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Excel Score Limited

*(Incorporated in the British Virgin Islands
with limited liability)*

FlexSystem Holdings Limited

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

(Stock code: 8050)

JOINT ANNOUNCEMENT

**(1) AGREEMENT IN RELATION TO
THE SALE AND PURCHASE OF SHARES IN
FLEXSYSTEM HOLDINGS LIMITED;**

**(2) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF
EXCEL SCORE LIMITED
FOR ALL THE ISSUED SHARES IN
FLEXSYSTEM HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY EXCEL SCORE LIMITED
AND PARTIES ACTING IN CONCERT WITH IT);**

**(3) SPECIAL DEAL, VERY SUBSTANTIAL DISPOSAL
AND CONNECTED TRANSACTION;**

(4) PROPOSED SPECIAL DISTRIBUTION; AND

**(5) RESUMPTION OF TRADING IN THE SHARES OF
FLEXSYSTEM HOLDINGS LIMITED**

The Share Agreement

Pursuant to the Share Agreement dated 5 January 2011 entered into among the Offeror (as purchaser), the Vendor and the Guarantor, the Vendor has conditionally agreed to sell and procure the sale of, and the Offeror has conditionally agreed to acquire, an aggregate of 479,298,000 Shares (as to 3,798,000 Shares personally and beneficially owned by the Vendor and as to 475,500,000 Shares beneficially owned by SomaFlex Holdings), representing approximately 79.88% of the entire issued share capital of the Company. The total consideration for the Sale Shares is HK\$126,400,000, which was agreed between the Offeror and the Vendor after arm's length negotiation and represents approximately HK\$0.26372 per Sale Share. In consideration of the Vendor agreeing to enter into the Share Agreement, the Guarantor has agreed to guarantee in favour of the Vendor the due and punctual performance of the obligations of the Offeror under the Share Agreement subject to the terms thereof. The Share Agreement is subject to the satisfaction or waiver (as applicable) of certain conditions precedent, including among others, the Disposal Agreement having become unconditional, as detailed in the paragraph headed "Conditions precedent of the Share Agreement" below.

Possible mandatory unconditional cash offer

At the date of this joint announcement, the Offeror Group is not interested in any Shares. Upon completion of the Share Agreement, the Offeror Group will be interested in a total of 479,298,000 Shares, representing approximately 79.88% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror Group.

Subject to the completion of the Share Agreement, Optima Capital, the financial adviser to the Offeror, will make the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following terms:-

For every Offer Share HK\$0.26372 in cash

On the basis of the Offer Price of HK\$0.26372 per Offer Share and 600,000,000 Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company is valued at HK\$158,232,000. As the Offeror Group will be interested in 479,298,000 Shares immediately after completion of the Share Agreement, 120,702,000 Shares will be subject to the Offer and the Offer is valued at HK\$31,831,531.44 based on the Offer Price. Optima Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offer.

The Disposal Agreement

On 5 January 2011 (after trading hours), the Company entered into the Disposal Agreement with SomaFlex Holdings, pursuant to which SomaFlex Holdings has conditionally agreed to purchase and the Company has conditionally agreed to sell the entire issued share capital of the Disposal Company (including the shares to be issued to the Company pursuant to the capitalisation of the Disposal Debt) with effect from the Disposal Completion free from all encumbrances and together with all rights thereafter.

The Disposal Consideration of HK\$40 million (subject to adjustment) was determined after arm's length negotiation between the Company and SomaFlex Holdings with reference to the unaudited net liabilities of the Disposal Group of approximately HK\$49 million as at 30 September 2010 and the capitalisation of the Disposal Debt and the waiver of the Norray Debt which amounted to approximately HK\$79.56 million and HK\$0.44 million respectively as at 30 September 2010. The Disposal Consideration will be satisfied in cash.

As the applicable percentage ratios in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to the GEM Listing Rules. SomaFlex Holdings is approximately 98.27% beneficially owned by the Vendor and thus the Disposal also constitutes a connected transaction of the Company pursuant to the GEM Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the EGM.

Warning: The Share Agreement and the Disposal Agreement are inter-conditional upon each other. Completion is intended to take place simultaneously with Disposal Completion.

The Special Deal

The Disposal constitutes a special deal on the part of the Company under Note 4 to Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deal are fair and reasonable; and the approval of the Special Deal by the Independent Shareholders by way of poll at the EGM. Shareholders including (i) SomaFlex Holdings, its associates and parties acting in concert with any of them, including the Vendor; (ii) the Offeror Group, if the Offeror and/or its associates will have any shareholding in the Company; and (iii) any Shareholders who are involved in or interested in the Special Deal or any transactions contemplated therein will abstain from voting on the proposed resolutions in respect of the Special Deal at the EGM.

The Company will make an application to the Executive for his consent under Note 4 to Rule 25 of the Takeovers Code in relation to the Special Deal.

Proposed Special Distribution

The Board is also pleased to announce that it has resolved to recommend to the Independent Shareholders for approval at the EGM a declaration of the Distribution of not less than HK\$40 million and not more than HK\$45 million. Such minimum amount of Distribution is a preliminary estimate only based on the financial information of the Group currently available to the Directors. The exact amount of the Distribution will be disclosed in the Circular and the Directors would put forward for approval by the Independent Shareholders the Distribution with the exact amount of the special dividend.

The Offeror has agreed that the Company will be entitled to declare and pay the Distribution to each Qualifying Shareholder, including, for the avoidance of doubt, the Vendor and SomaFlex Holdings. The Board intends to apply the estimated net proceeds to be received from the Disposal (after deducting all relevant expenses) of approximately HK\$36 million and any surplus cash of the Group for the payment of the Distribution while maintaining sufficient cash resources for the Group to operate the Remaining Business.

Based on 600,000,000 Shares in issue as at the date of this joint announcement, the Qualifying Shareholders will receive the Distribution in cash of not less than HK\$0.066 per Share and not more than HK\$0.075 per Share. Such minimum amount of Distribution per Share is a preliminary estimate only based on the financial information of the Group currently available to the Directors. The exact amount of the Distribution will be disclosed in the Circular. The Record Date for entitlements under the Distribution will be a date before Completion, so that the Vendor and SomaFlex Holdings, instead of the Offeror, will be entitled to receive the Distribution attributable to the Sale Shares.

The Distribution is subject to (i) the Independent Shareholders' approval to be obtained at the EGM; (ii) the completion of the Disposal; and (iii) the Distribution being made in compliance with laws of the Cayman Islands.

General

It is the intention of the Offeror and the Board that the offer document and the offeree board circular be combined in a composite offer document.

Pursuant to Rule 8.2 of the Takeovers Code, the composite offer document setting out, among other things, terms of the Offer and the respective letters of advice from the Independent Board Committee and Independent Financial Adviser on the Offer should normally be posted to the Shareholders by or on behalf of the Offeror within 21 days of the date of this joint announcement. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of the general offer is subject to prior fulfillment of certain conditions precedent and the conditions precedent cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. Given that the Offer is subject to completion of the Share Agreement, it is expected that the Offer would not take place within 21 days from the date of this joint announcement. As such, an application will be made to the Executive in respect of Note 2 to Rule 8.2 of the Takeovers Code for his consent to extend the date of posting of the composite offer document to a date falling within seven days from the date of completion of the Share Agreement or 7 July 2011, whichever is the earlier.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer and the Disposal to advise the Independent Shareholders on the terms of the Offer, the Disposal Agreement and the Special Deal. Cinda International has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, the Disposal Agreement and the Special Deal. The appointment of Cinda International as the Independent Financial Adviser has been approved by the Independent Board Committee.

The Circular is expected to be sent to the Shareholders on or before 11 March 2011.

Suspension and resumption of trading

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 6 January 2011 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 21 February 2011.

Warning: Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

SHARE AGREEMENT

Date

5 January 2011 (after trading hours)

Parties

- (i) the Vendor as seller of the Sale Shares;
- (ii) the Offeror as purchaser of the Sale Shares; and
- (iii) Mr. Pong, as guarantor of the due and punctual performance of the obligations of the Offeror under the Share Agreement.

In consideration of the Vendor agreeing to enter into the Share Agreement, the Guarantor has agreed to guarantee in favour of the Vendor the due and punctual performance of the obligations of the Offeror under the Share Agreement subject to the terms thereof.

Subject matters

Pursuant to the Share Agreement, the Offeror has conditionally agreed to purchase and the Vendor has conditionally agreed to sell and procure the sale of the Sale Shares free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid on or after the date of Completion, excluding, however, the Distribution attributable to the Sale Shares. As at the date of this joint announcement, the Sale Shares represent approximately 79.88% of the entire issued share capital of the Company.

Consideration

The aggregate consideration for the Sale Shares is HK\$126,400,000 (equivalent to approximately HK\$0.26372 per Sale Share) which was agreed between the parties to the Share Agreement after arm's length negotiations and shall be payable by the Offeror to the Vendor in cash upon Completion.

Conditions precedent of the Share Agreement

Completion is conditional upon satisfaction (or waiver) of all of the following conditions:

- (a) the passing of all necessary resolution(s) by the Independent Shareholders pursuant to the requirements under the Takeovers Code and/or the GEM Listing Rules at the EGM to approve (i) the Disposal Agreement and the transactions contemplated thereunder and (ii) the Distribution;
- (b) a "special deal" consent having been granted by the Executive under Rule 25 of the Takeovers Code in respect of the Disposal Agreement and the transactions contemplated thereunder in accordance with applicable requirements under the Takeovers Code and any conditions attaching to such consent becoming unconditional;
- (c) there being no indication from the Stock Exchange or the SFC that listing of the Shares will be suspended, revoked or withdrawn at any time immediately before Completion, whether in connection with any of the transactions contemplated by the Share Agreement, the Disposal Agreement or otherwise;
- (d) the Disposal Agreement having becoming unconditional (save for the condition for the Share Agreement to become unconditional);
- (e) completion of the due diligence review to be conducted pursuant to the Share Agreement and that the results of such due diligence review have not revealed or disclosed any matter, fact or circumstance which constitutes or is likely to constitute any material breach of any of the representations, warranties and indemnities or other provisions of the Share Agreement by the Vendor;
- (f) save as disclosed to the Offeror, the representations, warranties and indemnities given by the Vendor remaining true and accurate in all material respects; and
- (g) all necessary consents and approvals as may be required to be obtained on the part of the Vendor in respect of the Share Agreement and the transactions contemplated thereunder having been obtained by the Vendor.

The Offeror may at any time by notice in writing to the Vendor waive the above conditions (e) and/or (f). The above conditions (a), (b), (c), (d) and (g) are incapable of being waived. If any of the conditions above is not satisfied or waived at or before 5:00 p.m. on 30 June 2011 or such later date as both the Offeror and the Vendor may agree, the Share Agreement shall cease and determine and neither party shall have any obligations and liabilities thereunder and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches.

Completion

Completion shall take place on the date falling the third Business Day after the conditions referred to above have been fulfilled or waived, or such other date as agreed between the parties to the Share Agreement.

MANDATORY UNCONDITIONAL CASH OFFER

As at the date of this joint announcement, the Offeror Group is not interested in any Shares. Upon completion of the Share Agreement, the Offeror Group will be interested in a total of 479,298,000 Shares, representing approximately 79.88% of the entire issued share capital of the Company as at the date of this joint announcement. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror Group.

As at the date of this joint announcement, the Company has 600,000,000 Shares in issue and does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company.

Principal terms of the Offer

Subject to the completion of the Share Agreement, Optima Capital, the financial adviser to the Offeror, will make the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following terms:-

For every Offer ShareHK\$0.26372 in cash

The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances together with all rights attaching thereto as at the date of Completion, including all rights to any dividend or other distribution declared, made or paid on or after the date of Completion, excluding, however, the Distribution attributable to the Offer Shares.

Comparison of value

The Offer Price of HK\$0.26372 is approximately equal to the price per Share paid by the Offeror under the Share Agreement and represents:

- (i) a premium of approximately 10.34% over the closing price of HK\$0.2390 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 9.70% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK\$0.2404 per Share;
- (iii) a premium of approximately 11.79% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK\$0.2359 per Share; and
- (iv) a premium of approximately 238.10% over the audited consolidated total equity attributable to Shareholders of approximately HK\$0.078 per Share as at 31 March 2010.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period immediately preceding the Last Trading Day were HK\$0.250 per Share from 5 July 2010 to 8 July 2010 and HK\$0.190 per Share on 1 September 2010.

Value of the Offer

On the basis of the Offer Price of HK\$0.26372 per Offer Share and 600,000,000 Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company is valued at HK\$158,232,000. As the Offeror Group will be interested in 479,298,000 Shares immediately after completion of the Share Agreement, 120,702,000 Shares will be subject to the Offer and the Offer is valued at HK\$31,831,531.44 based on the Offer Price.

Financial resources available to the Offeror

Optima Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offer. The Offer will be financed by internal resources of the Offeror.

Effects of accepting the Offer

By accepting the Offer, the relevant Shareholders will sell their Shares to the Offeror free from all liens, claims and encumbrances and with all rights attached to them as at the date of Completion, including the right to receive all dividends and distributions (save for the Distribution) declared, paid or made, if any, on or after the date of Completion.

Stamp duty

Seller's ad valorem stamp duty payable by the relevant Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within 10 days of the date on which the relevant documents of title and duly completed acceptance(s) are received by the Offeror to render each such acceptance complete and valid pursuant to Note 1 to Rule 30.2 of the Takeovers Code.

Dealing and interests in the Company's securities

Save for the proposed acquisition of the Sale Shares under the Share Agreement, the Offeror Group has not dealt in any Shares during the six months prior to the date of this joint announcement. As at the date of this joint announcement, the Offeror Group does not hold, own or control any Shares, convertible securities, warrants, options or derivatives of the Company.

As at the date of this joint announcement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Offer, and there is no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

As at the date of this joint announcement, the Offeror Group has not received any irrevocable commitment to accept the Offer or has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The Offeror Group has not entered into any contracts in relation to the outstanding derivatives in respect of securities in the Company.

Overseas Shareholders

The Offer will be related to securities of a company incorporated in the Cayman Islands and will be subject to the procedure and disclosure requirements of Hong Kong securities laws and regulations, which may be different from other jurisdictions. The ability of Shareholders outside Hong Kong, if they so wish, to participate in the Offer will also be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

SHAREHOLDING STRUCTURE

Set out below is a table showing the shareholding structure of the Company (i) as at the date of this joint announcement; and (ii) immediately after Completion:

	As at the date of this joint announcement		Immediately after Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Vendor	3,798,000	0.63	–	–
SomaFlex Holdings (<i>Note 1</i>)	<u>475,500,000</u>	<u>79.25</u>	<u>–</u>	<u>–</u>
Sub-total	479,298,000	79.88	–	–
Other Directors (<i>Note 2</i>)	4,000	0.00	4,000	0.00
The Offeror	–	–	479,298,000	79.88
Total public Shareholders	<u>120,698,000</u>	<u>20.12</u>	<u>120,698,000</u>	<u>20.12</u>
Total	<u>600,000,000</u>	<u>100.00</u>	<u>600,000,000</u>	<u>100.00</u>

Note 1: SomaFlex Holdings is beneficially owned as to approximately 98.27% by the Vendor, as to approximately 0.76% by Mr. So Yiu King (“Mr. So”), as to approximately 0.76% by Mr. Chow Chi Ming, Daniel (“Mr. Chow”) and as to approximately 0.21% by Mr. Leung Wai Cheung (“Mr. Leung”). The Vendor, Mr. So and Mr. Chow are executive Directors while Mr. Leung is the company secretary and the qualified accountant of the Company.

Note 2: Each of Mr. So and Mr. Chow, both are executive Directors, is personally interested in 2,000 Shares.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company and is beneficially and wholly owned by Mr. Pong. The principal activity of the Offeror is investment holding. As at the date of this joint announcement, Mr. Pong is the sole director of the Offeror.

Mr. Pong, aged 41, is the executive director and chief executive officer of Richfield Group Holdings Limited (Stock code: 183) (the “Richfield Group”) and is responsible for the overall strategic planning, marketing and management function. Mr. Pong is also the chairman of the remuneration committee and a member of the nomination committee of the Richfield Group. He held various positions in a number of charitable organisations in Hong Kong and various senior management positions in multiple local and international companies.

INFORMATION ON THE GROUP

The Company is principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services.

For the year ended 31 March 2010, the Group recorded audited consolidated loss before taxation of approximately HK\$12.9 million and audited consolidated loss attributable to equity holders of the Company of approximately HK\$12.8 million. For the year ended 31 March 2009, the Group recorded audited consolidated profit before taxation of approximately HK\$3.2 million and audited consolidated profit attributable to equity holders of the Company of approximately HK\$3.4 million. The audited equity attributable to equity holders of the Company as at 31 March 2010 was approximately HK\$46.8 million.

OFFEROR'S INTENTION ON THE GROUP

It is the intention of the Offeror that the Group will continue the Remaining Business. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company or re-deploy the employees by reason only of the Offer. The Offeror will conduct a more detailed review on the operations of the Group with a view to developing a corporate strategy to broaden the income stream of the Group. Subject to the result of the review, the Offeror may explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate for the development of the Group. As at the date of this joint announcement, the Offeror has no intention or plan for any acquisition or disposal of assets and/or business by the Group. As at the date of this joint announcement, the Offeror has neither entered into any agreement, arrangement, understanding or negotiation about any acquisition of assets nor has any assets injection agreed or under negotiation.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of six Directors, comprising three executive Directors and three independent non-executive Directors.

The Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement will be made accordingly.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. As at the date of this joint announcement, approximately 20.12% of the Shares are held by the public. Immediately after completion of the Share Agreement, the Offeror Group will become interested in approximately 79.88% of the issued share capital of the Company. Accordingly, a total of 120,698,000 Shares, representing approximately 20.12% of the issued share capital of the Company, will still be held by the public. The Offeror and the Company undertake to the Stock Exchange to take appropriate steps to ensure that minimum public float of not less than 25% of the Company's entire issued ordinary share capital as required under the applicable GEM Listing Rules will be restored or maintained (as applicable) following the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage of the Company's issued share capital currently applicable to the Company is held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror and the Company will take appropriate steps (including but not limited to placing of existing Shares and/or issue of new Shares) to ensure there will be not less than 25% of the Company's entire issued ordinary share capital held by the public in compliance with the relevant GEM Listing Rules and Takeovers Code.

DEALING DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of relevant securities) of the Company and the Offeror (within the meaning of the Takeovers Code) are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

REORGANISATION

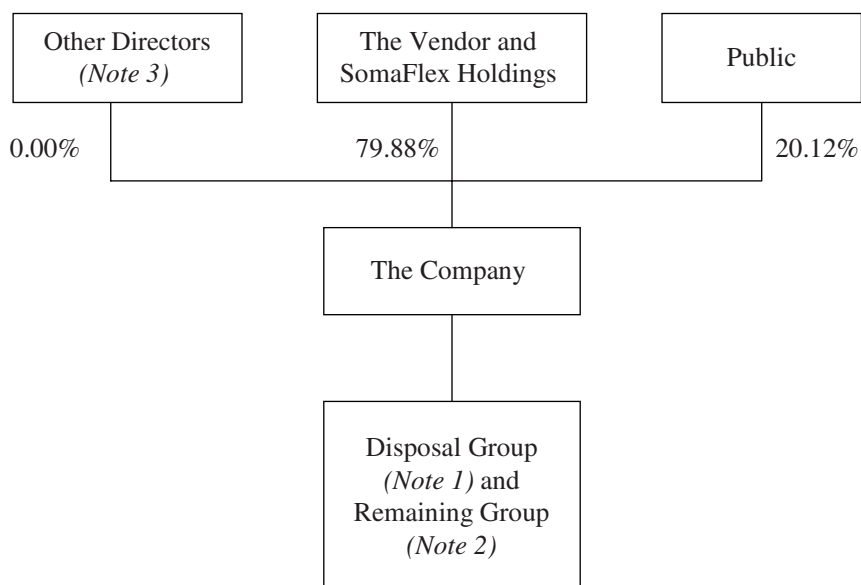
As at the date of this joint announcement, the Disposal Company is wholly owned by the Company. It is agreed between the Offeror and the Vendor that the Disposal Group, except Norray, will be disposed of by the Company to SomaFlex Holdings so that the Disposal Group will no longer be part of the Group after Disposal Completion. In order to separate Norray from the Disposal Group, the Company will set up a new company which shall acquire all the issued shares of Norray currently held by the Disposal Company.

Pursuant to the Reorganisation, the Remaining Group will be principally engaged in the Remaining Business whilst the Disposal Group will be principally engaged in Disposal Business. The Disposal Group will, upon Disposal Completion, be sold to SomaFlex Holdings. Upon completion of the Reorganisation, the Disposal Agreement and the Share Agreement, the Company will remain as a publicly listed company and will continue to operate the Remaining Business.

As at the date of this joint announcement, (i) the Disposal Group is indebted to the Company; and (ii) Norray is indebted to the Disposal Group. As part of the Reorganisation, (i) the obligations and liabilities of the Disposal Debt will be novated to the Disposal Company; (ii) the obligations and the liabilities of the Norray Debt indebted by Norray to the Disposal Group will be waived and discharged in full; and (iii) the Disposal Debt will be capitalised in full as the shares of the Disposal Company. Such capitalisation shares will be transferred by the Company to SomaFlex Holdings as well upon Disposal Completion subject to and upon the terms and conditions of the Disposal Agreement.

Group structure before and after completion of the Reorganisation

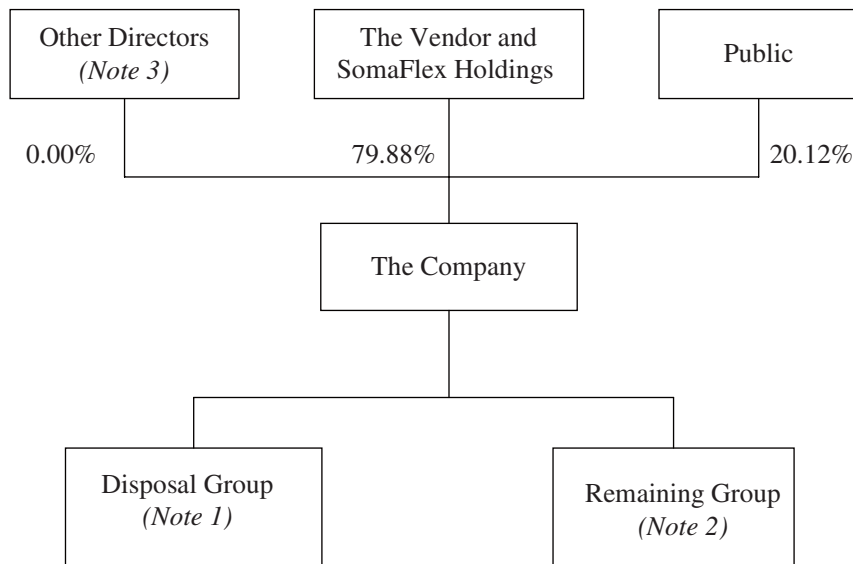
The chart below illustrates the simplified Group structure as at the date of this joint announcement and immediately before completion of the Reorganisation (assuming no other changes after the date of this joint announcement):



Notes:

1. Disposal Group is principally engaged in Disposal Business.
2. Remaining Group is principally engaged in Remaining Business.
3. Each of Mr. So and Mr. Chow, both are executive Directors, is personally interested in 2,000 Shares.

The chart below shows the simplified Group structure immediately after completion of the Reorganisation (assuming no other changes in the shareholding of the Company after the date of this joint announcement):



Notes:

1. Disposal Group is principally engaged in Disposal Business.
2. Remaining Group is principally engaged in Remaining Business.
3. Each of Mr. So and Mr. Chow, both are executive Directors, is personally interested in 2,000 Shares.

Reason for the Reorganisation

After arm's length negotiations between the Offeror and the Vendor, and taking into account: (i) the nature of business of the Disposal Business and the Remaining Business; (ii) the entire structure of the Offer, the proposed Disposal and the Distribution; and (iii) the consideration for the Sale Shares to be paid by the Offeror to the Vendor, it has been mutually agreed between the Offeror and the Vendor that the sale and purchase of the Sale Shares shall be conditional upon completion of the Disposal, such that the Offeror will acquire the controlling stake in the Company, which will be principally engaged in the Remaining Business only upon Completion. The Board considers that the Reorganisation will facilitate the Completion and, accordingly, the Offer to the Shareholders.

THE DISPOSAL AGREEMENT

Date

5 January 2011 (after trading hours)

Parties

- (a) The Company (as vendor)
- (b) SomaFlex Holdings (as purchaser)

As at the date of this joint announcement, SomaFlex Holdings is beneficially owned as to approximately 98.27% by the Vendor, as to approximately 0.76% by Mr. So Yiu King (“Mr. So”), as to approximately 0.76% by Mr. Chow Chi Ming, Daniel (“Mr. Chow”) and as to approximately 0.21% by Mr. Leung Wai Cheung (“Mr. Leung”). The Vendor, Mr. So and Mr. Chow are executive Directors while Mr. Leung is the company secretary and the qualified accountant of the Company. The principal activity of SomaFlex Holdings is investment holding.

Disposal Shares

Pursuant to the Disposal Agreement, SomaFlex Holdings has conditionally agreed to purchase and the Company has conditionally agreed to sell the entire issued share capital of the Disposal Company (including the shares to be issued to the Company pursuant to the capitalisation of the Disposal Debt) with effect from the Disposal Completion free from all encumbrances and together with all rights thereafter.

Disposal Consideration

The Disposal Consideration of HK\$40 million (subject to adjustment) was determined after arm’s length negotiation between the Company and SomaFlex Holdings with reference to the unaudited net liabilities of the Disposal Group of approximately HK\$49 million as at 30 September 2010 and the capitalisation of the Disposal Debt and the waiver of the Norray Debt which amounted to approximately HK\$79.56 million and HK\$0.44 million respectively as at 30 September 2010. The Disposal Consideration will be satisfied in cash.

In the event the net asset value of the Disposal Group as shown in the Completion Balance Sheet exceeds the Disposal Consideration, SomaFlex Holdings shall pay such excess to the Company in cash. In the event that the net asset value of the Disposal Group as shown in the Completion Balance Sheet is less than the Disposal Consideration, the Company shall not be required to refund any surplus to SomaFlex Holdings.

Disposal Conditions

Disposal Completion is conditional upon, among other things:

- (a) the passing by the Independent Shareholders at the EGM to approve (i) the Disposal Agreement and the transactions contemplated thereunder; and (ii) the payment of the Distribution;
- (b) the consent of the Executive in relation to the Disposal Agreement and the transaction contemplated thereunder as the Special Deal having been obtained and not revoked prior to Disposal Completion;
- (c) all necessary consents and approvals required to be obtained on the part of SomaFlex Holdings in respect of the Disposal Agreement and the transactions contemplated thereby having been obtained;
- (d) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Disposal Agreement and the transactions contemplated thereby having been obtained;
- (e) the Share Agreement having become unconditional (save for the condition for the Disposal Agreement to become unconditional);
- (f) the Reorganisation having been completed and the relevant documents having been executed (including transactions contemplated thereunder having been completed) in a manner satisfactory to the Company and SomaFlex Holdings; and
- (g) the representations and warranties in the Disposal Agreement given by the Company remaining true and accurate in all material aspects.

SomaFlex Holdings may waive the condition (g) above at any time by notice in writing to the Company. Save as abovementioned, none of the above conditions is capable of being waived by any party thereto.

In the event that any of the Disposal Conditions has not been fulfilled (or waived) at or before 4:00 p.m. on 30 June 2011, or such other date as the parties to the Disposal Agreement may agree, the Disposal Agreement shall cease and determine and thereafter none of the parties shall have any obligations and liabilities towards each other save for any antecedent breach of the terms of the Disposal Agreement.

Disposal Completion

Subject to the satisfaction or (if applicable) waiver of the Disposal Conditions as set out above, Disposal Completion will take place on the Disposal Completion Date.

The Share Agreement and the Disposal Agreement are inter-conditional upon each other. The Completion is intended to take place simultaneously with Disposal Completion.

Information of SomaFlex Holdings and the Disposal Company

SomaFlex Holdings is a company incorporated in the BVI with limited liability and as at the date of this joint announcement, SomaFlex Holdings is beneficially owned as to approximately 98.27% by the Vendor, as to approximately 0.76% by Mr. So, as to approximately 0.76% by Mr. Chow and as to approximately 0.21% by Mr. Leung. The Vendor, Mr. So and Mr. Chow are executive Directors while Mr. Leung is the company secretary and the qualified accountant of the Company. The principal activity of SomaFlex Holdings is investment holding.

The Disposal Company, a company incorporated in the BVI with limited liability, is a direct wholly-owned subsidiary of the Company as at the date of this joint announcement. Upon completion of the Reorganisation, the Disposal Company will become the holding company of the Disposal Group and will be principally engaged in, through the Disposal Group, the Disposal Business.

In addition, the unaudited turnover and profit before and after tax of the Disposal Group for each of the two years ended 31 March 2010 were as follows:

	Year ended 31 March	
	2009	2010
	HK\$'000	HK\$'000
Turnover	85,784	75,893
Gross profit	63,870	51,196
(Loss)/profit before tax	3,877	(11,992)
(Loss)/profit after tax	4,079	(11,957)

The unaudited total assets and the net liabilities of the Disposal Group as at 30 September 2010 were approximately HK\$53 million and approximately HK\$49 million respectively.

Each member of the Disposal Group will cease to be a subsidiary or an associated company of the Company upon Disposal Completion.

Use of proceeds and financial effect of the Disposal

The Company estimates that the net proceeds from the Disposal is approximately HK\$36 million. The Company intends to apply such net proceeds for the payment of Distribution.

Rule 19.60(3)(a) of the GEM Listing Rules requires disclosure of details of the gain or loss expected to accrue to the Group and the basis for calculating such gain or loss as a result of the Disposal (the “**Required Financial Information**”) in this announcement. In connection with this requirement, an application for waiver has been made by the Company and has been granted by the Stock Exchange for including such information in this joint announcement. Such application was made on the grounds that (i) the Required Financial Information is unaudited and unpublished figures (which is the only available information as at the date of this joint announcement) and, if disclosed in this joint announcement, will constitute profit forecasts within the meaning of Rule 10 of the Takeovers Code which would need to be reported on by an auditor and financial adviser of the Company; and (ii) it would be burdensome for the Company to withhold this joint announcement until such financial information is available.

Reasons and benefits of the Disposal

The Disposal Consideration is higher than the net asset value of the Disposal Group after taking into account the capitalisation of the Disposal Debt and the waiver of the Norray Debt. The Board (excluding the independent non-executive Directors with no direct or indirect interest in the Special Deal who will opine on the Disposal after having considered the advice of the Independent Financial Adviser) is of the view that the Disposal would enable the Company to realise its investments in the Disposal Group at a fair price.

In view of the above and that (i) the net proceeds of the Disposal will be distributed to the Qualifying Shareholders by way of the Distribution (subject to and upon Disposal Completion and the Completion); and (ii) the Disposal will facilitate the Completion and accordingly the Offer to the Shareholders, the Directors (excluding the independent non-executive Directors with no direct or indirect interest in the Special Deal who will opine on the Disposal after having considered the advice of the Independent Financial Adviser) consider the Disposal to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROPOSED SPECIAL DISTRIBUTION

The Board is pleased to announce that it has resolved to recommend to the Independent Shareholders for approval at the EGM a declaration of the Distribution of not less than HK\$40 million and not more than HK\$45 million. Such minimum amount of Distribution is a preliminary estimate only based on the financial information of the Group currently available to the Directors. The exact amount of the Distribution will be disclosed in the Circular and the Directors would put forward for approval by the Independent Shareholders the Distribution with the exact amount of the special dividend. After reviewing the financial position of the Company and in consideration of the net proceeds expected to be received upon Disposal Completion, the Board considers that it would be appropriate for the Distribution be declared as a reward to the Shareholders for their support to the Company in the past.

The Offeror has agreed that the Company will be entitled to declare and pay the Distribution to each Qualifying Shareholder, including, for the avoidance of doubt, the Vendor and SomaFlex Holdings. The Board intends to apply the estimated net proceeds to be received from the Disposal (after deducting all relevant expenses) of approximately HK\$36 million and surplus cash of the Group for the payment of the Distribution while maintaining sufficient cash resources for the Group to operate the Remaining Business, so that the entire amount of the proposed Distribution would be more than the amount of net proceeds from the Disposal.

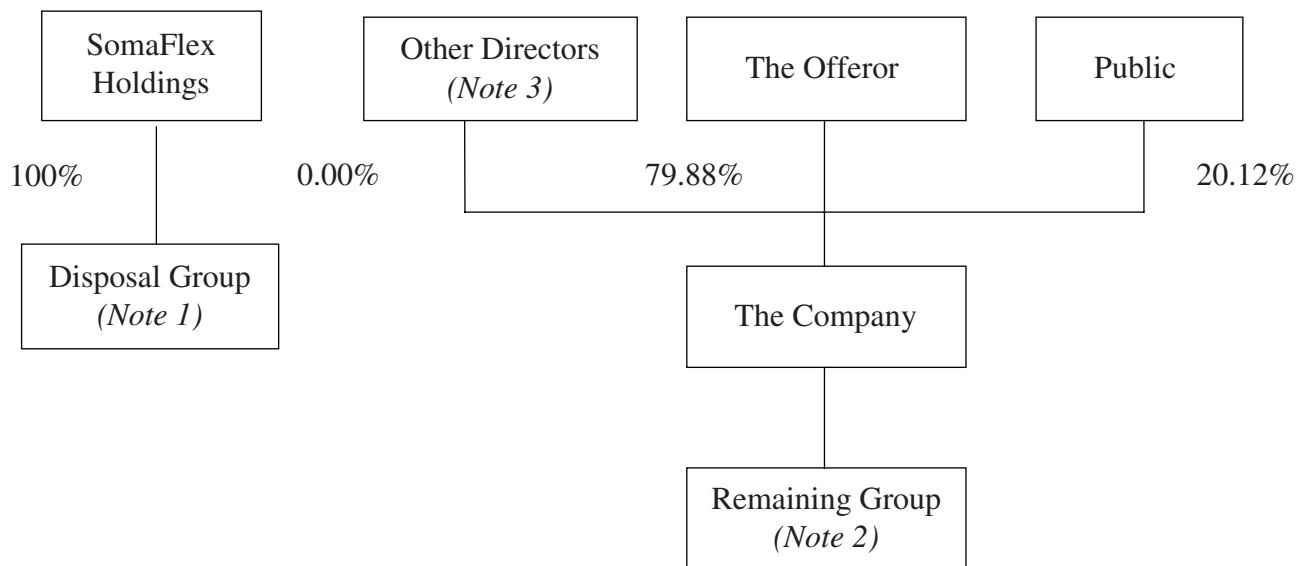
Pursuant to the Share Agreement, upon Completion, the Vendor shall procure the delivery to the Offeror a cheque issued by the Company in the sum of HK\$8 million made payable to the Company in order to ensure that there will be sufficient level of working capital for the Remaining Group after Completion. Therefore, the amount of Distribution will be subject to, among others, the cash position of the Company upon Completion such that in any event, the cash position of the Company upon Completion shall not be less than HK\$8 million.

Based on 600,000,000 Shares in issue as at the date of this joint announcement, the Qualifying Shareholders will receive the Distribution in cash of not less than HK\$0.066 per Share and not more than HK\$0.075 per Share. Such minimum amount of Distribution per Share is a preliminary estimate only based on the financial information of the Group currently available to the Directors. The exact amount of the Distribution will be disclosed in the Circular. The Record Date for entitlements under the Distribution will be a date before Completion, so that the Vendor and SomaFlex Holdings, instead of the Offeror, will be entitled to receive the Distribution attributable to the Sale Shares.

The Distribution is subject to (i) the Independent Shareholders' approval to be obtained at the EGM; (ii) the completion of the Disposal; and (iii) the Distribution being made in compliance with laws of the Cayman Islands.

GROUP STRUCTURE AFTER DISPOSAL COMPLETION AND THE COMPLETION

The chart below shows in summary the Group structure immediately after Disposal Completion and the Completion (assuming no other changes in the shareholding of the Company after the date of this joint announcement):



Notes:

1. Disposal Group is principally engaged in Disposal Business.
2. Remaining Group is principally engaged in Remaining Business.
3. Each of Mr. So and Mr. Chow, both are executive Directors, is personally interested in 2,000 Shares.

The businesses currently engaged by the Remaining Group and the Disposal Group are neither complementary nor inter-dependent upon each other. The Remaining Group is mainly engaged in provision of system integration services and other value-added technical consultation services and hardware-related business, which is different from the business of the development and sale of enterprise software and the provision of maintenance services engaged by the Disposal Group. The sale of hardware products is the major income stream of the Remaining Group. The provision of hardware maintenance services and the value-added technical consultation services by setting the existing software to match the integrated system and the newly installed hardware are mainly to complement the business segment of system integration business of the Remaining Group. Whereas, the development and sale of enterprise software products and the provision of software maintenance services are the major income streams of the Disposal Group and the sale of hardware products is mainly serving for the purpose of facilitating the business segments of the development and sale of enterprise software. In addition, each of the Remaining Group and the Disposal Group has been operating independently of each other since the setup of the Remaining Group (in 1985) and the Disposal Group (in 1987). The Remaining Business and the Disposal Business have been operating independently in different office locations since commencement of operation with different management teams and different operation staff according to different operation system of each of the Remaining Group and the Disposal Group. Also, the Remaining Group and the Disposal Group have different customer groups. In view of the above, the Directors consider that the Remaining Group and the Disposal Group are, as a matter of fact, operating independently of each other. Given that the business nature and revenue model of the Disposal Business, which mainly involves development of software and that of the Remaining Business, which mainly involves sale of hardware products are different and the ability of the Remaining Group to operate without reference to or reliance upon the Disposal Group, the Directors consider that the Remaining Group, by itself, could maintain its business operations and has sufficient level of operations or assets of sufficient potential value to warrant the continued listing of the Shares following the Disposal and that the Remaining Group will have tangible assets of sufficient value after the Distribution.

In addition, the Disposal Group has been loss-making since 30 September 2009 and the Disposal would allow the Group to streamline its business, realise a loss-making segment and direct its focus and resources towards the Remaining Business which the Company believes to have a better growth potential and require less staff and less operating expenses.

There will be approximately 19 employees in the Remaining Group upon completion of the Disposal. Given the business of the Remaining Group, namely the provision of technical consultation service, is not a labour-intensive business, it does not require large number of sales and marketing and research and development staff like the Disposal Group does. As the business of the Remaining Group is mainly relating to the provision of technical advice on the system integration, every single member of a project team is required to develop in-depth knowledge in their clients or projects in order to give thorough proposals and effectively implement the proposals through to completion. The Company considers such 19 employees, who would mainly be consultant and technical support staff for provision of system integration services and hardware-related business, would be sufficient and the slim structure can also facilitate efficient communication and decision making within the Remaining Group which enables it to serve its clients efficiently and effectively. Financial information of the Remaining Group will be set out in the Circular.

As at the date of this joint announcement, the existing Board has neither entered into any agreement, arrangement, understanding or negotiation about any acquisition of assets nor has any assets injection agreed or under negotiation. The Stock Exchange may treat any future acquisitions of the Company as reserve takeover. The Company confirms that it will comply with the relevant GEM Listing Rules and Takeovers Code, as appropriate, for all future acquisitions.

GEM LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

As the applicable percentage ratios in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to the GEM Listing Rules. SomaFlex Holdings is approximately 98.27% beneficially owned by the Vendor and thus the Disposal also constitutes a connected transaction of the Company pursuant to the GEM Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

The Disposal constitutes a special deal on the part of the Company under Note 4 to Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deal are fair and reasonable; and the approval of the Special Deal by the Independent Shareholders by way of poll at the EGM. Shareholders including (i) SomaFlex Holdings, its associates and parties acting in concert with any of them, including the Vendor; (ii) the Offeror Group, if the Offeror and/or its associates will have any shareholding in the Company; and (iii) any Shareholders who are involved in or interested in the Special Deal or any transactions contemplated therein will abstain from voting on the proposed resolutions in respect of the Special Deal at the EGM.

The Company will make an application to the Executive for his consent under Note 4 to Rule 25 of the Takeovers Code in relation to the Special Deal.

GENERAL

It is the intention of the Offeror and the Board that the offer document and the offeree board circular be combined in a composite offer document.

Pursuant to Rule 8.2 of the Takeovers Code, the composite offer document setting out, among other things, terms of the Offer and the respective letters of advice from the Independent Board Committee and Independent Financial Adviser on the Offer should normally be posted to the Shareholders by or on behalf of the Offeror within 21 days of the date of this joint announcement. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of the general offer is subject to prior fulfillment of certain conditions precedent and the conditions precedent cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. Given that the Offer is subject to completion of the Share Agreement, it is expected that the Offer would not take place within 21 days from the date of this joint announcement. As such, an application will be made to the Executive in respect of Note 2 to Rule 8.2 of the Takeovers Code for his consent to extend the date of posting of the composite offer document to a date falling within seven days from the date of completion of the Share Agreement or 7 July 2011, whichever is the earlier.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer and the Disposal, namely Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David, to advise the Independent Shareholders on the terms of the Offer, the Disposal Agreement and the Special Deal. Cinda International has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, the Disposal Agreement and the Special Deal. The appointment of Cinda International as the Independent Financial Adviser has been approved by the Independent Board Committee.

The Circular is expected to be sent to the Shareholders on or before 11 March 2011.

Warning

Shareholders and investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 6 January 2011 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 21 February 2011.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associates”	has the meanings ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Circular”	the circular to be dispatched to the Shareholders containing, among other things, (i) further details of the Disposal, the Special Deal, the Distribution and the Reorganisation; (ii) the letter of recommendation from the Independent Board Committee and letter of advice from the Independent Financial Adviser in respect of the Disposal and the Special Deal; and (iii) a notice convening the EGM

“Company”	FlexSystem Holdings Limited (stock code: 8050), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms of the Share Agreement
“Completion Balance Sheet”	the unaudited management consolidated balance sheet of the Disposal Group made up as at the close of business on the Disposal Completion Date and to be prepared by the Disposal Group
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Directors”	directors of the Company
“Disposal”	the proposed disposal of the Disposal Shares pursuant to the terms of the Disposal Agreement, which constitutes a very substantial disposal and connected transaction for the Company under the GEM Listing Rules
“Disposal Agreement”	the disposal agreement dated 5 January 2011 entered into between the Company and SomaFlex Holdings in relation to the sale and purchase of the Disposal Shares
“Disposal Business”	the development and sale of enterprise software and the provision of maintenance services
“Disposal Company”	SomaFlex International Inc., a company incorporated in the BVI with limited liability which is a directly wholly-owned subsidiary of the Company as at the date of this joint announcement
“Disposal Completion”	completion of the Disposal
“Disposal Completion Date”	the date of Disposal Completion, being the third Business Day after all the Disposal Conditions are fulfilled in accordance with the Disposal Agreement or such other date as agreed between the parties thereto
“Disposal Conditions”	the conditions precedent to the Disposal Completion pursuant to the Disposal Agreement

“Disposal Consideration”	the aggregate consideration of HK\$40 million payable by SomaFlex Holdings to the Company for the Disposal Shares pursuant to the Disposal Agreement
“Disposal Debt”	the amount of approximately HK\$79.56 million indebted by the Disposal Group to the Company and for avoidance of doubt exclusive of the Norray Debt immediately before Disposal Completion
“Disposal Group”	the Disposal Company, together with its subsidiaries and associated companies (save and except Norray) to be disposed of to SomaFlex Holdings by the Company pursuant to the Disposal Agreement
“Disposal Shares”	the entire issued share capital of the Disposal Company beneficially held by the Company immediately before Disposal Completion (including but not limited to the share(s) to be issued to the Company pursuant to the capitalisation of the Disposal Debt)
“Distribution”	upon completion of the Disposal Agreement and the Share Agreement and subject to the reorganisation of distributable reserves of the Company (if required), a special dividend of not less than HK\$40 million and not more than HK\$45 million to be distributed by the Company to the Shareholders whose names appear on the register of members of the Company on the Record Date (such minimum amount of Distribution is a preliminary estimate only based on the financial information of the Group currently available to the Directors, the exact amount of the Distribution will be disclosed in the Circular)
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and if thought fit passing with or without modifications the resolution(s) in respect of, among others, (i) the Disposal Agreement and the transactions contemplated thereunder and (ii) the Distribution
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegates of the executive director
“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
“Guarantor”	Mr. Pong, the guarantor of the Offeror under the Share Agreement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Offer, the Disposal Agreement and the Special Deal
“Independent Financial Adviser” or “Cinda International”	Cinda International Capital Limited, a corporation licensed to carry out type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the SFO, who has been appointed as the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Offer, the Disposal and the Special Deal
“Independent Shareholders”	Shareholders other than the Offeror Group, SomaFlex Holdings, the Vendor and their respective concert parties (including Mr. So Yiu King, Mr. Chow Chi Ming, Daniel and Mr. Leung Wai Cheung) and such Shareholders who are required to abstain from voting by law, the GEM Listing Rules, the Takeovers Code, the Stock Exchange, the SFC and/or the constitutional documents of the Company at the EGM
“Last Trading Day”	5 January 2011, being the last trading day of the Shares immediately prior to its suspension in trading on the Stock Exchange on 6 January 2011 pending the release of this joint announcement
“Mr. Pong”	Mr. Pong Wai San, Wilson, the ultimate beneficial owner and the sole director of the Offeror and the Guarantor
“Norray”	Norray Professional Computer Limited, a company incorporated in Hong Kong with limited liability which is principally engaged in the Remaining Business and is beneficially owned as to 70% by the Company both as at the date of this joint announcement and after completion of the Reorganisation
“Norray Debt”	the amount of approximately HK\$0.44 million indebted by Norray to the Disposal Group

“Offer”	the possible mandatory unconditional cash offer to be made by Optima Capital on behalf of the Offeror for all the issued Shares other than those already owned by or agreed to be acquired by the Offeror Group pursuant to Rule 26.1 of the Takeovers Code
“Offeror”	Excel Score Limited, a company incorporated in the BVI with limited liability which is beneficially and wholly-owned by Mr. Pong, being the purchaser of the Sale Shares under the Share Agreement
“Offeror Group”	the Offeror, Mr. Pong and parties acting in concert with any of them
“Offer Price”	the price at which the Offer will be made, i.e. at HK\$0.26372 per Offer Share
“Offer Share(s)”	issued Share(s) other than those already owned or agreed to be acquired by the Offeror Group
“Optima Capital”	Optima Capital Limited, a licensed corporation under the SFO permitted to engage in type 1 (dealings in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, and the financial adviser to the Offeror
“PRC”	the People’s Republic of China which, for the purpose of this joint announcement, shall exclude Hong Kong, Macau Special Administrative Regions of the PRC and Taiwan
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	the record date for the payment of the Distribution (which will be a date prior to Completion) to be determined and announced by the Company
“Registrar”	Tricor Secretaries Limited, the Hong Kong branch share registrar and transfer office of the Company
“Remaining Business”	provision of system integration services and other value-added technical consultation services and hardware-related business

“Remaining Group”	the Company and its subsidiaries (including Norray) immediately after the Reorganisation and Disposal Completion, which are expected to be principally engaged in the Remaining Business
“Reorganisation”	the proposed group reorganisation of the Company which, among others, sever the Disposal Business from the Remaining Business such that, when completed, will result in (i) the Remaining Group principally engaging in the Remaining Business; (ii) the Disposal Group principally engaging in the Disposal Business; and (iii) no inter-company balance existing between the Remaining Group and the Disposal Group
“Sale Shares”	479,298,000 Shares (as to 3,798,000 Shares personally and beneficially owned by the Vendor and as to 475,500,000 Shares beneficially owned by SomaFlex Holdings) to be acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Share Agreement
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Agreement”	the sale and purchase agreement dated 5 January 2011 entered into among the Offeror, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Shares
“Shareholders”	holders of the Shares
“SomaFlex Holdings”	SomaFlex Holdings Inc., a company incorporated in the BVI with limited liability which is approximately 98.27% beneficially owned by the Vendor, being the purchaser of the Disposal Shares under the Disposal Agreement
“Special Deal”	the Disposal which constitutes a special deal for the Company under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Vendor” Mr. Lok Wai Man, an executive director of the Company
“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.

For and on behalf of
Excel Score Limited
Pong Wai San, Wilson
Director

By Order of the Board
FlexSystem Holdings Limited
Lok Wai Man
Executive Director

Hong Kong, 18 February 2011

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

As at the date of this joint announcement, the sole director of the Offeror is Mr. Pong Wai San, Wilson.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Offeror and its future intention and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any such statement contained in this joint announcement misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, the Vendor and parties acting in concert with it), and confirm, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any such statement contained in this joint announcement misleading.

The joint announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.flexsystem.com.