities comprise sales deposits received and deferred income. Unallocated liabilities comprise items such as income tax payable.

Capital expenditure comprises additions to leasehold land and land use rights and property, plant and equipment.

The segment assets and liabilities as at 31 March 2007 and capital expenditure for the year then ended are as follows:

	Software <i>HK\$'000</i>	Services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	–	–	1,121	64,920	66,041
Liabilities	7,320	7,687	–	8,832	23,839
Capital expenditure	<u>–</u>	<u>–</u>	<u>–</u>	<u>26,492</u>	<u>26,492</u>

The segment assets and liabilities as at 31 March 2006 and capital expenditure for the year then ended are as follows:

	Software	Services	Other Operations	Unallocated	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	–	–	1,094	59,781	60,875
Liabilities	6,377	6,962	–	10,746	24,085
Capital expenditure	<u>–</u>	<u>–</u>	<u>–</u>	<u>636</u>	<u>636</u>

(b) Secondary reporting format – geographical segments

The Group mainly operates in Hong Kong, the People's Republic of China (the "PRC") and other Asia Pacific countries.

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong	64,125	53,960
PRC	10,576	9,401
Other countries	<u>5,281</u>	<u>8,136</u>
	<u>79,982</u>	<u>71,497</u>

Revenue is allocated based on the country in which the customer is located.

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets		
Hong Kong	43,207	49,657
PRC	5,768	6,161
Other countries	<u>17,066</u>	<u>5,057</u>
	<u>66,041</u>	<u>60,875</u>

Total assets are allocated based on the location of the assets.

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure		
Hong Kong	26,245	110
PRC	160	274
Other countries	<u>87</u>	<u>252</u>
	<u>26,492</u>	<u>636</u>

Capital expenditure is allocated based on the location of the assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the year 31 March 2007, turnover of approximately 80 million and profit attributable to shareholders of approximately HK\$5.7 million were recorded. The increase in turnover by 12% as compared with the previous year was principally due to the contribution from the increment of customer bases.

Financial resources and liquidity

As at 31 March 2007, the shareholders' funds of the Group amounted to approximately HK\$42 million. Current assets were approximately HK\$38 million, mainly comprising bank balances and cash of approximately HK\$21 million, inventories of approximately HK\$1 million and trade and other receivables of approximately HK\$16 million. Current liabilities were approximately HK\$24 million, mainly comprising trade and other payables of approximately HK\$21 million and taxation payable of approximately HK\$2 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 2007, 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 1.6:1 (As at 31 March 2006: 2.3:1), reflecting the adequacy of financial resources.

Exposure to exchange rate fluctuation

During the year ended 31 March 2007, 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

In January 2007, the Group acquired 100% subsidiary in Malaysia, Flexsystem (M) SDN. BHD which is engaged in distribution of FlexAccount products.

Save as disclosed above, there is no other material acquisitions or disposal of subsidiaries and affiliated companies for the year ended 31 March 2007.

Capital commitments

As at 31 March 2007, the Group had operating lease commitments in respect of rented office premises of approximately HK\$1,569,000 (2006: HK\$3,463,000). As at 31 March 2007 and 2006, the Group had no significant capital commitment and has no future plans for material investment.

Contingent liabilities

As at 31 March, 2007 and 2006, the Group had no material contingent liabilities.

Charges on the group's assets

As at 31 March 2007, the Group had no charges on the Group's assets.

Employees and remuneration policies

As at 31 March 2007, the Group had 257 employees (2006: 263). The total remuneration to employees, including that to the directors, for the year ended 31 March 2007 amounted to approximately HK\$37.5 million (2006: HK\$35.5 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 segments

During the year under review, the turnover of maintenance services has increased by approximately 16% 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 6.3% 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 80% of the total turnover (2006: 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 12.4% to approximately HK\$10.5 million as compared with the previous year as our Group also deploys more sales efforts on the PRC market.

Final Dividend

The board of directors recommends a final dividend payment of HK\$0.005 per share for the year ended 31 March 2007 subject to approval by our shareholders at the Annual General Meeting.

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

As at 31 March 2007, 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		Percentage of issued share capital
		Corporate interests	Total	
Mr. Lok Wai Man (<i>Note 1</i>)	3,798,000	475,500,000 (<i>Note 2</i>)	479,298,000	79.88%
Mr. So Yiu King (<i>Note 1</i>)	2,000	3,600,000 (<i>Note 2</i>)	3,602,000	0.60%
Mr. Chow Chi Ming, Daniel (<i>Note 1</i>)	2,000	3,600,000 (<i>Note 2</i>)	3,602,000	0.60%
Mr. Leung Wai Cheung (<i>Note 1</i>)	Nil	1,000,000 (<i>Note 2</i>)	1,000,000	0.17%

Notes:

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 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.
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 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..

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 2007.

Save as disclosed above, as at 31 March 2007, 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 2007, 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			% of issued share capital
	Personal interests	Corporate interests	Total	
SomaFlex Holdings Inc. (Note 1)	Nil	475,500,000	475,500,000	79.25%
Mr. Lok Wai Man (Note 2)	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 2007, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2007, the largest and the five largest suppliers of the Group accounted for approximately 63% and 84% of the Group's total purchases respectively. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

BOARD PRACTICES AND PROCEDURES

During the year, the Company was in compliance with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

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 2007. 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 2007.

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 2007 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 2007, and provide advice and comments to the board of directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2007, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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 2007.

By Order of the Board
Lok Wai Man
Chairman

Hong Kong, 25 June 2007

As at date hereof, the executive directors of the Company are Mr. Lok Wai Man, Mr. So Yiu King and Mr. Chow Chi Ming, Daniel; and the independent non-executive directors of the Company are Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David.

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.