THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in FlexSystem Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

FlexSystem Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

MAJOR TRANSACTION:
FORMATION OF A JOINT VENTURE COMPANY

A letter from the board of directors of the Company is set out on pages 3 to 8 of this circular.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its publication.

15 November 2007

CHARACTERISTICS OF GEM

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 of the Stock Exchange 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 Stock 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.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Board"	the board of Directors
"CDC Software"	CDC Software Corporation, a company incorporated in Cayman Islands and a wholly owned subsidiary of CDC Corporation, a company incorporated in Cayman Islands listed on NASDAQ
"Company"	FlexSystem Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
"connected person(s)"	has the meaning ascribed to this term under the GEM Listing Rules
"Directors"	the directors (including the independent non-executive directors) of the Company from time to time
"FlexSystem"	FlexSystem Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	third parties independent of the Company and its connected persons and are not connected persons of the Company
"Joint Venture Company"	the joint venture company to be established by CDC Software and FlexSystem
"Latest Practicable Date"	13 November 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Products"	The software as a service products to be developed by the Joint Venture Company
"PRC"	the People's Republic of China

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Term Sheet"	the legally binding term sheet dated 24 October 2007 and entered into between CDC Software and FlexSystem with respect to the formation of the Joint Venture Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"USD"	US Dollar, the lawful currency of the United States of America
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of USD into HK$ is calculated at the approximate exchange rate of USD1.00 to HK$7.80. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

FlexSystem Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8050)

Executive Directors:
Mr. Lok Wai Man
Mr. So Yiu King
Mr. Chow Chi Ming, Daniel

Independent non-executive Directors:
Mr. Lee Kar Wai
Mr. Tse Lin Chung
Mr. Mak Wing Kwong, David

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Block A, 4th Floor
Eastern Sea Industrial Building
29-39 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

15 November 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION: FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 25 October 2007 in which the Board announced that the Term Sheet was entered into between CDC Software and FlexSystem, a wholly-owned subsidiary of the Company, pursuant to which Joint Venture Company will be established.

The entering into of the Term Sheet constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to provide you with further details regarding the Term Sheet and the formation of the Joint Venture Company in accordance with the GEM Listing Rules.

THE TERM SHEET

On 24 October 2007, FlexSystem, a wholly owned subsidiary of the Company, entered into the legally binding Term Sheet with CDC Software pursuant to which the Joint Venture Company will be formed.

Date: 24 October 2007

Parties: (i) FlexSystem, a wholly owned subsidiary of the Company

(ii) CDC Software

To the best of the Directors' knowledge, information and belief having made reasonable enquiry, CDC Software and its ultimate beneficial owners are independent third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

To the best of the Directors' knowledge, information and belief, CDC Software is principally engaged in developing enterprise software applications and services.

Formation of the Joint Venture Company

The parties to the Term Sheet agreed that the Joint Venture Company will be established in such jurisdiction as FlexSystem and CDC Software may agree after consultation with their respective tax and legal advisers and will be owned as to 50% of its equity interests by each of FlexSystem and CDC Software. The parties will share the profit of the Joint Venture Company in accordance with their shareholding.

Paid up capital

The initial paid up capital of the Joint Venture Company will be US$5,000,000 (equivalent to approximately HK$39,000,000) and of which CDC Software shall contribute US$2,500,000 (equivalent to approximately HK$19,500,000) in cash and FlexSystem shall contribute US$2,500,000 (equivalent to approximately HK$19,500,000) in cash. Each party shall contribute US$250,000 (equivalent to approximately HK$1,950,000) upon formation of the Joint Venture Company and shall contribute US$250,000 (equivalent to approximately HK$1,950,000) in each of nine additional tranches payable upon a schedule to be determined by the board of directors of the Joint Venture Company.

The Group intends to finance the capital contribution from its internal resources.

Apart from the contribution towards the initial paid up capital set out above, there is no further capital commitment that is required to be contributed by the parties pursuant to the Term Sheet at this stage. If there is any further capital commitment to be put up by the parties to the Joint Venture Company, further announcement will be made by the Company if and when appropriate to comply with the requirements under the GEM Listing Rules.

Upon formation, the Joint Venture Company will become a jointly controlled entity of the Group and the Group will recognize its interests in the Joint Venture Company using equity method.

Dividend and distribution

The board of directors of the Joint Venture Company shall have the authority to approve distributions to the Joint Venture Company's shareholders, including the timing and size of any such distribution. Until further determined by the board of directors of the Joint Venture Company, all profits will be used by the Joint Venture Company towards product development and marketing of the Products. The Joint Venture Company's budget shall be determined by the board of directors of the Joint Venture Company on a semi-annual basis.

Term of the Joint Venture Company

The Joint Venture Company shall have a perpetual existence until liquidated and dissolved upon the written agreement of CDC Software and FlexSystem. In the event of any liquidation, dissolution or winding up of the Joint Venture Company, all funds and assets of the Joint Venture Company legally available for distribution shall be distributed pro rata among the holders of the Joint Venture Company's issued share capital.

Restrictions on the sale and pre emptive right

The parties to the Term Sheet may not divest, sell or transfer (except to a subsidiary, parent or affiliated entity) any of their shares of the Joint Venture Company without the prior written approval of the other parties.

In the event that either CDC Software or FlexSystem shall propose to sell any of their interest in the Joint Venture Company, the other party shall be entitled to a right of first refusal to purchase such interest.

Board of directors

Pursuant to the negotiation between CDC Software and FlexSystem, the board of directors of the Joint Venture Company will comprise four directors, of which two will be nominated by CDC Software and another two will be appointed by FlexSystem.

At each meeting of shareholders of the Joint Venture Company for the election of directors of the Joint Venture Company, each of CDC Software and FlexSystem shall be entitled to elect two (2). The initial directors of the Joint Venture Company shall be Mr. Peter Yip ("Mr. Yip"), Mr. Sean Yu, and Mr. Adam Lok ("Mr. Lok"), the chairman of the Group. Mr. Yip shall act as the chairman of the Joint Venture Company and Mr. Lok shall act as the managing director of the Joint Venture Company. The fourth director of the Joint Venture Company will be determined by FlexSystem at a later stage.

Business of the Joint Venture Company

The Joint Venture Company will be principally engaged in the development of Software as a Service products for basic accounting and payroll service to customers in the Greater China region with a view to expand globally in stages. The Products are targeted mainly at mid-market customers.

License Agreements

Pursuant to the Term Sheet, the parties shall each enter into license agreements with the Joint Venture Company which may constitute notifiable transaction and/or connected transaction on the part of the Company under the GEM Listing Rules. Further announcement will be made as and when appropriate in order to comply with the relevant GEM Listing Rules in relation to the license agreements.

Conditions of the Term Sheet:

The Term Sheet is conditional upon:

(1) execution by the parties of the license agreements, a shareholders' agreement and other related agreements;

(2) the approval of the board of directors of CDC Software on behalf of itself and its affiliates, as applicable;

(3) such other conditions as are customary for transactions of the type contemplated under the Term Sheet; and

(4) if necessary, approval of the Shareholders in an extraordinary general meeting to approve the Term Sheet and the transaction contemplated thereunder.

REASONS FOR THE FORMATION OF THE JOINT VENTURE COMPANY

The Group is principally engaged in development and sale of software products and provision of application software services.

The Group has always been actively in seeking opportunities for expanding and enhancing its business. The Directors believe that the entering into of the Term Sheet provides a good opportunity for the Group to boost its competitiveness in the development of software products in the Greater China region.

The Directors, including the independent non-executive Directors, consider that the terms of the Term Sheet are entered into upon normal commercial terms following arm's length negotiations among the parties thereto and that the terms of the Term Sheet are fair and reasonable and are interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE FORMATION OF THE JOINT VENTURE COMPANY

Since Joint Venture Company, which will become an indirect jointly controlled entity of the Company after its establishment, has not yet been established and commenced operation as at the Latest Practicable Date, it is not expected to have any immediate financial or operational impact on the Group. Prior to its establishment, there is no financial effect on the consolidated financial statements of the Company. The formation of Joint Venture Company will not have any material adverse effect on the net asset position of the Group.

After the establishment of Joint Venture Company, it is expected that Joint Venture Company will contribute positively to the results of the Group as an indirect jointly controlled entity of the Company.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Directors consider the formation of the Joint Venture Company would have effect on the earnings of the Group as the Group's share of the future financial results of the Joint Venture Company will be included in the financial statements of the Group. The Joint Venture Company will be accounted for using equity method. By using the equity method, the enlarged Group will share its profits/loss from the Joint Venture Company in future and will not share its turnover or expenses into the enlarged Group. Since the capital commitment for the Group on the Joint Venture Company is up to US$2,500,000 and shall be satisfied in the form of internal resources from the Group, the Directors consider that the formation of the Joint Venture Company would have effect on the Company's assets. From the perspective of assets analysis, current assets will be decreased as the capital commitment shall be satisfied by internal resources. However, non-currents assets of the enlarged Group will be increased as there is an investment in Joint Venture Company of the enlarged Group. The Directors are of the opinion that it is more efficient and appropriate to use the Company's resources rather than putting it as fixed deposit into financial institutions. Also, in view of the international networks of our joint venture partner, our products and services will also be aroused in the international market.

GEM LISTING RULES IMPLICATIONS

The Term Sheet and the transactions contemplated thereunder constitute a major transaction on the part of the Company under the GEM Listing Rules and are required to be made conditional on Shareholders' approval.

As no Shareholder is required to abstain from voting if the extraordinary general meeting were to be convened and the controlling Shareholder SomaFlex Holdings Inc. is interested in 479,298,000 Shares, representing 79.88%* of the issued share capital of the Company, pursuant to Rule 19.44 of the GEM Listing Rules, a written Shareholder's approval in relation to the formation of the Joint Venture Company and the transaction contemplated thereunder has been obtained, as such no extraordinary general meeting will be held in relation to the formation of the Joint Venture Company.

* As the Shares commenced trading on GEM on 24 July 2000 (i.e. before 1 October 2001) and the market capitalisation of the Company as at the time of listing did not exceed HK$1,000 million, the minimum prescribed percentage of Shares in the hands of public is 20% in accordance with note 2 to Rule 11.23 (1) of the GEM Listing Rules.

PROCEDURES FOR THE DEMAND BY POLL

The procedures by which the Shareholders may demand a poll at the general meeting of the Company are set out below.

Pursuant to article 66 of the articles of association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of such meeting; or

(b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; and

(e) by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix of this circular.

By order of the Board
FlexSystem Holdings Limited
Lok Wai Man
Chairman

(A) FINANCIAL SUMMARY

A summary of the audited results and assets and liabilities of the Group for the last three financial years ended 31 March 2005, 31 March 2006 and 31 March 2007 as extracted from the Company's 2005, 2006 and 2007 annual reports, are set out below:

1. Consolidated Income Statement

for the year ended 31 March 2007

	Note	**2007** *HK$'000*	**2006** *HK$'000*	**2005** *HK$'000*
Revenue	*5*	79,982	71,497	63,826
Cost of sales		(21,820)	(18,130)	(19,724)
Gross profit		58,162	53,367	44,102
Other income	*6*	908	1,024	359
Other gains	*7*	193	–	–
Distribution costs		(17,683)	(15,423)	(13,421)
Administrative expenses		(34,986)	(34,157)	(31,137)
Other operating expenses		(2,759)	(2,882)	(1,683)
Operating profit/(loss)	*8*	3,835	1,929	(1,780)
Share of loss of a jointly controlled entity		–	–	(347)
Loss on disposal of subsidiaries	*29(b)*	–	(48)	(37)
Loss on disposal of a jointly controlled entity		–	–	(62)
Profit before income tax		3,835	1,881	(2,226)
Income tax	*9*	1,679	685	(72)
Profit for the year		5,514	2,566	(2,298)
Attributable to:				
Equity holders of the Company		5,722	2,566	(2,298)
Minority interests		(208)	–	–
		5,514	2,566	(2,298)
Earnings per share for profit attributable to the equity holders of the Company during the year – basic and diluted	*11*	0.95 cents	0.43 cents	(0.38) cents
Dividends	*12*	3,000	–	–

2. Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 *HK$'000*	2006 *HK$'000*
Revenue	*5*	79,982	71,497
Cost of sales		(21,820)	(18,130)
Gross profit		58,162	53,367
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Other operating expenses		(2,759)	(2,882)
Operating profit	*8*	3,835	1,929
Loss on disposal of subsidiaries	*29(b)*	–	(48)
Profit before income tax		3,835	1,881
Income tax	*9*	1,679	685
Profit for the year		5,514	2,566
Attributable to:			
Equity holders of the Company		5,722	2,566
Minority interests		(208)	–
		5,514	2,566
Earnings per share for profit attributable to the equity holders of the Company during the year – basic and diluted	*11*	0.95 cents	0.43 cents
Dividends	*12*	3,000	–

Consolidated Balance Sheet
As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Leasehold land and land use rights	14	12,742	–
Property, plant and equipment	15	14,641	3,386
Intangible assets	16	–	–
Investment in an associate	18	–	–
Available-for-sale financial assets	19	690	1,779
Amounts due from investee companies	20	–	13
		28,073	5,178
Current assets			
Inventories	21	1,121	1,094
Trade and other receivables	22	15,749	13,984
Bank balances and cash	23	21,098	40,619
		37,968	55,697
Total assets		66,041	60,875
Current liabilities			
Trade and other payables	24	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	25	60,000	60,000
Reserves		(18,432)	(24,052)
		41,568	35,948
Minority interests		634	842
Total equity		42,202	36,790

Balance Sheet

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	17	29,385	10,254
Available-for-sale financial assets	19	675	1,764
		30,060	12,018
Current assets			
Prepayments	22	112	112
Bank balances and cash	23	12,428	29,053
		12,540	29,165
Total assets		42,600	41,183
Current liabilities			
Accruals	24	255	407
Net current assets		12,285	28,758
Total assets less current liabilities		42,345	40,776
Net assets		42,345	40,776
Capital and reserves attributable to the Company's equity holders			
Share capital	25	60,000	60,000
Reserves	27	(17,655)	(19,224)
Total equity		42,345	40,776

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to equity holders of the Company								
	Share capital HK$'000 (Note 25)	Share premium HK$'000	Merger reserve HK$'000 (Note)	Translation reserve HK$'000	Available-for-sale investments reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Minority interests HK$'000	Total equity 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							
		83,955							

Note: Pursuant to a group reorganization ("Reorganization"), which was completed on 10 July 2000, to rationalize the Group's structure in preparation for a listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company acquired the entire issued share capital of SomaFlex International Inc. through a share swap and became the holding company of SomaFlex and its subsidiaries.

The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired pursuant to the Reorganization and the nominal value of the share capital of the Company issued in exchange thereof.

Consolidated Cash Flow Statement
For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash generated from operating activities	*29(a)*	5,059	2,947
Cash flows from investing activities			
Interest received		832	943
Dividends received		60	81
Purchase of property, plant and equipment	*15*	(13,592)	(636)
Purchase of leasehold land and land use rights	*14*	(12,900)	–
Proceeds from disposal of property, plant and equipment		14	–
Disposal of subsidiaries	*29(b)*	–	(92)
Advance to an associate		(113)	(1,107)
Proceeds from disposal of available-for-sale financial assets		1,178	–
Advances to investee companies		(37)	(862)
Net cash used in investing activities		(24,558)	(1,673)
Net (decrease)/increase in cash and cash equivalents		(19,499)	1,274
Cash and cash equivalents at beginning of year		40,619	39,373
Exchange losses on cash and cash equivalents		(22)	(28)
Cash and cash equivalents at end of year		21,098	40,619
Analysis of balances of cash and cash equivalents:			
Cash at bank and in hand	*23*	15,552	40,473
Short-term bank deposits	*23*	5,546	146
		21,098	40,619

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

1. GENERAL INFORMATION

FlexSystem Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(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;
- 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); and
- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006).

(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 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.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognized at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Diluted gains and losses in associates are recognized in the consolidated income statement.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of buildings and leasehold improvements are calculated to write off their cost on a straight-line basis over the unexpired period of the lease.

Depreciation of other property, plant and equipment is calculated using the reducing balance method to allocate their costs to their residual values over their estimated useful lives. The principal annual rates used for each of the categories of property, plant and equipment are as follows:

Plant and machinery	20%
Furniture and fixtures	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising on the disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2.6 Intangible assets

Deferred development costs

Deferred development costs are expensed as incurred, except where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognized as an asset and have definite useful lives. The costs are amortized on a straight-line basis over a period of not more than three years to reflect the pattern in which the related economic benefits are recognized. Development costs previously recognized as expenses are not recognized as assets in a subsequent period.

2.7 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or losses are held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; these are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.10 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) Pension cost

The Group's contributions to the Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") are expensed as incurred and reduced by the Group's voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund. Apart from the MPF scheme, the Group also contributes to other defined contribution retirement schemes. The contributions are expensed as incurred.

(b) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities, net of returns. The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity, on the following bases:

(a) Revenue from the sale of enterprise software and hardware products is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Maintenance service income is recognized over the life of the agreement on a straight-line basis. The unearned portion of the maintenance service income received is stated as deferred income in the balance sheet.

(c) Commission income is recognized when the relevant services are rendered.

(d) Dividend income is recognized when the shareholders' right to receive payment is established.

(e) Interest income is recognized on a time-proportion basis using the effective interest method.

2.18 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong and the exposure to foreign exchange risk is limited arising from various currency exposures. Foreign exchange risk mainly arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The management of the Group considers the foreign exchange risk of the Group is not significant, and thus does not have any active policies to hedge against the foreign exchange risk.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that credits are granted to customers with an appropriate credit history.

In addition, the Group reviews the recoverable amounts of each individual trade debt at each balance sheet date to ensure the adequate impairment losses are made for irrecoverable amounts. The Group has maintained relationship with various financial institutions, and has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The carrying value less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Group is subject to income tax in Hong Kong and other countries. Significant judgment is required in determining the amount of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE AND SEGMENT INFORMATION

	2007	**2006**
	HK$'000	*HK$'000*
Revenue		
Software	48,219	45,343
Services	26,004	22,394
Other operations	5,759	3,760
	79,982	71,497

(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	Services	Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	48,219	26,004	5,759	–	79,982
Segment results	2,225	7,060	(1,164)	(4,286)	3,835
Income tax *(Note 9)*					1,679
Profit for the year					5,514

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

	Software	Services	Other operations	Unallocated	Group
Depreciation	–	–	–	2,021	2,021
Amortization of prepaid operating lease payments	–	–	–	158	158

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

	Software	Services	Other operations	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	45,343	22,394	3,760	–	71,497
Segment results	1,509	4,313	(993)	(2,900)	1,929
Loss on disposal of subsidiaries					(48)
Profit before income tax					1,881
Income tax *(Note 9)*					685
Profit for the year					2,566

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

	Software	Services	Other operations	Unallocated	Group
Depreciation	–	–	–	1,152	1,152

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	**Services**	**Other operations**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	–	–	1,121	64,920	66,041
Liabilities	7,320	7,687	–	8,832	23,839
Capital expenditure	–	–	–	26,492	26,492

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**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	–	–	1,094	59,781	60,875
Liabilities	6,377	6,962	–	10,746	24,085
Capital expenditure	–	–	–	636	636

(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**
	HK$'000	*HK$'000*
Revenue		
Hong Kong	64,125	53,960
PRC	10,576	9,401
Other countries	5,281	8,136
	79,982	71,497

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

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

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

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong	26,245	110
PRC	160	274
Other countries	87	252
	26,492	636

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

6. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Commission income	16	–
Dividend income from listed investments	60	81
Interest income	832	943
	908	1,024

7. OTHER GAINS

	2007	2006
	HK$'000	*HK$'000*
Net gain transferred from equity on disposal of available-for-sale financial assets	193	–

8. EXPENSES BY NATURE

	2007	2006
	HK$'000	*HK$'000*
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	50	849

9. 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.

The amount of income tax credited to the consolidated income statement represents:

	2007	**2006**
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	–	–
– Overseas income tax	161	39
– Over-provision in prior years	(1,840)	(724)
Tax credit	(1,679)	(685)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities of 17.5% (2006: 17.5%) as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before income tax	3,835	1,881
Tax calculated at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	671	329
Income not subject to tax	(563)	(934)
Expenses not deductible for taxable purpose	364	856
Tax losses not recognized	400	249
Utilization of previously unrecognized tax losses	(684)	(441)
Over-provision in prior years	(1,840)	(724)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(27)	(20)
Tax credit	(1,679)	(685)

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$1,673,000 (2006: HK$47,000).

11. 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.

12. 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. These financial statements do not reflect this dividend payable.

13. EMPLOYEE BENEFIT EXPENSE

	2007	**2006**
	HK$'000	*HK$'000*
Salaries, wages and other benefits	35,656	33,608
Pension cost – defined contribution schemes	1,851	1,872
Total employee benefit expense (including directors' remuneration)	37,507	35,480

(a) Defined contribution schemes

The Group operated a defined contribution scheme (the "Old Scheme") for all qualified employees in Hong Kong prior to 1 December 2000. With the implementation of the MPF Scheme effective from 1 December 2000, the Old Scheme was terminated and the accumulated contributions of the Old Scheme were transferred to the MPF Scheme as the Group's voluntary contributions. Under the MPF Scheme, monthly contributions are made at 5% of an employee's gross salary or HK$1,000, whichever is lower. The Group's voluntary contributions forfeited by qualified employees in Hong Kong who left the MPF Scheme prior to vesting fully in such contributions can be used to reduce the Group's future contributions to the MPF Scheme. During the years ended 31 March 2006 and 2007, there were no material contributions forfeited.

The PRC subsidiary of the Group has participated in an employees' retirement scheme implemented by the Shanghai Municipal Government. Contributions are made to the scheme based on 28% (2006: 28%) of the applicable basic payroll costs.

The Singapore subsidiary of the Group has participated in the Central Provident Fund. Contributions are made at 32% (2006: 32%) of an employee's ordinary wages.

(b) Directors' and senior management emoluments

The remuneration of every director for the year ended 31 March 2007 is set out below:

Name of director	Fees	Salaries, allowances, and benefits in kind	Employer's contributions to defined contribution schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Lok Wai Man	–	958	12	970
Mr. So Yiu King	–	847	12	859
Mr. Chow Chi Ming, Daniel	–	553	25	578
Independent non-executive directors				
Mr. Tse Lin Chung	30	–	–	30
Mr. Lee Kar Wai	30	–	–	30
Mr. Mak Wing Kwong, David	30	–	–	30
	90	2,358	49	2,497

The remuneration of every director for the year ended 31 March 2006 is set out below:

Name of director	Fees	Salaries, allowances, and benefits in kind	Employer's contributions to defined contribution schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Mr. Lok Wai Man	–	981	12	993
Mr. So Yiu King	–	883	12	895
Mr. Chow Chi Ming, Daniel	–	540	25	565
Independent non-executive directors				
Mr. Tse Lin Chung	30	–	–	30
Mr. Lee Kar Wai	30	–	–	30
Mr. Mak Wing Kwong, David	30	–	–	30
	90	2,404	49	2,543

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil). None of the directors waived or agreed to waive any remuneration during the year (2006: Nil).

(c) Five highest paid individuals

The five highest paid employees during the year included two (2006: two) directors, details of whose remuneration are set out in Note 13(b) to the financial statements. Details of the emoluments of the remaining three (2006: three) non-director, highest paid employees for the year are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,105	1,944
Employer's contributions to defined contribution schemes	73	63
	2,178	2,007

The emoluments were within the following band:	**2007 Number of employees**	**2006 Number of employees**
Nil – HK$1,000,000	3	3

14. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of between 10 to 50 years	12,742	–

	2007	**2006**
	HK$'000	*HK$'000*
Opening	–	–
Additions	12,900	–
Amortization of prepaid operating lease payments	(158)	–
	12,742	–

15. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Building	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005						
Cost	–	3,013	4,899	3,931	167	12,010
Accumulated depreciation	–	(1,994)	(3,030)	(2,820)	(143)	(7,987)
Net book amount	–	1,019	1,869	1,111	24	4,023
Year ended 31 March 2006						
Opening net book amount	–	1,019	1,869	1,111	24	4,023
Additions	–	55	56	337	188	636
Depreciation for the year	–	(467)	(365)	(310)	(10)	(1,152)
Disposal of subsidiaries	–	–	(135)	(16)	–	(151)
Exchange realignments	–	9	–	21	–	30
Closing net book amount	–	616	1,425	1,143	202	3,386
At 31 March 2006						
Cost	–	3,096	4,731	4,300	355	12,482
Accumulated depreciation	–	(2,480)	(3,306)	(3,157)	(153)	(9,096)
Net book amount	–	616	1,425	1,143	202	3,386
Year ended 31 March 2007						
Opening net book amount	–	616	1,425	1,143	202	3,386
Additions	7,804	5,049	95	644	–	13,592
Disposals	–	(276)	(17)	(37)	(10)	(340)
Depreciation for the year	(96)	(1,265)	(305)	(324)	(31)	(2,021)
Exchange realignments	–	5	–	19	–	24
Closing net book amount	7,708	4,129	1,198	1,445	161	14,641
At 31 March 2007						
Cost	7,804	6,043	4,745	4,644	298	23,534
Accumulated depreciation	(96)	(1,914)	(3,547)	(3,199)	(137)	(8,893)
Net book amount	7,708	4,129	1,198	1,445	161	14,641

16. INTANGIBLE ASSETS

	Group Deferred development costs *HK$'000*
At 1 April 2005	
Cost	7,145
Accumulated amortization and impairment	(7,145)
Net book amount	–
Year ended 31 March 2006	
Opening net book amount	–
Accumulated amortization and impairment	–
Closing net book amount	–
At 31 March 2006	
Cost	7,145
Accumulated amortization and impairment	(7,145)
Net book amount	–
Year ended 31 March 2007	
Opening net book amount	–
Accumulated amortization and impairment	–
Closing net book amount	–
At 31 March 2007	
Cost	7,145
Accumulated amortization and impairment	(7,145)
Net book amount	–

There were no movements in the intangible assets for the years ended 31 March 2006 and 2007.

17. INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	Company 2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	47,550	47,550
Amounts due from subsidiaries *(Note (b))*	84,835	65,704
	132,385	113,254
Impairment	(103,000)	(103,000)
	29,385	10,254

The following is a list of the principal subsidiaries of the Company as at 31 March 2007:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
Subsidiary held directly:				
SomaFlex International Inc.	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Subsidiaries held indirectly:				
FlexSystem Limited	Hong Kong	Development and distribution of FlexAccount products in Hong Kong	120,000 ordinary shares of HK$1 each	100%
FlexSystem (Shanghai) Co., Ltd. (Note)	PRC	Development and distribution of FlexAccount products in the PRC	Registered capital of US$400,000	100%
FlexSystem Software Limited	Macau	Research and development in Macau	Registered capital of MOP30,000	100%
Norray Professional Computer Limited	Hong Kong	Sales of computer equipment, computer programming, and provision of computer maintenance and tuition services in Hong Kong	200,000 ordinary shares of HK$1 each	70%
Starwise International Computers Limited	Hong Kong	Investment holding in Hong Kong	1,050,000 ordinary shares of HK$1 each	100%
FlexEducation Technology Limited	Hong Kong	Development of educational software and investment holding in Hong Kong	100 ordinary shares of HK$1 each	100%

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
Soma Software Services Limited	Hong Kong	Provision of ASP services in Hong Kong	100 ordinary shares of HK$1 each	100%
Millenium Magic Sdn. Bhd.	Malaysia	Distribution of computer software products and technology in Malaysia	2 ordinary shares of RM1 each	100%
FlexSystem Limited, Taiwan Branch	Taiwan	Sales of computer equipment, computer programming, and provision of computer maintenance and consultation services in Taiwan	Registered capital of NT$2,500,000	100%
Maya Systems Consultants Pte. Limited	Singapore	Distribution of FlexAccount products in Singapore	500,000 ordinary shares of S$1 each	70%
FineStar Pacific Limited	Hong Kong	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	51%
Master Regal Limited	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK$1 each	60%
Soma Systems Technology Sdn. Bhd.	Malaysia	Distribution of FlexAccount products in Malaysia	2 ordinary shares of RM1 each	100%
FlexDevelopments (Macau Commercial Offshore) Limited	Macau	Research and development of software in Macau	Registered capital of MOP100,000	100%
FlexSystem (M) Sdn. Bhd.	Malaysia	Distribution of FlexAccount products in Malaysia	2 ordinary shares of RM1 each	100%

Note:

(i) Wholly foreign-owned enterprise established in the PRC

(ii) All of the above subsidiaries of the Group are limited liability companies.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the carrying amounts of the amounts due from subsidiaries approximate their fair values.

18. INVESTMENT IN AN ASSOCIATE

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Share of net liabilities	(2,299)	(2,299)
Amount due from an associate	6,090	5,977
	3,791	3,678
Provision for amount due from an associate	(3,791)	(3,678)
	–	–

The amount due from the associate is unsecured, interest-free and has no fixed term of repayment. The directors consider that the carrying amount of the amount due from the associate approximates its fair value.

Details of the associate of the Group as at 31 March 2007 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Indirect interest held
Flex-Logic Limited	Hong Kong	Software development in Hong Kong	2 ordinary shares of HK$1 each	50%

The following table illustrates the summarized financial information of the associate of the Group as extracted from its financial statements:

	2007	**2006**
	HK$'000	*HK$'000*
Total assets	–	2,867
Total liabilities	6,184	8,903
Revenues	2,724	1,129
Loss	(143)	(1,111)

The Group has not recognized losses amounting to approximately HK$72,000 (2006: HK$556,000) for the above associate. The accumulated losses not recognized were approximately HK$778,000 (2006: HK$706,000).

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the year	1,779	1,575	1,764	1,560
Disposal	(1,178)	–	(1,178)	–
Net gain transfer to equity	89	204	89	204
End of the year	690	1,779	675	1,764

There were no disposals on available-for-sale financial assets in 2006.

Available-for-sale financial assets comprise the following:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities listed in Hong Kong, at fair value	675	1,764	675	1,764
Unlisted equity securities, at cost	15	15	–	–
	690	1,779	675	1,764
Market value of listed securities	675	1,764	675	1,764

20. AMOUNTS DUE FROM INVESTEE COMPANIES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Amounts due from investee companies	5,402	15,296
Less: Provision for impairment of amounts due from investee companies	(5,402)	(15,283)
	–	13

The amounts due from the investee companies are unsecured, interest-free and have no fixed terms of repayment. The directors consider that the carrying amounts of the amounts due from investee companies approximate their fair values.

21. INVENTORIES

	Group 2007	Group 2006
	HK$'000	*HK$'000*
Merchandise	1,121	1,094

The cost of inventories recognized as expense and included in cost of sales amounted to approximately HK$4,570,000 (2006: HK$3,060,000).

22. TRADE AND OTHER RECEIVABLES

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

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	Group 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
	12,272	10,306

(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 trade and other receivables approximate their fair values.

23. BANK BALANCES AND CASH

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	15,552	40,473	6,882	28,907
Short-term bank deposits	5,546	146	5,546	146
	21,098	40,619	12,428	29,053

The effective interest rate on short-term bank deposits was 3.1% (2006: 2.8%). These deposits have an average maturity of 30 days.

As at 31 March 2007, the Group had bank balances and cash of approximately HK$4,067,000 (2006: HK$4,616,000) which are denominated in Renminbi. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

24. TRADE AND OTHER PAYABLES

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

Notes:

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
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
	1,029	548

(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.

25. SHARE CAPITAL

	2007	**2006**
	HK$'000	*HK$'000*
Authorized:		
2,000,000,000 ordinary shares of HK$0.10 each	200,000	200,000
Issued and fully paid:		
600,000,000 ordinary shares of HK$0.10 each	60,000	60,000

26. 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 2006 and 2007.

27. RESERVES

	Company			
	Share premium	**Available-for-sale investments reserve**	**Accumulated losses**	**Total reserves**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2005	85,872	(397)	(104,950)	(19,475)
Changes in fair value of available-for-sale financial assets	–	204	–	204
Profit for the year	–	–	47	47
Balance at 31 March 2006 and 1 April 2006	85,872	(193)	(104,903)	(19,224)
Changes in fair value of available-for-sale financial assets	–	89	–	89
Net gain transferred to profit or loss on disposal	–	(193)	–	(193)
Profit for the year	–	–	1,673	1,673
Balance at 31 March 2007	85,872	(297)	(103,230)	(17,655)
Representing:				
31 March 2007 after proposed final dividend	82,872			
2007 final dividend proposed	3,000			
	85,872			

28. DEFERRED INCOME TAX

No deferred tax liabilities are recognized in the financial statements as the Group and the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31 March 2006 and 2007.

A deferred tax asset has not been recognized in the financial statements in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilized. As at 31 March 2007, the unprovided deferred tax assets of the Group and of the Company are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax effect of temporary difference attributable to estimated tax losses	7,068	7,352	934	701

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash generated from operating activities:

	2007	**2006**
	HK$'000	*HK$'000*
Operating profit	3,835	1,929
Adjustments for:		
– Depreciation	2,021	1,152
– Amortization of prepaid operating lease payments	158	–
– Loss on disposal of property, plant and equipment	326	–
– Net gain transferred from equity on disposal of available-for-sale financial assets	(193)	–
– Interest income	(832)	(943)
– Dividend income	(60)	(81)
– Interest expenses	–	5
– Provision for impairment of amounts due from investee companies	50	849
– Provision for impairment of amount due from an associate	113	1,107
Changes in working capital:		
– Inventories	(27)	184
– Trade and other receivables	(1,765)	(959)
– Trade and other payables	1,690	(208)
Cash generated from operations	5,316	3,035
Interest paid	–	(5)
Overseas income tax paid	(257)	(83)
Net cash generated from operating activities	5,059	2,947

(b) Disposal of subsidiaries

During the year ended 31 March 2006, the Group disposed of its entire equity interests in Flexsunland Century Software Limited and Beijing Flexdigisuper Software Co., Ltd. The results of the subsidiaries disposed of in the year ended 31 March 2006 had no significant impact on the Group's consolidated turnover or profit after income tax for the year.

	2006
	HK$'000
Net assets disposed of:	
Property, plant and equipment	151
Inventories	34
Trade and other receivables	1,131
Bank balances and cash	92
Translation reserve	9
Trade and other payables	(1,369)
	48
Loss on disposal of subsidiaries	(48)
	–
An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:	
Cash consideration	–
Cash and cash equivalents disposed of	(92)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(92)

30. COMMITMENTS

As at 31 March 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
No later than one year	1,378	2,424
Later than one year and no later than five years	191	1,039
	1,569	3,463

The Company did not have significant lease commitments as at 31 March 2007 (2006: Nil).

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

		Group	
		2007	**2006**
	Note	*HK$'000*	*HK$'000*
Software royalty expenses paid to Flex-Logic Limited	*(a)*	2,724	1,129
Software royalty expenses paid to i-Global Solutions Limited	*(b)*	359	217
Commission and computer expenses paid to Global Information Technology Limited	*(b)*	28	12

Notes:

(a) Flex-Logic Limited is an associate of the Group.

(b) i-Global Solutions Limited and Global Information Technology Limited are investee companies of the Group.

Key management compensation

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Short-term employee benefits	5,311	5,310
Post employment benefits	171	171
	5,482	5,481

Further details of directors' emoluments are included in Note 13 to the financial statements.

3. Condensed Consolidated Income Statement

		Three months ended 30th September,		Six months ended 30th September,	
		2006	**2005**	**2006**	**2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*2*	19,885	17,882	39,078	37,453
Gross profit		14,846	13,127	29,936	28,169
Operating profit		707	1,824	3,608	4,798
Provision for amount due from investee companies		(43)	(215)	(43)	(665)
Share of (loss)/profit of an associated company		191	(271)	(490)	(271)
Profit before taxation		855	1,338	3,075	3,862
Taxation	*3*	(1)	(160)	(65)	(401)
Net profit for the period		854	1,178	3,010	3,461
Attributable to:					
Equity holders of the parent		770	1,146	2,877	3,429
Minority interests		84	32	133	32
		854	1,178	3,010	3,461
Earnings per share – Basic	*4*	0.13 cent	0.19 cent	0.48 cent	0.57 cent
Dividend per share		Nil	Nil	Nil	Nil

Condensed Consolidated Balance Sheet

	Note	As at 30th September, 2006 HK$'000 (unaudited)	As at 31st March, 2006 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		7,117	3,386
Investments			
– Available-for-sale financial assets		652	1,779
– Loans and receivables		–	13
		7,769	5,178
Current assets			
Inventories		1,181	1,094
Trade and other receivables	5	18,186	13,984
Bank balances and cash		38,455	40,619
		57,822	55,697
Total assets		65,591	60,875
Less: Current liabilities			
Trade and other payables	6	21,652	19,790
Income tax payable		4,282	4,295
		25,934	24,085
Net current assets		31,888	31,612
Net assets		39,657	36,790
Capital and reserves			
Equity attributable to equity holders of the Company			
Share capital		60,000	60,000
Reserves	7	(21,317)	(24,052)
		38,683	35,948
Minority interests		974	842
Total equity		39,657	36,790

Condensed Consolidated Cash Flow Statement

	For the six months ended 30th September, 2006 *HK$'000* (unaudited)	For the six months ended 30th September, 2005 *HK$'000* (unaudited)
Net cash generated from operating activities	1,325	1,014
Net cash used in investing activities	(3,489)	(975)
Net increase in cash and cash equivalents	(2,164)	39
Cash and cash equivalents at beginning of the period	40,619	39,373
Effect of foreign exchange rate change, net	–	–
Cash and cash equivalents at the end of the period	38,455	39,412
Analysis of balances of cash and cash equivalents		
Bank balances and cash	38,455	39,412

Notes:

1. BASIS OF PRESENTATION

The principal accounting policies adopted in preparing the Group's unaudited consolidated results conform to accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Exchange. The financial statements have been prepared under the historical cost convention except that certain property and investments in securities are stated at fair value.

In 2005, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("the new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2006. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

2. TURNOVER

The Group is principally engaged in the development, sale and lease of enterprise software products in Hong Kong, mainland China (the "PRC") and other Asian countries. The unaudited consolidated revenue for the six months ended 30th September, 2006 with the unaudited consolidated figures for the corresponding period in 2005 are as follows:

	Three months ended 30th September,		**Six months ended 30th September,**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Business segment:–				
Software	11,792	10,865	23,517	24,339
Services	6,776	5,790	12,997	10,788
Other operations	1,317	1,227	2,564	2,326
	19,885	17,882	39,078	37,453
Geographical segment:–				
Hong Kong	14,791	15,070	29,813	30,802
The PRC	2,700	1,679	5,739	4,406
Others	2,394	1,133	3,526	2,245
	19,885	17,882	39,078	37,453

3. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. PRC income tax has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing to the enterprises in the PRC.

4. EARNINGS PER SHARE

The calculation of the Group's basic earnings per share for the three months and six months ended 30th September, 2006 is based on the Group's unaudited consolidated profit attributable to shareholders of approximately HK$770,000 and HK$2,877,000 respectively, and 600,000,000 Shares in issue during the period.

The calculation of the Group's basic earnings per share for the three months and six months ended 30th September 2005 is based on the Group's unaudited consolidated profit attributable to shareholders of approximately HK$1,146,000 and HK$3,429,000 respectively, and 600,000,000 Shares in issue.

5. TRADE AND OTHER RECEIVABLES

	As at 30th September, 2006 *HK$'000*	**As at 31st March, 2006** *HK$'000*
Trade receivables	12,267	10,306
Prepayments, deposits and other receivables	4,646	2,422
Advances to staff	1,273	1,256
	18,186	13,984

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors net of provision or bad and doubtful debts.

	30th September, 2006 *HK$'000*	**31st March, 2006** *HK$'000*
0-30 days	995	2,965
31-60 days	4,265	1,449
61-90 days	853	915
91-180 days	3,222	1,122
181-365 days	1,781	2,975
Over 365 days	1,151	880
	12,267	10,306

6. TRADE AND OTHER PAYABLES

	As at 30th September, 2006 *HK$'000*	**As at 31st March, 2006** *HK$'000*
Amount due to investee companies	50	139
Trade payables	764	548
Other payables and accruals	6,359	5,764
Deferred income	7,124	6,962
Sales deposits received	7,355	6,377
	21,652	19,790

The following is an aging analysis of trade payable:–

	30th September, 2006 *HK$'000*	31st March, 2006 *HK$'000*
0-30 days	656	481
31-60 days	88	36
61-90 days	–	–
91-180 days	–	3
181-365 days	2	15
Over 365 days	18	13
	764	548

7. RESERVES

	Share premium *HK$'000*	Merger reserve *HK$'000*	Exchange reserve *HK$'000*	Available-for sale financial assets revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
As at 1st April, 2005	83,955	(47,430)	(55)	–	(63,303)	(26,833)
Opening adjustment for the adoption of HKAS 39	–	–	–	(397)	397	–
As at 1st April, 2005, as restated	83,955	(47,430)	(55)	(397)	(62,906)	(26,833)
Profit for the period	–	–	–	–	3,429	3,429
As at 30th September, 2005	83,955	(47,430)	(55)	(397)	(59,477)	(23,404)
As at 1st April, 2006	83,955	(47,430)	(44)	(193)	(60,340)	(24,052)
Changes in fair value of available-for-sale financial asset	–	–	–	(142)	–	(142)
Profit for the period	–	–	–	–	2,877	2,877
As at 30th September, 2006	83,955	(47,430)	(44)	(335)	(57,463)	(21,317)

(B) INDEBTEDNESS

Borrowings and contingent liabilities

As at the close of business on 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group did not have any outstanding borrowings or contingent liabilities.

Operating lease commitments

As at 30 September 2007, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented office premises amounting to approximately HK$983,350, of which approximately HK$881,940 will fall due within one year, approximately HK$101,410 will fall due in more than one year but not exceeding two years and approximately HK$Nil will fall due in more than two years but not exceeding five years.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have outstanding indebtedness as at the close of business on 30 September 2007 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

No material change

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 September 2007.

(C) WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the financial resources including its internally generated funds, the Group will have sufficient working capital to satisfy its present requirements and the requirements in the next 12 months.

1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Group (the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules, for illustrative purposes only, to provide information about how the formation of the Joint Venture Company might have affected the net assets of the Group as if the transaction had taken place on 31 March 2007.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, it may not be indicative of the financial position of the Group as at 31 March 2007 or at any future date.

	The Group as at 31 March 2007 *HK$'000* *(Note 1)*	Pro forma adjustment *HK$'000* *(Note 2)*	Pro forma balances *HK$'000*
Non-current assets			
Leasehold land and land use rights	12,742		12,742
Property, plant and equipment	14,641		14,641
Intangible assets	–		–
Investment in a jointly controlled entity	–	19,500	19,500
Investment in an associate	–		–
Available-for-sale financial assets	690		690
Amounts due from investee companies	–		–
	28,073		47,573
Current assets			
Inventories	1,121		1,121
Trade and other receivables	15,749		15,749
Bank balances and cash	21,098	(19,500)	1,598
	37,968		18,468
Total assets	66,041		66,041
Current liabilities			
Trade and other payables	21,480		21,480
Current income tax liabilities	2,359		2,359
	23,839		23,839
Net current assets/(liabilities)	14,129		(5,371)
Net assets	42,202		42,202
Capital and reserves attributable to the Company's equity holders			
Share capital	60,000		60,000
Reserves	(18,432)		(18,432)
	41,568		41,568
Minority interests	634		634
Total equity	42,202		42,202

Notes:

1. The figures have been extracted from the audited consolidated balance sheet of the Group as at 31 March 2007 as disclosed in the published annual report of the Company for the year ended 31 March 2007.

2. Pursuant to the Term Sheet, the Joint Venture Company will be owned as to 50% by each of FlexSystem (a wholly-owned subsidiary of the Company) and CDC Software. The initial paid up capital of the Joint Venture Company will be US$5,000,000, of which CDC Software shall contribute US$2,500,000 in cash and FlexSystem shall contribute US$2,500,000 in cash. Each party shall contribute US$250,000 upon formation of the Joint Venture Company and shall contribute US$250,000 in each of nine additional tranches payable upon a schedule to be determined by the board of directors of the Joint Venture Company. The Group intends to finance the capital contribution from its internal resources. Upon formation, the Joint Venture Company will become a jointly controlled entity of the Group and the Group will recognize its interests in the Joint Venture Company using the equity method.

   This adjustment is to reflect the effect of formation of the Joint Venture Company as if the Joint Venture Company had been formed on 31 March 2007 and the initial paid up capital of the Joint Venture Company of US$5,000,000 (equivalent to approximately HK$39,000,000) had been fully contributed by CDC Software as to US$2,500,000 (equivalent to approximately HK$19,500,000) in cash and by FlexSystem as to US$2,500,000 (equivalent to approximately HK$19,500,000) in cash on 31 March 2007.

3. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2007.

2. REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is the text of a report received from the auditors of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, addressed to the directors of the Company and prepared for the sole purpose of inclusion in this circular.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

15 November 2007

The Directors
FlexSystem Holdings Limited

Dear Sirs,

REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

Introduction

We report on the unaudited pro forma consolidated statement of assets and liabilities of FlexSystem Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") (the "Unaudited Pro Forma Financial Information") set out in Section 1 of Appendix II to the Company's circular dated 15 November 2007 (the "Circular"), in connection with the formation of the Joint Venture Company (as defined in the Circular) (the "Transaction"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the net assets of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section 1 of Appendix II to the Circular.

Respective responsibilities of the directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by Rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2007 or at any future date.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(1) the information contained in this circular 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 circular misleading; and

(3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

(i) Long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Lok Wai Man *(Note 1)*	Corporate Beneficial	475,500,000 3,798,000 *(Note 2)*	79.88%
Mr. So Yiu King *(Note 1)*	Corporate Beneficial	2,000 3,600,000 *(Note 2)*	0.60%

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Chow Chi King, Daniel *(Note 1)*	Corporate Beneficial	2,000 3,600,000 *(Note 2)*	0.60%
Mr. Leung Wai Cheung *(Note 1)*	Beneficial	1,000,000 *(Note 2)*	0.17%

Note:

1. Mr. Lok Wai Man, being a substantial Shareholder 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 and Mr. Leung Wai Cheung is the executive of the Company and are also considered to be initial management Shareholders.

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 chung. 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 475,600,000 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..

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the

Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Number of Shares held	Nature of interests	Approximate percentage of issued share capital of the Company
SomaFlex Holdings Inc. *(Note 1)*	475,500,000	Beneficial	79.25%

Note:

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.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, management shareholders or substantial shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest audited financial statements of the Company were made up.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the sale and purchase agreement dated 5 July 2006 entered into between Tai Wah Television Industries Limited and FlexSystem for acquisition of a property; and

(b) the Term Sheet.

Save for the aforementioned, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

8. EXPERT'S QUALIFICATION AND CONSENT

(a) The following are the respective qualifications of the experts who have been named in this circular or have given their opinions, letters or advice which are contained in this circular:

Name	**Qualification**
HLB Hodgson Impey Cheng (the "HLB")	Chartered Accountants, Certified Public Accountants

(b) HLB has no shareholding, directly or indirectly, in any member of the Group or any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) HLB has given and has not withdrawn its written consent to the issue of the circular, with the inclusion of the reference to its name and/or its opinion in the form and context in which they are included.

(d) HLB has no direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

9. INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party and in which any Director has a material interest, whether directly or indirectly, subsist at the date of this circular.

None of the Directors and experts referred in the paragraph headed "Qualification and consent of experts" in this appendix has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were compiled, up to and including the Latest Practicable Date.

10. MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is Block A, 4th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

(c) The branch share registrar and transfer office in Hong Kong of the Company is Tricor Tricor Secretaries Limited located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary and qualified accountant of the Company is Mr. Leung Wai Cheung who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(e) The compliance officer of the Company is Mr. So Yiu King who is also an executive Director.

(f) The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

The audit committee reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation.

The audit committee comprises three independent non-executive Directors, Mr. Lee Kar Wai, Mr. Tse Lin Chung and Mr. Mak Wing Kwong, David.

Mr. Tse Lin Chung, aged 46, is a practicing solicitor. He graduated from the University of Hong Kong in 1985 with a Bachelor of Social Sciences degree. In 1988, he obtained a Bachelor of Laws degree from the University of London and in 1989, a Postgraduate Certificate in Laws from the University of Hong Kong. He was qualified as a solicitor in Hong Kong in 1991 and in England and Wales in 1992. He is the founding partner of Yip, Tse & Tang (formerly known as Yip & Tse), solicitors since 1994. He is the chief executive officer of Internet Solicitor.com founded in 1999 and it operates the legal information portal site of solicitor.com.hk founded in 1997. Since early 2000, he has been offering seminars on e-commerce and Internet laws to executives of e-commerce and IT fields. Mr. Tse joined the Group in May 2000. Mr. Tse does not have any directorship in other public listed company in the past three years.

Mr. Lee Kar Wai, aged 58, is the financial operation director for Kanghong Digital Image (HK) Ltd.. He was previously the company secretary and regional finance controller for CB Richard Ellis Limited and a subsidiary of Dun & Bradstreet Corporation in the U.S.. He is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He graduated with a master degree in accounting science from university of Urbanna, lllinois in the U.S. and a bachelor degree in business administration (accounting) from University of Texas at Arlington in the U.S. in 1976 and 1975 respectively. Mr. Lee joined the Group in November 2000. He is also an independent non-executive director of Prosticks International Holdings Limited, a listed company in Hong Kong. Save as disclosed above, he does not have any directorship in other public listed company in the past three years.

Mr. Mak Wing Kwong, David, aged 44, is currently the managing director of Above Technology Ltd.. He has 20 years of experiences in managing international sales and marketing especially in information technology and electronics industries. He holds a Master of Science degree in International Marketing from Strathclyde University (MSc IM), Diploma in Management Studies from Hong Kong Polytechnic University (DMS) and Diploma in Company Direction from The Hong Kong Institute of Directors (DipCD). He is the fellow member of the Hong Kong Institute of directors (FHKlod) and member of Chartered Institute of Marketing (MCIM). Apart from his professional qualification, he also serves as director of The Hong Kong Economic & Trade Association. He is the Member of the GuiZhou Provincial Committee of the Chinese People's Political Consultative Conference. He is also serving as Consultant of the ChengDu Overseas Friendship Association and Director of the GuiZhou Province/ChongQing/Tianjin Overseas Friendship Associations. Mr. Mak joined the Group in September 2004.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (except Saturdays and public holidays) at the head office and principal place of business of the Company at Block A, 4th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong as at the date of this circular up to and including 29 November 2007:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the two years ended 31 March 2007;

(iii) the material contracts referred to in the section headed "Material contracts" in this appendix;

(iv) the written consent referred to in the section headed "Expert's qualification and consent" in this appendix; and

(v) the report from HLB Hodgson Impey Cheng in respect of the unaudited pro forma consolidated statement of assets and liabilities of the Group, the texts of which are set out in Appendix II to this circular.