THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in FlexSystem Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

FlexSystem

FlexSystem Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

(1) SPECIAL DEAL, VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION; AND (2) PROPOSED SPECIAL DISTRIBUTION

Financial Adviser to FlexSystem Holdings Limited

VEDA | CAPITAL
智 略 資 本

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

Letters from the Independent Board Committee containing its recommendations to the Independent Shareholders are set out on page 28 of this circular respectively. A letter from Cinda International containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 47 of this circular.

A notice convening the EGM to be held at Block A, 4th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Friday, 8 April 2011 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

16 March 2011

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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

"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
"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 Latest Practicable Date
"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 distribution which is estimated to be approximately HK$41.60 million (but in any event will be 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
"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 Disposal Agreement, the Special Deal and the Distribution
"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 Disposal, the Special Deal and the Distribution

"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
"Joint Announcement"	the announcement jointly published by the Company and the Offeror dated 18 February 2011 in respect of, among others, the Disposal, the Distribution, the Special Deal and the Reorganisation
"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 the Joint Announcement
"Latest Practicable Date"	14 March 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"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 as at the Latest Practicable Date 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 circular, 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
"Substantial Shareholder"	has the meaning to it in the GEM Listing Rules
"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.

The expected timetable set out below is indicative only and subject to change. Further announcement(s) will be made by the Company on the expected timetable.

	2011
Last day of dealings in the Shares cum-entitlement to the Distribution *(Note 1)*	Thursday, 31 March
First day of dealings in the Shares ex-entitlement to the Distribution *(Note 1)*	Friday, 1 April
Latest time for lodging transfers of the Shares with the Registrar in order to be qualified for the Distribution	4:30 p.m. on Monday, 4 April
Closure of the register of members of the Company for determining the entitlements of the Qualifying Shareholders to the Distribution	Wednesday, 6 April to Friday, 8 April (both dates inclusive)
Latest time for lodging form of proxy in respect of the EGM *(Note 2)*	10:30 a.m. on Wednesday, 6 April
Record Date for determining the entitlements of the Qualifying Shareholders to the Distribution	**Friday, 8 April**
EGM	10:30 a.m. on Friday, 8 April
Announcement of final amount of the Distribution	Wednesday, 13 April
Expected date of despatch of the cash cheque for the Distribution to the Qualifying Shareholders	Monday, 18 April

Notes:

1. The Distribution is subject to, among others, Disposal Completion.

2. The form of proxy should be lodged with the Registrar as soon as possible and in any event not later than the time and date stated above. Completion and return of a form of proxy for the EGM will not preclude a Shareholder from attending and voting in person at the EGM if he or she so wishes. In such event, the returned form of proxy will be deemed to have been revoked.

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. Tse Lin Chung
Mr. Lee Kar Wai
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

16 March 2011

To the Shareholders

Dear Sir or Madam,

(1) SPECIAL DEAL, VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION; AND (2) PROPOSED SPECIAL DISTRIBUTION

INTRODUCTION

The Company and the Offeror jointly announced on 18 February 2011, among other things, that:

(i) the Vendor, the Offeror and the Guarantor entered into the Share Agreement on 5 January 2011, pursuant to which 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;

(ii) on 5 January 2011, 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) will be satisfied in cash; and

(iii) subject to and upon Disposal Completion, the Board would suggest to put forward for approval by the Independent Shareholders at the EGM a declaration of the Distribution.

Upon Completion, 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. The Offer Price will be HK$0.26372 per Offer Share, which is equal to the price per Sale Share payable under the Share Agreement. Details of the Offer and the information on the Offeror were set out in the Joint Announcement. Upon Completion, a composite document (accompanied by the form of acceptance and transfer of the Offer Share) in connection with the Offer setting out, inter alia, details of the Offer and incorporating the respective letters of advice from an independent committee of the Board and the independent financial adviser on the Offer will be issued and despatched by the Offeror and the Company jointly to the Shareholders in accordance with the Takeovers Code.

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 purpose of this circular is to provide, 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, the Special Deal and the Distribution; and (iii) a notice convening the EGM.

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 the 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.

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 the 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.

SHAREHOLDING STRUCTURE

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

	As at the Latest Practicable Date		**Immediately after Completion**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Vendor	3,798,000	0.63	–	–
SomaFlex Holdings *(Note 1)*	475,500,000	79.25	–	–
Sub-total	479,298,000	79.88	–	–
Other Directors *(Note 2)*	4,000	0.00	4,000	0.00
The Offeror	–	–	479,298,000	79.88
Total public Shareholders	120,698,000	20.12	120,698,000	20.12
Total	600,000,000	100.00	600,000,000	100.00

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

As set out in the Joint Announcement, 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 the Joint Announcement, Mr. Pong is the sole director of the Offeror.

Also set out in the Joint Announcement, Mr. Pong, 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.

OFFEROR'S INTENTION ON THE GROUP

As set out in the Joint Announcement, 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 the 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 the 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.

As set out in the Joint Announcement, 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

As set out in the Joint Announcement, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. As at the Latest Practicable Date, 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.

As set out in the Joint Announcement, 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.

Further details of the Offer and information on the Offeror will be set out in the composite document to be jointly despatched by the Offeror and the Company to the Shareholders in accordance with the Takeovers Code.

REORGANISATION

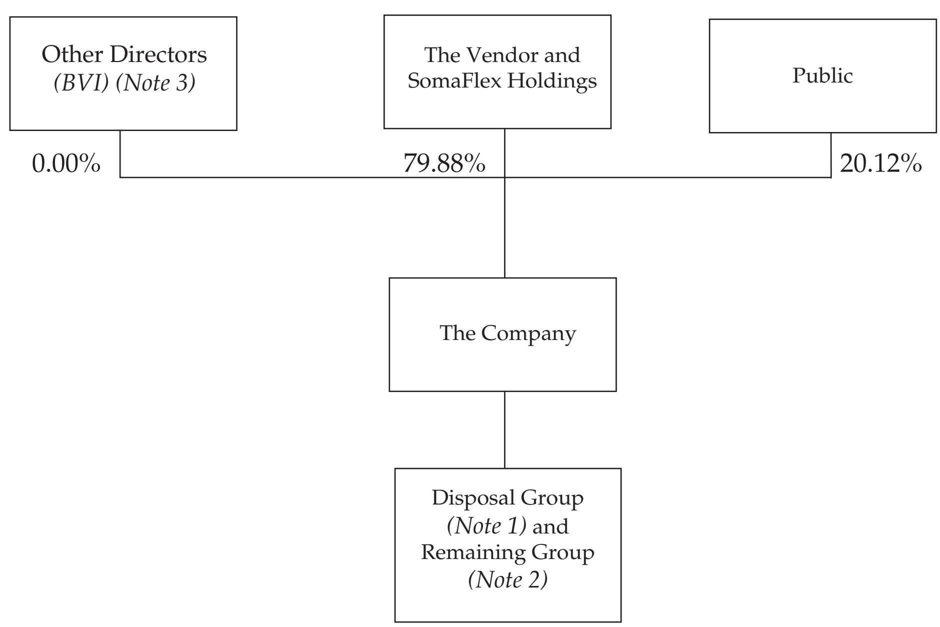
As at the Latest Practicable Date, the Disposal Company is wholly owned by the Company. It is agreed between the Offeror and the Vendor that the Disposal Group, except Norray, will be disposed of by the Company to SomaFlex Holdings so that the Disposal Group will no longer be part of the Group after 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 Latest Practicable Date, (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 Latest Practicable Date and immediately before completion of the Reorganisation (assuming no other changes after the Latest Practicable Date):



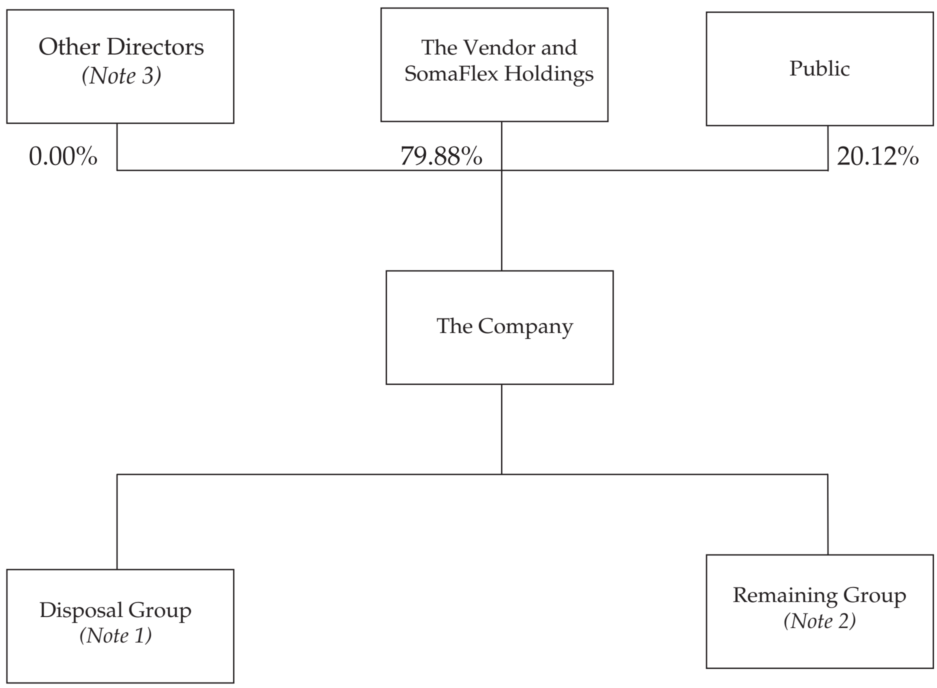
Notes:

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 Latest Practicable Date):



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 Latest Practicable Date, 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.

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$49.15 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 Reorgansiation 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 above mentioned, 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 Latest Practicable Date, 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 Latest Practicable Date. The Disposal Group is mainly engaged in the Disposal Business, being the development and sale of enterprise software and the provision of software maintenance services which form the major income streams of the Disposal Group. In some occasions the Disposal Group may be requested by its customers for sourcing the hardware products, in such occasion the Disposal Group would also involve in the business of sale of hardware products which is mainly serving for the purpose of facilitating the business segments of the development and sale of enterprise software. For the year ended 31 March 2010 and for the six months ended 30 September 2010, the revenue from the sale of the hardware products attributed approximately 1.34% and approximately 2.22% respectively of the Disposal Group's revenue. 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 and for the six months ended 30 September 2010 were as follows:

	Year ended 31 March		**Six months ended 30 September**
	2009	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	85,784	75,893	40,898
Gross profit	63,870	51,196	29,144
(Loss)/profit before tax	3,877	(11,992)	(3,359)
(Loss)/profit after tax	4,079	(11,957)	(3,359)

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.

As set out in the unaudited pro forma financial information of the Remaining Group in Appendix III to this circular, the estimated gain on the Disposal is approximately HK$6.85 million (the "Estimated Gain") which is calculated based on: (i) the net cash consideration of approximately HK$36.00 million (representing the consideration for the Disposal Share and the waiver of the Disposal Debt and Norray Debt under the Disposal of HK$40.00 million less the estimated expenses in connection with the Disposal of approximately HK$4.00 million); (ii) the net liabilities of the Disposal Group attributable to equity holders of the Company as at 30 September 2010 of approximately HK$49.97 million; and (iii) the Disposal Debt and Norray Debt with carrying amount of approximately HK$79.56 million and HK$0.44 million respectively as at 30 September 2010, as if the Disposal had been completed on 1 April 2009.

Further details of the Estimated Gain are set out in Appendix III "Unaudited pro forma financial information of the Remaining Group" to this circular.

The Estimated Gain and the unaudited financial information of the Remaining Group as set out under the section headed "GROUP STRUCTURE AFTER DISPOSAL COMPLETION AND THE COMPLETION" in this letter were reported by the reporting accountant of the Company and the financial adviser to the Company in accordance with Rule 10 of the Takeovers Code as set out in Appendix III and Appendix IV to this circular respectively.

As set out in the unaudited pro forma financial information of the Remaining Group in Appendix III to this circular, assuming the Disposal had been completed on 1 April 2009, the pro forma net profit of the Remaining Group for the year ended 31 March 2010 would turnaround to HK$5.97 million as compared to the net loss of the Group of HK$12.83 million for the same year. Assuming the Disposal had been completed on 30 September 2010, the pro forma total assets of the Remaining Group as at 30 September 2010 would decrease to approximately HK$53.63 million and subsequent decrease to approximately HK$12.03 million after the Distribution as compared to the total assets of the Group of approximately HK$70.27 million as at the same date, while the pro forma total liabilities of the Remaining Group as at 30 September 2010 would also decrease to approximately HK$3.84 million as compared to the total liabilities of the Group of approximately HK$26.50 million as at the same date.

Upon Disposal Completion, the Company will not hold any shareholding interest in the Disposal Group and the Disposal Group will cease to be subsidiaries or associated companies of the Company.

Reasons and benefits of the Disposal

The Disposal Consideration is higher than the net asset value of the Disposal Group after adjusted for the capitalisation of the Disposal Debt and the waiver of the Norray Debt assuming the Reorganisation has been completed on 30 September 2010. The Board (excluding the members of the Independent Board Committee whose views are expressed in the letter from the Independent Board Committee) 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 Group has been loss-making since 30 September 2009 and the Disposal would allow the Group to streamline its business and direct its focus and resources towards the Remaining Business which the Company believes to have a better growth potential. As the completion of the Share Agreement will be conditional upon, among other matters, the completion of the Disposal, the Disposal will also facilitate the Completion and accordingly the Offer which shall provide an additional exit to the Shareholder who may wish to realise their investment in the Company, especially those with relatively sizable shareholdings, without having an adverse impact on the level of market price of the Shares, the Directors 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 would suggest to put forward for approval by the Independent Shareholders at the EGM a declaration of the Distribution of an estimated amount of approximately HK$41.60 million. The Board will finalise and declare the exact amount of the Distribution after taking into account the overall expenses incurred or to be incurred for the Disposal and such expenses could only be finalised upon Disposal Completion. The exact amount of the Distribution in any event will be not less than HK$40 million and not more than HK$45 million. Further announcement will be made by the Company on the exact amount of the Distribution. 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$36.00 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.

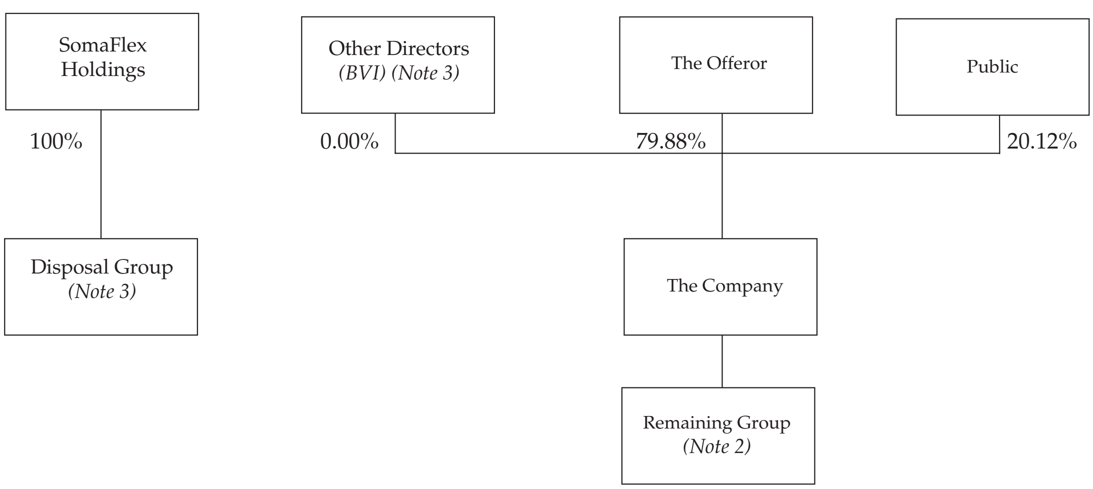
Pursuant to the Share Agreement, upon Completion, the Vendor shall procure the delivery to the Offeror a cheque issued by the Company in the sum of HK$8 million made payable to the Company in order to ensure that there will be sufficient level of working capital for the Remaining Group after Completion. 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 Latest Practicable Date and assuming that approximately HK$41.60 million would be distributed as the Distribution, the Qualifying Shareholders will receive the Distribution in cash of approximately HK$0.0693 per Share. 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.

Shareholders and potential investors shall note that 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. Accordingly, the Distribution may or may not materialise. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

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 Latest Practicable Date):



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.

The unaudited turnover and profit before and after taxation of the Remaining Group for each of the two years ended 31 March 2010 and for the six months ended 30 September 2010 (assuming before the Disposal Completion) were as follows:

	Year ended 31 March		Six months ended 30 September
	2009	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	11,438	13,213	5,929
Gross profit	2,400	2,634	1,177
(Loss)/profit before tax	3,302	125	(674)
(Loss)/profit after tax	3,302	125	(674)

The unaudited total assets and the net assets of the Remaining Group as at 30 September 2010 were approximately HK$97 million and approximately HK$93 million respectively.

As at the Latest Practicable Date, 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, as to approximately 0.76% by Mr. So and as to approximately 0.76% by Mr. Chow, 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 Vendor, Mr. So and Mr. Chow, who are Directors with a material interest in the Disposal, have abstained from voting on the board resolution approving the Disposal Agreement.

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 in aggregate interested in 479,302,000 Shares as at the Latest Practicable Date, representing approximately 79.88% of the issued share capital of the Company, will abstain from voting on the proposed resolutions in respect of the Special Deal at the EGM.

The Company has made 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

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

EGM

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board considers that the Disposal and the Distribution are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM to approve the Disposal and the Distribution.

Your attention is drawn to (i) the letters from the Independent Board Committee which are set out on page 28 of this circular; and (ii) the letter of advice from Independent Financial Adviser which is set out on pages 29 to 47 of this circular. The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, consider the terms of the Special Deal, the Disposal and the Distribution respectively are in the interests of the Company and the Shareholders as a whole, and their respective terms are on normal commercial terms, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommend that the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM to approve the Special Deal, the Disposal and the Distribution respectively.

ADDITIONAL INFORMATION

Your attention is also drawn to the appendices to this circular.

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

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

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

16 March 2011

(1) SPECIAL DEAL, VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION; AND (2) PROPOSED SPECIAL DISTRIBUTION

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as members of the Independent Board Committee to advise you in respect of the terms of the Disposal and the Distribution, details of which have been set out in the letter from the Board contained in the circular to the Shareholders dated 16 March 2011 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

RECOMMENDATION

Having considered the terms of the Disposal and the Distribution, and the advice and recommendation of Independent Financial Adviser in relation to the Disposal and the Distribution as set out on pages 29 to 47 of the Circular, we are of the opinion that the Disposal and the Distribution are in the interests of the Company and the Shareholders as a whole, and the terms of the Disposal and the Distribution are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Disposal and the Distribution respectively.

Yours faithfully
For and on behalf of
Independent Board Committee

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

The following is the text of the letter of advice from Cinda International Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for inclusion into this circular.

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

45/F COSCO Tower
183 Queen's Road Central
Hong Kong

16 March 2011

To: Independent Board Committee and
Independent Shareholders of FlexSystem Holdings Limited

Dear Sirs/Madams,

(1) SPECIAL DEAL, VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION; AND (2) PROPOSED SPECIAL DISTRIBUTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal which constitutes a special deal on the part of the Company under the Takeovers Code and a very substantial disposal and a connected transaction under the GEM Listing Rules, and details of which are set out in the circular dated 16 March 2011 to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in this Circular, unless the context otherwise requires.

The Board published by way of the Joint Announcement that 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 at the Disposal Consideration of HK$40 million (subject to adjustment).

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, as to approximately 0.76% by Mr. So and as to approximately 0.76% by Mr. Chow, 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.

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 had made an application to the Executive for his consent under Note 4 to Rule 25 of the Takeovers Code in relation to the Special Deal.

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 which is estimated to be approximately HK$41.60 million (but which in any event shall be not less than HK$40 million and not more than HK$45 million) while maintaining sufficient cash resources for the Group to operate the Remaining Business. The Distribution is subject to (i) the approval of Independent Shareholders at the EGM; (ii) the completion of the Disposal; and (iii) the Distribution being made in compliance with laws of the Cayman Islands. The Qualifying Shareholders together with the Vendor and SomaFlex Holdings will be eligible for the Distribution if approved. SomaFlex Holdings is a company incorporated in the BVI with limited liability and as at the Latest Practicable Date, 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.

An Independent Board Committee comprising Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David, being independent non-executive Directors, has been established to give advice and recommendation to the Independent Shareholders in respect of the terms of the Disposal and the Distribution. All the members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Disposal Agreement and the Special Deal and thus are suitable to give advice and recommendation to the Independent Shareholders.

We do not, by this letter, warrant the merits of the above transactions, other than to form an opinion, for the purpose of the GEM Listing Rules and the Takeovers Code. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Disposal and the Distribution are (i) on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) are in the interests of the Company and the Shareholders as a whole, and in this connection, advise the Independent Shareholders on how to vote on the resolution(s) in respect of the above at the EGM.

BASIS OF OUR OPINION

We have relied on the statements, information and representations contained or referred to in this Circular and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in this Circular and all information provided and representations made by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were provided and made and will continue to be so at the date of the despatch of this Circular. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the management of the Company. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps as required under rule 17.92 of the GEM Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinion. The Directors have further confirmed that, having made all reasonable enquiries, and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this Circular, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided and representations made to us by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

We have taken into our consideration the following principal factors and reasons in arriving at our recommendation:

(1) Background and reasons for the Disposal

(a) Business and financial performance of the Group

The Group is principally engaged in the development and sale of enterprise software and hardware products and the provision of maintenance services in Hong Kong, the PRC and other Asian countries. The business of the Group may be classified into (i) the sale of software namely enterprise software, (ii) the provision of maintenance services; and (iii) the sale of hardware products.

We set out below a summary of the financial information as extracted from the income statements of the Company for the two financial years ended 31 March 2009 and 2010 and for the two nine month periods ended 31 December 2009 and 2010 disclosed in its annual and quarterly financial reports.

	For the nine months ended 31 December		For the year ended 31 March	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
Revenue	74,589	62,398	89,106	97,149
Cost of sales	(25,278)	(24,140)	(35,276)	(30,879)
Gross profit	49,311	38,258	53,830	66,270
Other income	163	211	242	531
Share of profit of an associate	–	–	105	175
Distribution costs	(20,813)	(18,147)	(25,450)	(21,577)
Administrative expenses	(33,309)	(30,208)	(40,804)	(39,483)
Other operating expenses	(93)	(946)	(790)	(2,739)
(Loss)/profit before income tax	(4,741)	(10,832)	(12,867)	3,177
Income tax	–	–	35	202
(Loss)/profit for the period	(4,741)	(10,832)	(12,832)	3,379
Other comprehensive income				
Changes in fair value of available- for-sales financial assets	187	157	168	(318)
Currency translation differences	712	–	825	–
Other comprehensive income/(loss) for the period, net of tax	899	157	993	(318)
Total comprehensive (loss)/income for the period	(3,842)	(10,675)	(11,839)	3,061
(Loss)/profit for the period attributable to:				
Equity holders of the Company	(4,614)	(10,832)	(12,810)	3,360
Minority interests	(127)	–	(22)	19
	(4,741)	(10,832)	(12,832)	3,379
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(3,715)	(10,675)	(11,817)	3,042
Minority interests	(127)	–	(22)	19
	(3,842)	(10,675)	(11,839)	3,061

Source: the Company

The figures above are approximate and for illustration purpose only.

Profitability

For the nine months ended 31 December 2010, the Company reported revenue of approximately HK$74.6 million compared to approximately HK$62.4 million for the nine months ended 31 December 2009. The revenue of the Company increased by approximately HK$12.2 million or 19.6% on the back of the increase in revenue derived from sale of software, provision of maintenance services and sale of hardware products. According to the Company, business environment for the period under review remained challenging and market competition remained intense. The Company had put in place stronger cost saving measures to combat inflationary pressures on its expense items. For the nine months ended 31 December 2010, we note that the growth in expense items of the Company, in general, was lower than growth in its revenue. In particular, the Company recorded increases in distribution expenses of approximately 14.7% and administrative expenses of approximately 10.3% compared to the increase in revenue of approximately 19.6%. Despite the improvement in cost savings and operating efficiency, the Company continued to report a loss. The Company reported net loss attributable to equity holders of the Company of approximately HK$3.7 million for the nine months ended 31 December 2010 compared to net loss of approximately HK$10.7 million for the nine months ended 31 December 2009.

For the financial year ended 31 March 2010, the Company reported revenue of approximately HK$89.1 million compared to approximately HK$97.1 million for the financial year ended 31 March 2009. The decrease in revenue was attributed to the lackluster economic conditions affecting the information technology ("IT") industry. Revenue derived from maintenance services increase by approximately 8.7% as the number of customers increased as compared to that of previously financial year. However, the revenue derived from software sales decreased by approximately 26% as the operating environment for the enterprise software industry remained difficult amidst intense market competition. Of the revenue, approximately 80% (financial year ended 31 March 2009: approximately 78%) of which was derived from Hong Kong and approximately 11% from the PRC. The employees of the Group deployed more resources in Hong Kong and as such derived comparatively more revenue from the territory. We note that the Group upgraded all software products in the financial year ended 31 March 2010 and software businesses recorded business growth. As stated in its annual report, the Company expected a challenging year ahead for the software developers in the IT market in Hong Kong.

The Company recorded net loss attributable to equity holders of the Company of approximately HK$12.8 million for the financial year ended 31 March 2010.

Net profit margin

	For the year ended 31 March				
	2006	**2007**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(audited)*
RESULTS					
Revenue	71,497	79,982	100,702	97,149	89,106
(Loss)/profit for the year attributable to equity holders of the Company	2,566	5,722	20,038	3,360	(12,810)
Net Proft Margin	**3.59%**	**7.15%**	**19.90%**	**3.46%**	**N/A**

We also note that the net profit margins of the Company for the previous five financial years, save and except for the financial year ended 31 March 2008, were in the single digit region. The low net profit margin indicated that the Company may operate in a competitive industry and susceptible to the higher risk that a decline in sales will erase profits and result in a net loss.

We set out below a summary of the financial information extracted from the balance sheets of the Company as of 31 March 2009 and 2010 and as of 30 September 2010 disclosed in its annual and interim financial reports.

	As at 30 September 2010	As at 31 March 2010	As at 31 March 2009
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*
Non-current assets			
Leasehold land and land use rights	11,634	11,791	12,108
Property, plant and equipment	9,180	9,954	11,602
Investments in associates	890	1,191	1,119
Investments in a jointly-controlled entity	–	–	–
Available-for-sale financial assets	666	526	358
Amounts due from investee companies	–	–	–
	22,370	23,462	25,187
Current assets			
Inventories	651	665	834
Trade and other receivables	17,952	17,804	17,552
Current income tax assets	899	899	663
Bank balances and cash	28,396	30,757	36,064
	47,898	50,125	55,113
Total assets	70,268	73,587	80,300
Current liabilities			
Trade and other payables	26,455	25,870	20,606
Current income tax liabilities	49	60	74
	26,504	25,930	20,680
Net current assets	21,394	24,195	34,433
Total assets less current liabilities	43,764	47,657	59,620
Non-current liabilities			
Deferred income tax liabilities	–	–	124
Net assets	43,764	47,657	59,496
Capital and reserves			
Share capital	60,000	60,000	60,000
Reserves	(16,989)	(13,187)	(1,370)
Capital and reserves attributable to equity holders of the company	43,011	46,813	58,630
Minority interests	753	844	866
Total equity	43,764	47,657	59,496

Source: the Company

The figures above are approximate and for illustration purpose only.

Liquidity and financial resources

As of 30 September 2010, the total assets of the Company were approximately HK$70.3 million (as of 31 March 2010: approximately HK$73.6 million). Of which current assets were approximately HK$47.9 million (as of 31 March 2010: approximately HK$50.1 million) and non-current assets were approximately HK$22.4 million (as of 31 March 2010: approximately HK$23.5 million). As of 30 September 2010, the total liabilities of the Company were approximately HK$26.5 million (as of 31 March 2010: approximately HK$25.9 million). The Company did not record any non-current liabilities as of 30 September 2010 and 31 March 2010.

As of 30 September 2010, the current assets of the Company were approximately HK$47.9 million (as of 31 March 2010: approximately HK$50.1 million). Of which bank balances and cash were approximately HK$28.4 million (as of 31 March 2010: approximately HK$30.8 million) and trade and other receivables were approximately HK$18.0 million (as of 31 March 2010: approximately HK$17.8 million). As of 30 September 2010, net current assets were approximately HK$21.4 million (as of 31 March 2010: approximately HK$24.2 million).

As of 30 September 2010, the current liabilities of the Company were approximately HK$26.5 million (as of 31 March 2010: approximately HK$25.9 million). Of which trade and other payables were approximately HK$26.5 million (as of 31 March 2010: approximately HK$25.9 million). As of 30 September 2010, net current assets of the Company were approximately HK$21.4 million (as of 31 March 2010: approximately HK$24.2 million). We note that the Company had no bank borrowings outstanding as of 30 September 2010 and 31 March 2010.

We note the decrease in net current assets against an increase in liabilities on the back of the increases in trade and other receivables and trade and other payables of the Company above. Capital and reserves attributable to equity holders of the Company decreased to approximately HK$43.0 million as of 30 September 2010 from approximately HK$46.8 million as of 31 March 2010.

We also note the Company reported net cash used in operating activities of approximately HK$6.0 million for the financial year ended 31 March 2010 compared to net cash generated from operating activities of approximately HK$3.6 million for the financial year ended 31 March 2009.

(b) Business and financial performance of the Disposal Group

The Disposal Company, a company incorporated in the BVI with limited liability, is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date. The Disposal Group is mainly engaged in the Disposal Business, being the development and sale of enterprise software and the provision of software maintenance services which form the major income streams of the Disposal Group. In some occasions, the Disposal Group may be requested by its customers for sourcing the hardware products, in such occasions the Disposal Group would also involve in the business of sale of hardware products which is mainly serving for the purpose of facilitating the business segments of the development and sale of enterprise software. For each of the year ended 31 March 2010 and the six months ended 30 September 2010, the revenue from the sale of the hardware products attributed approximately 1.34% and 2.22% respectively of the Disposal Group's revenue. The Disposal Company will become the holding company of the Disposal Group upon completion of the Reorganisation and will be principally engaged in, through the Disposal Group, the Disposal Business.

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.

Below is a summary of the unaudited financial information of the Disposal Group for the years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 and 2010 extracted from the unaudited combined statements of comprehensive income of the Disposal Group set out in Appendix II to this Circular:

	For the year ended 31 March			**For the six months ended 30 September**	
	2010	**2009**	**2008**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	75,893	85,784	91,259	40,898	35,102
Gross profit	51,196	63,870	71,852	29,144	23,542
(Loss)/profit before tax	(11,992)	3,877	19,562	(3,359)	(6,723)
(Loss)/profit after tax	(11,957)	4,079	20,787	(3,359)	(6,723)
(Loss)/profit attributable to equity holders of the Company	(11,935)	4,060	20,597	(3,358)	(6,678)

Revenue of the Disposal Group decreased by approximately HK$5.5 million or 6.0% to approximately HK$85.8 million for the year ended 31 March 2009 from approximately HK$91.3 million for the year ended 31 March 2008 and was further decreased by approximately HK$9.9 million or 11.5% to approximately HK$75.9 million for the year ended 31 March 2010. Gross profit of the Disposal Group decreased by approximately HK$8.0 million or 11.1% to approximately HK$63.9 million for the year ended 31 March 2009. The gross profit was further decreased by approximately HK$12.7 million or 19.8% to approximately HK$51.2 million for the year ended 31 March 2010. The Disposal Group recorded loss attributable to equity holders of the Company of approximately HK$11.9 million for the year ended 31 March 2010 compared to profit attributable to equity holders of the Company of approximately HK$4.1 million for the year ended 31 March 2009 and approximately HK$20.6 million for the year ended 31 March 2008. The Company recorded loss attributable to equity holders of the Company of approximately HK$3.4 million for the six months ended 30 September 2010 and approximately

HK$6.7 million for the six months ended 30 September 2009. According to the Company, the decrease in revenue of the Disposal Group was attributed to the lackluster economic conditions affecting IT industry. Operating environment for the enterprise software industry remained difficult amidst intensive market competition. Workforce of research and development team was expanded to strengthen the Disposal Company's software development capabilities for the growth of the Disposal Business in the future.

Below is a summary of the unaudited financial information of the Disposal Group as at 30 September 2010 and 31 March 2008, 2009 and 2010 extracted from the unaudited combined statements of financial position of the Disposal Group set out in Appendix II to this Circular:

	As at 30 September		**As at 31 March**	
	2010	**2010**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Non-current assets	21,693	22,930	24,812	25,960
Current assets	31,387	30,267	28,964	34,354
Total assets	53,080	53,197	53,776	60,314
Current liabilities	102,225	98,983	87,306	93,411
Net current liabilities	(70,838)	(68,716)	(58,342)	(59,057)
Non-current liabilities	–	–	124	636
Net liabilities	(49,145)	(45,786)	(33,654)	(33,733)
Capital and reserves attributable to equity holders of the Company	(49,965)	(46,607)	(34,497)	(34,557)
Non-controlling interests	820	821	843	824
Total equity	(49,145)	(45,786)	(33,654)	(33,733)

The net liabilities of the Disposal Group were approximately HK$33.7 million as at 31 March 2008, approximately HK$33.7 million as at 31 March 2009, approximately HK$45.8 million as at 31 March 2010 and approximately HK$49.1 millions as at 30 September 2010.

The Disposal Group mainly engaged in the Disposal Business namely the development and sale of enterprise software and the provision of maintenance services. We note that the Disposal Business is competitive and as demonstrated by the low profit margins of the Company, is susceptible to making a loss in the event of a sales decline. There is no assurance for the future profitability and business prospect of the Disposal Business.

(c) Reasons for the Disposal

As disclosed in the "Letter from the Board" to this Circular, 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 Consideration is higher than the net asset value of the Disposal Group after adjusted for the capitalisation of the Disposal Debt and the waiver of the Norray Debt assuming the Reorganisation has been completed on 30 September 2010. The Board (excluding the members of the Independent Board Committee) 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); (ii) the Disposal Group has been loss-making since 30 September 2009 and the Disposal would allow the Group to streamline its business and direct its focus and resources towards the Remaining Business which the Company believes to have a better growth potential; and (iii) the Disposal will facilitate the Completion and accordingly the Offer to the Shareholders, the Directors consider the Disposal to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We note that the profitability of the Disposal Group worsened and recorded an unaudited loss after tax of approximately HK$11.9 million for the year ended 31 March 2010 compared to an unaudited profit after tax of approximately HK$4.1 million for the year ended 31 March 2009. The Disposal Group sustained an unaudited net liabilities of approximately HK$49.1 million as at 30 September 2010 and an unaudited adjusted net assets of approximately HK$29.15 million after account for the capitalisation of the Disposal Debt and waiver of the Norray Debt. The Disposal Business is competitive and as demonstrated by the low profit margins of the Company, is susceptible to making a loss in the event of a sales decline. There is no assurance for the future profitability and business prospect of the Disposal Business. In contrast, the Disposal would allow the Company to realise investment in the Disposal Business at the Disposal Consideration and report a gain. As such, we concur with the Directors' view that the Disposal would allow the Company and the Qualifying Shareholders to realise the investment in the Disposal Group that was loss-making by way of the Distribution.

(2) Principal terms of the Disposal

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 at the 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$49.15 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.

Analyses of the Disposal Consideration

We have identified and reviewed, on a best effort basis, the selected trading statistics of companies listed on GEM (the "Comparable Companies") namely, market capitalisation, price to earnings ratio ("P/E") and price to book ratio ("P/B"). In the selection of the Comparable Companies, we have limited to GEM listed companies who engaged principally in the development and sale of computer software and provision of maintenance services that are similar to the Disposal Business, derived majority revenue from such principal activities (over 50%) with major assets similar to the Disposal Business in their respective latest balance sheets and intend to remain focus on the development and sale of computer software and provision of maintenance services as the Disposal Group does, based on the public information set out in their respective published financial reports. The scale of operations and future prospects of the Comparable Companies may not be the same as that of the Company. We consider the Comparable Companies that we have identified and reviewed are exhaustive.

Comparable Companies	Stock code	Principal activities	Market capitalisation (approximately) *(note 1)* *HK$ million*	P/B (approximately) *(note 2)* *times*	P/E (approximately) *(note 3)* *times*
abc Multiactive Limited	8131	Designing and sale of computer software and the provision of professional and maintenance services for such products.	80	N/A	N/A
Timeless Software Limited	8028	Software development, provision of computer consultancy and software maintenance services and sales of computer hardware and software.	113	1.17	N/A
Excel Technology International Holdings Limited	8048	Sale of enterprise software products and provision of maintenance services, systems integration services and resale of complementary hardware and software products, consultancy services, and services in respect of ASP business.	127	1.34	53.68
Qianlong Technology International Holdings Limited	8015	Research, development and distribution of software, the provision of related maintenance and consulting services in the PRC.	278	1.70	12.74
Average				1.40	33.21
Median				1.34	33.21
Disposal Group		Development and sale of enterprise software and provision of maintenance services		**1.37**	**N/A**

Sources: The Stock Exchange website and respective financials reports

Notes:

(1) Market capitalisation of the Comparable Companies are calculated on the basis of their respective closing prices of the shares and the total number of issued shares as at 5 January 2010, being the date of the Disposal Agreement.

(2) P/Bs of the Comparable Companies are calculated on the basis of their respective market capitalisations and net assets values as disclosed in their respective latest published balance sheets. "N/A" denoted that the subject company sustained a net liability.

The implied P/B of the Disposal is calculated on the basis of the Disposal Consideration of HK$40 million and the unaudited net assets of the Disposal Group as at 30 September 2010 of approximately HK$29.15 million after the adjustments for the capitalisation of the Disposal Debt and the waiver of the Norray Debt.

(3) P/Es of the Comparable Companies are calculated on the basis of their respective market capitalisations and the profit attributable to its equity holders as disclosed in their respective latest published annual reports. "N/A" denoted that the subject company recorded a loss attributable to its equity holders.

(4) The figures above are approximate and for illustration purpose only.

P/E and P/B are among some of the most commonly used valuation methods for measuring values of publicly listed companies. The P/E of a company is a measure of the price paid for a share relative to the annual net profit earned by a share of the company. We note that the Disposal Group reported loss attributable to equity holders of the Company of approximately HK$11.9 million for the financial year ended 31 March 2010 and as such, P/E may not be the best valuation method for the Disposal Group. Nonetheless, we have included the P/Es of the Comparable Companies in our analysis so as to provide additional information about the valuations of the Comparable. Companies based on a commonly used valuation method.

The P/B is used to compare a company's book value to its market price. As illustrated in the table above, the P/Bs of the Comparable Companies ranged between approximately 1.40 and 1.34 times ("P/B range"). The Disposal Group sustained unaudited net liabilities of approximately HK$49.1 million as at 30 September 2010 and we calculated the implied P/B of the Disposal on the basis of the Disposal Consideration of HK$40 million and the unaudited net assets of the Disposal Group as at 30 September 2010 of approximately HK$29.15 million after adjusted for the capitalisation of the Disposal Debt and the waiver of the Norray Debt as if the Disposal had been completed on 30 September 2010. The implied P/B of the Disposal of approximately 1.37 times falls within the P/B range and is close to the average of approximately 1.40 times. The P/B range suggests that the Comparable Companies were priced, in general, at a premium to their book values in the market and we are of the view that such pricing should reflect the Comparable Companies investors' view on the future prospect, development, profitability and the listing status of the respective Comparable Companies.

Given the Disposal Group is a private group in nature, we consider that it is justifiable for the implied P/B of the Disposal to be lower than the P/Bs of those of the Comparable Companies. Having said that, the implied P/B of the Disposal is higher than the P/Bs of two of the Comparable Companies and the median of the P/B of the Comparable Companies of approximately 1.34 times.

We also note that 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. We consider such adjustment to the Disposal Consideration is beneficial to the Company and its Shareholders.

Having considered that i) the Disposal Group reported unaudited loss attributable to equity holders of the Company for the year ended 31 March 2010 and the six months ended 30 September 2010; ii) the Disposal Group sustained unaudited net liabilities of approximately HK$49.15 million as at 30 September 2010 before the adjustments for the capitalisation of the Disposal Debt and the waiver of the Norray Debt; iii) an estimated gain of approximately HK$6.85 million for the benefit of the Company expected from the Disposal; and iv) the Disposal allows the Company and the Shareholders to realise investment in the Disposal Business that was loss- making and allows the Qualifying Shareholders to benefit from such disposal by way of the Distribution, we concur with the Directors' view that the terms of the Disposal including the Disposal Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole although the Disposal is not in the ordinary and usual course of business of the Group.

(3) Background and reasons for the Distribution

As disclosed in the "Letter from the Board" to this Circular, 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 Board intends to apply the estimated net proceeds to be received from the Disposal (after deducting all relevant expenses) of approximately HK$36.00 million and surplus cash of the Group for the payment of the Distribution which is estimated to be approximately HK$41.60 million 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. The Board will finalise and declare the exact amount of the Distribution after taking into account the overall expenses incurred or to be incurred for the Disposal and such expenses could only be finalised upon Disposal Completion. The exact amount of the Distribution in any event will be not less that HK$40 million and not more than HK$45 million. Further announcement will be made by the Company on the exact amount of the Distribution.

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 Latest Practicable Date and assuming that approximately HK$41.60 million would be distributed as the Distribution, the Qualifying Shareholders will receive the Distribution in cash of approximately HK$0.0693 per Share. 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. Accordingly, the Distribution may or may not materialise.

The Directors consider that the Distribution would not have a material impact on the financial resources required for operation of the Remaining Group and the Remaining Group would have sufficient working capital to continue its business operations by itself after the Distribution taking into account. There is no major material investment and large capital funding which are required for running the Remaining Business in the near future.

Having considered that i) there will be sufficient level of working capital for the Remaining Group after Completion; ii) the Distribution allows the Qualifying Shareholders to benefit from the Disposal; iii) the Remaining Group would have sufficient working capital to continue its business operations by itself after the Distribution taking into account; and iv) there is no major material investment and large capital funding which are required for running the Remaining Business in the near future, we concur with the Directors' view that the Distribution is fair and reasonable and in the interests of the Company and the Shareholders as a whole although the Distribution is not in the ordinary and usual course of business of the Group.

(4) Possible financial effects of the Disposal and the Distribution

(i) Accounting treatment after Disposal Completion

According to the "Letter from the Board" to this Circular, after the Disposal Completion, the Disposal Group will no longer be part of the Group and each member of the Disposal Group will cease to be a subsidiary or an associated company of the Company. As such, the financial results, the assets and liabilities of the Disposal Group will no longer be consolidated into the future financial statements of the Group after the Disposal Completion.

(ii) Earnings

According to the "Letter from the Board" to this Circular, the estimated gain on the Disposal is approximately HK$6.85 million which is calculated based on: (i) the net cash consideration of approximately HK$36.00 million (representing the consideration for the Disposal Share and the waiver of the Disposal Debt and Norray Debt under the Disposal of HK$40.00 million less the estimated expenses in connection with the Disposal of approximately HK$4.00 million); (ii) the net liabilities of the Disposal Group attributable to equity holders of the Company as at 30 September 2010 of approximately HK$49.97 million; and (iii) the Disposal Debt and Norray Debt with carrying amount of approximately HK$79.56 million and HK$0.44 million respectively as at 30 September 2010, as if the Disposal had been completed on 1 April 2009. Furthermore, as set out in Appendix III to this Circular, assuming the Disposal had been completed on 1 April 2009, the pro forma net profit of the Remaining Group for the year ended 31 March 2010 would turnaround to approximately HK$5.97 million as compared to the net loss of the Group of approximately HK$12.83 million for the same year. Such turnaround in the pro forma net profit of the Remaining Group is attributable to (i) the exclusion of the net loss of the Disposal Group of approximately HK$11.96 million for the year ended 31 March 2010, which we consider is recurring in nature as the financial results of the Disposal Group will no longer be consolidated into the future financial statements of the Group after the Disposal Completion; and (ii) the one-off gain of approximately HK$6.85 million arising from the Disposal.

(iii) Net asset value

As set out in Appendix III to this Circular, the unaudited pro forma net asset value attributable to equity holders of the Remaining Group as at 30 September 2010 would increase by the expected gain on the Disposal of approximately HK$6.85 million to approximately HK$49.86 million as if the Disposal had been completed on 30 September 2010 and will decrease by approximately HK$41.60 million in later stage to approximately HK$8.26 million after the payment of the Distribution, assuming that approximately HK$41.60 million would be distributed as the Distribution.

(iv) Working capital

As set out in the in Appendix III to this Circular, the unaudited pro forma cash and cash equivalents of the Remaining Group as at 30 September 2010 would increase by approximately HK$21.94 million to approximately HK$50.33 million as if the Disposal had been completed on 30 September 2010 and will decrease by approximately HK$41.60 million in later stage to approximately HK$8.73 million after the payment of the Distribution, assuming that approximately HK$41.60 million would be distributed as the Distribution. We note in the "Letter from the Board" in this Circular that, 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 cash position of the Company upon Completion shall not be less than HK$8 million.

RECOMMENDATION

Having considered the above and the principal reasons below,

(1) the Disposal Group reported unaudited loss attributable to equity holders of the Company for the year ended 31 March 2010 and the six months ended 30 September 2010;

(2) the Disposal Business is competitive and the low profitability of which renders the Disposal Group susceptible to the making loss in the event of sales decline;

(3) the Disposal Consideration is fair and reasonable and the Disposal will result in an estimated gain of approximately HK$6.85 million for the benefit of the Company;

(4) the implied P/B of the Disposal falls within the P/B range and is higher than the P/Bs of two of the Comparable Companies and the median of the P/B of the Comparable Companies;

(5) the Disposal allows the Company and Shareholders to realise investment in the Disposal Business which was loss making and allows the Company and Qualifying Shareholders to benefit from such disposal by way of Distribution; and

(6) the Remaining Group would have sufficient working capital to continue its business operations by itself after the Distribution taking into account and there is no major material investment and large capital funding which are required for running the Remaining Business in the near future,

we are of the view that the terms of the Disposal and the Distribution are (i) on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) are in the interests of the Company and the Shareholders as a whole although the Disposal and the Distribution are not in the ordinary and usual course of business of the Group. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) in respect of the Disposal and the Distribution.

Yours faithfully,
For and on behalf of
Cinda International Capital Limited

Thomas Lai	**Robert Siu**
Executive Director	*Executive Director*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the year ended 31 March 2008, 31 March 2009 and 31 March 2010 have been set out in pages 23 to 74 of the Company's annual report 2008 (http://www.hkexnews.hk/listedco/listconews/gem/20080627/GLN20080627081.pdf), pages 24 to 74 of the Company's annual report 2009 (http://www.hkexnews.hk/listedco/listconews/gem/20090626/GLN20090626044.pdf) and pages 24 to 76 of the Company's annual report 2010 (http://www.hkexnews.hk/listedco/listconews/gem/20100628/GLN20100628037.pdf) respectively.

Details of the financial information of the Group for the six months ended 30 September 2010 and for the nine months ended 31 December 2010 have been set out in pages 2 to 22 of the Company's interim report 2010/2011 (http://www.hkexnews.hk/listedco/listconews/gem/20101111/GLN20101111077.pdf) and pages 2 to 12 of the Company's third quarter report 2010/2011 (http://www.hkexnews.hk/listedco/listconews/gem/20110211/GLN20110211023.pdf).

2. INDEBTEDNESS

Borrowings and contingent liabilities

As at the close of business on 31 January 2011, 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.

Disclaimer

Apart from intra-group liabilities and normal trade payables, the Group did not have outstanding indebtedness as at the close of business on 31 January 2011 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 31 January 2011.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Group, including internally generated funds and the net proceeds from the Disposal, and the Distribution, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS

After the Disposal Completion, the Remaining Group will continue its system integration services and other value-added technical consultation services and hardware-related business, with the benefits of more efficient and better growth potential in terms of less staff and less operating expenses.

As set out in Appendix III to this circular, the bank balance and cash of the Group amounted to approximately HK$28.40 million as at 30 September 2010 and the pro forma bank balance and cash amounted to approximately HK$8.73 million upon completion of the Disposal and after the Distribution. The current ratio of the Group as at 30 September 2010 was approximately 1.81 (based on the current assets and current liabilities of the Group of approximately HK$47.90 million and approximately HK$26.50 million as at 30 September 2010) and upon completion of the Disposal and after the Distribution, the current ratio would be approximately 2.96 (based on the pro forma current assets and pro forma current liabilities of the Group of approximately HK$11.35 million and approximately HK$3.84 million upon completion of the Disposal and after the Distribution as set out in Appendix III to this circular). Given the Remaining Group is not operating a labour-intensive business, it does not require large number of sales and marketing and research and development staff and hence, the administrative expense would be reduced. The existing 19 employees within the Remaining Group, who would mainly be consultant and technical support staff, would be sufficient to operate the Remaining Business and maintain its revenue model. In addition, the Remaining Group has been looking for appropriate business opportunities through partnership for better earning and growth potential. The Directors consider that the Distribution would not have a material impact on the financial resources required for operation of the Remaining Group and the Remaining Group would have sufficient working capital to continue its business operations by itself after the Distribution taking into account there is no major material investment and large capital funding which are required for running the Remaining Business in the near future.

As set out in the Joint Announcement, 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.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Business and Financial Review for the year ended 31 March 2008

Financial Review

For the year ended 31 March 2008, the Remaining Group's turnover of approximately HK$9.6 million, representing an increase of approximately 40%, as compared to last year, which accounted for approximately 9.5% of the Group's turnover in the financial year 2008.

The Remaining Group's gross profit has deceased from 31.6% as of the last year to 29.5% for the year under review. The decease of gross profit was principally due to the increase in cost of hardware sales.

The Remaining Group recorded a loss attributable to equity holders during two years under review while the Remaining Group recorded a profit attributable to shareholders in the previous year, which was due to the increase in administration expenses and the significant decrease in interest income as compared with the previous year.

Financial Resources and Liquidity

As at 31 March 2008, the equity holders' funds of the Group amounted to approximately HK$93 million. Current assets were approximately HK$96 million, mainly comprising bank balances and cash of approximately HK$19.8 million, inventories of approximately HK$0.04 million and trade and other receivables of approximately HK$76 million. Current liabilities were approximately HK$3.5 million, mainly comprising trade and other payables of approximately HK$3.5 million. The net asset value per share was HK$0.16. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March 2008, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 27:1 (As at 31 March 2007: 34.2:1), reflecting the adequacy of financial resources.

Exposure to Exchange Rate Fluctuation

As at 31 March 2008, the Remaining Group experienced only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this currency. As the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Significant Investments and Acquisitions and Disposal

As at 31 March 2008, the Remaining Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31 March 2008, the Remaining Group had no material investment.

Capital Commitments

As at 31 March 2008, the Remaining Group had operating lease commitments in respect of rented office premises of approximately HK$96,000 (2007: HK$287,000). As at 31 March 2008 and 2007, the Remaining Group had no significant capital commitment and has no future plans for material investment.

Contingent Liabilities

As at 31 March, 2008 and 2007, the Remaining Group had no material contingent liabilities.

Charges on the Group's Assets

As at 31 March 2008, the Remaining Group had no charges on the Group's assets.

Employees and Remuneration Policies

As at 31 March 2008, the Remaining Group had 25 employees (2007: 25 employees). The total remuneration to employees, including that to the directors, for the year ended 31 March 2008 amounted to approximately HK$2 million (2007: HK$1.8 million). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Segmental Information

Business segments

The Remaining Business is divided into three business segments: (i) sale of software; (ii) rendering of maintenance services; and (iii) other operations which mainly comprise sale of hardware products.

For the year ended 31 March 2008, the turnover of sale of software has increased by approximately 68.7% as the market sentiment of the software industry has recovered. The turnover of maintenance services has decreased by approximately 36.7% as the number of contracts has decreased as compared with the previous year. The turnover of other operations has increased 48.7% as compared with that for the previous year as the market sentiment of the hardware industry has recovered.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2008. However, the Group will continue to seek new business development opportunities.

Business and Financial Review for the year ended 31 March 2009

Financial Review

For the year ended 31 March 2009, the Remaining Group's turnover of approximately HK$11.4 million, representing an increase of approximately 19.8%, as compared to last year, which accounted for approximately 11.8% of the Group turnover in the financial year 2009.

The Remaining Group's gross profit has deceased from 29.5% as of the last year to 21% for the year under review. The decease of gross profit was principally due to the slowdown of market activities and diminishing IT expenditure resulting in lower customer orders and lower profit margin.

The Remaining Group's loss attributable to equity holders has increased by approximately 29.8% as compared with the previous year was mainly due to the increase in distribution expenses and lower profit margin.

Financial Resources and Liquidity

As at 31 March 2009, the equity holders' funds of the Group amounted to approximately HK$93 million. Current assets were approximately HK$96.1 million, mainly comprising bank balances and cash of approximately HK$24.5 million, inventories of approximately HK$0.02 million and trade and other receivables of approximately HK$71.7 million. Current liabilities were approximately HK$3.4 million, mainly comprising trade and other payables of approximately HK$3.4 million. The net asset value per share was approximately HK$0.16. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March 2009, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 28.1:1 (As at 31 March 2008: 27.1:1), reflecting the adequacy of financial resources.

Exposure to Exchange Rate Fluctuation

As at 31 March 2009, the Remaining Group experienced only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this currency. As the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Significant Investments and Acquisitions and Disposal

As at 31 March 2009, the Remaining Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31 March 2009, the Remaining Group had no material investment.

Capital Commitments

As at 31 March 2009, the Remaining Group had operating lease commitments in respect of rented office premises of approximately HK$473,000 (2008: HK$96,000). As at 31 March 2009 and 2008, the Group had no significant capital commitment and has no future plans for material investment.

Contingent Liabilities

As at 31 March 2009 and 2008, the Remaining Group had no material contingent liabilities.

Charges on the Group's Assets

As at 31 March 2009, the Remaining Group had no charges on the Group's assets.

Employees and Remuneration Policies

As at 31 March 2009, the Remaining Group had 25 employees (2008: 25 employees). The total remuneration to employees, including that to the directors, for the year ended 31 March 2009 amounted to approximately HK$2.3 million (2008: HK$2 million). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Segmental Information

Business segments

The Remaining Business is divided into three business segments: (i) sale of software; (ii) rendering of maintenance services; and (iii) other operations which mainly comprise sale of hardware products.

For the year ended 31 March 2009, the turnover of software sale has increased by approximately 319.8%. The significant increase of turnover was mainly due to the increase in the number of enterprise software projects. The turnover of maintenance services has decreased by approximately 45.9% as the number of customer has dropped. The other operations has slightly decreased 0.2% as compared with that for the previous year.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2009. However, the Group will continue to seek new business development opportunities.

Business and Financial Review for the year ended 31 March 2010

Financial Review

For the year ended 31 March 2010, the Remaining Group's turnover of approximately HK$13.2 million, representing an increase of approximately 15.5%, as compared to last year, which accounted for approximately 14.8% of the Group's turnover in the financial year 2010.

The Remaining Group's gross profit slightly decreased from 21% as of the last year to 19.9% for the year under review.

The Remaining Group's loss attributable to equity holders has increased by approximately 25.3% as compared with previous year was principally due to the decrease of turnover.

Financial Resources and Liquidity

As at 31 March 2010, the equity holders' funds of the Group amounted to approximately HK$93 million. Current assets were approximately HK$98 million, mainly comprising bank balances and cash of approximately HK$17 million, inventories of approximately HK$0.02 million and trade and other receivables of approximately HK$80 million. Current liabilities were approximately HK$4.7 million, mainly comprising trade and other payables of approximately HK$4.7 million. The net asset value per share was approximately HK$0.16. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 31 March 2010, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 20.7:1 (As at 31 March 2009: 28.1:1), reflecting the adequacy of financial resources.

Exposure to Exchange Rate Fluctuation

As at 31 March 2010, the Remaining Group experienced only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this currency. As the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Significant Investments and Acquisitions and Disposal

As at 31 March 2010, the Remaining Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31 March 2010, the Remaining Group had no material investment.

Capital Commitments

As at 31 March 2010, the Remaining Group had operating lease commitments in respect of rented office premises of approximately HK$158,000 (2009: HK$473,000). As at 31 March 2010 and 2009, the Remaining Group had no significant capital commitment and has no future plans for material investment.

Contingent Liabilities

As at 31 March 2010 and 2009, the Remaining Group had no material contingent liabilities.

Charges on the Group's Assets

As at 31 March 2010, the Remaining Group had no charges on the Group's assets.

Employees and Remuneration Policies

As at 31 March 2010, the Remaining Group had 26 employees (2009: 25 employees). The total remuneration to employees, including that to the directors, for the year ended 31 March 2010 amounted to approximately HK$2.2 million (2009: HK$2.3 million). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Segmental Information

Business segments

The Remaining Business is divided into three business segments: (i) sale of software; (ii) rendering of maintenance services; and (iii) other operations which mainly comprise sale of hardware products.

For the year ended 31 March 2010, the turnover of software sale has decreased by approximately 80.5% as the decrease in the number of enterprise software projects. The turnover of maintenance services has increased by approximately 90.9% was mainly contributed to the increase of software sales in last year. The other operations has increased 48.9% as compared with that for the previous year was mainly due to the economic recovery and the growth of hardware industry.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2010. However, the Group will continue to seek new business development opportunities.

Business and Financial Review for the six months ended 30 September 2010

Financial Review

For the period ended 30 September 2010, the Remaining Group's turnover of approximately HK$5.9 million, representing an increase of approximately 32.9%, as compared to the corresponding last period, which accounted for approximately 12.7% of the Group's turnover in the period 2010.

The Remaining Group's gross profit of 19.9% compared with the year ended 31 March 2010 remained stable.

The Remaining Group's loss attributable to equity holders has increased by approximately 19% as compared with the same period in the previous year was mainly due to the increase of operation expenses resulted from inflation.

Financial Resources and Liquidity

As at 30 September 2010, the equity holders' funds of the Group amounted to approximately HK$93 million. Current assets were approximately HK$96.5 million, mainly comprising bank balances and cash of approximately HK$14 million, inventories of approximately HK$0.02 million and trade and other receivables of approximately HK$82 million. Current liabilities were approximately HK$4.2 million, mainly comprising trade and other payables of approximately HK$4.2 million. The net asset value per share was approximately HK$0.15. The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total equity. As at 30 September 2010, the Group did not have any borrowings and long-term debts. The liquidity ratio of the Group, represented by a ratio of current assets over current liabilities, was 22.6:1 (As at 31 March 2010: 20.7:1), reflecting the adequacy of financial resources.

Exposure to Exchange Rate Fluctuation

As at 30 September 2010, the Remaining Group experienced only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities were denominated in Hong Kong Dollars and the Group conducted its business transactions principally in this currency. As the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Significant Investments and Acquisitions and Disposal

As at 30 September 2010, the Remaining Group had no material acquisitions and disposal of subsidiaries and affiliated companies.

As at 30 September 2010, the Remaining Group had no material investment.

Capital Commitments

As at 30 September 2010, the Remaining Group had operating lease commitments in respect of rented office premises of approximately HK$650,000. As at 30 September 2010, the Remaining Group had no significant capital commitment and has no future plans for material investment.

Contingent Liabilities

As at 30 September 2010, the Remaining Group had no material contingent liabilities.

Charges on the Group's Assets

As at 30 September 2010, the Remaining Group had no charges on the Group's assets.

Employees and Remuneration Policies

As at 30 September 2010, the Remaining Group had 26 employees (2009: 25 employees). The total remuneration to employees, including that to the directors, for the period ended 30 September 2010 amounted to approximately HK$1 million (2009: HK$1 million). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Segmental Information

Business segments

The Remaining Business is divided into three business segments: (i) sale of software; (ii) rendering of maintenance services; and (iii) other operations which mainly comprise sale of hardware products.

For the period ended 30 September 2010, the turnover of software sale has decreased by approximately 83.2% as compared with the corresponding period in previous year as the software industry remained difficult with intense market competition. The turnover of maintenance services has slightly decreased by approximately 8.3% as compared with the corresponding period in previous year. The turnover of other operations has increased by 186.4% as compared with the corresponding period in previous year as customers have increased their expenditure on improving hardware performance.

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 30 September 2010. However, the Group will continue to seek new business development opportunities.

A. REVIEWED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below are unaudited combined statements of comprehensive income, unaudited combined statements of financial position, unaudited combined statements of cash flows, and unaudited combined statements of changes in equity of the SomaFlex International Inc., together with its subsidiaries and associated companies (save and except Norray Professional Computer Limited) (collectively, the "Disposal Group") for the year ended 31 March 2008, the year ended 31 March 2009, the year ended 31 March 2010 and the six months ended 30 September 2010 (the "Relevant Periods"). The financial information of the Disposal Group for the Relevant Periods were reviewed by the auditors of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and concluded that nothing has come to their attention that causes them to believe that the financial information of Disposal Group is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the consolidated financial statements of the Group for the Relevant Periods.

1. Unaudited combined statements of comprehensive income of the Disposal Group

	Year ended 31 March 2008	Year ended 31 March 2009	Year ended 31 March 2010	Period ended 30 September 2009	Period ended 30 September 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	91,259	85,784	75,893	35,102	40,898
Cost of sales	(19,407)	(21,914)	(24,697)	(11,560)	(11,754)
Gross profit	71,852	63,870	51,196	23,542	29,144
Other income	185	133	47	38	8
Share of profit of an associate	–	175	105	–	–
Distribution costs	(18,853)	(21,044)	(24,949)	(11,984)	(13,439)
Administrative expenses	(32,293)	(36,518)	(37,617)	(18,020)	(18,994)
Other operating expenses	(1,329)	(2,739)	(774)	(299)	(78)
Profit/ (loss) before income tax	19,562	3,877	(11,992)	(6,723)	(3,359)
Income tax	1,225	202	35	–	–
Profit/ (loss) for the period/year	20,787	4,079	(11,957)	(6,723)	(3,359)
Other comprehensive income/ (loss)					
Exchange differences arising on translation of foreign operations	(4)	–	825	–	–
Total comprehensive income/ (loss) for the period/year	20,783	4,079	(11,132)	(6,723)	(3,359)
Profit/ (loss) for the period/ year attributable to:					
Equity holders of the Company	20,597	4,060	(11,935)	(6,678)	(3,358)
Non-controlling interests	190	19	(22)	(45)	(1)
	20,787	4,079	(11,957)	(6,723)	(3,359)
Total comprehensive income/(loss) for the period/ year attributable to:					
Equity holders of the Company	20,593	4,060	(11,110)	(6,678)	(3,358)
Non-controlling interests	190	19	(22)	(45)	(1)
	20,783	4,079	(11,132)	(6,723)	(3,359)

2. Unaudited combined statements of financial position of the Disposal Group

	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 30 September 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Leasehold land and land use rights	12,425	12,108	11,791	11,634
Property, plant and equipment	13,130	11,570	9,933	9,154
Available-for-sale financial assets	15	15	15	15
Investments in associates	390	1,119	1,191	890
	25,960	24,812	22,930	21,693
Current assets				
Inventories	1,045	811	650	636
Trade and other receivables	16,241	15,473	14,490	15,350
Amount due from Remaining Group	379	408	423	438
Current income tax assets	–	663	899	899
Bank balances and cash	16,689	11,609	13,805	14,064
	34,354	28,964	30,267	31,387
Total assets	60,314	53,776	53,197	53,080
Current liabilities				
Trade and other payables	18,611	17,595	21,567	22,620
Amount due to Remaining Group	73,975	69,637	77,356	79,556
Current income tax liabilities	825	74	60	49
	93,411	87,306	98,983	102,225
Net current liabilities	(59,057)	(58,342)	(68,716)	(70,838)
Total assets less current liabilities	(33,097)	(33,530)	(45,786)	(49,145)
Non-current liabilities				
Deferred tax liabilities	636	124	–	–
Net liabilities	(33,733)	(33,654)	(45,786)	(49,145)

	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 30 September 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves				
Share capital	–	–	–	–
Reserves	(34,557)	(34,497)	(46,607)	(49,965)
Capital and reserves attributable to equity holders of the Company	(34,557)	(34,497)	(46,607)	(49,965)
Non-controlling interests	824	843	821	820
Total equity	(33,733)	(33,654)	(45,786)	(49,145)

3. Unaudited combined statements of cash flows of the Disposal Group

	Year ended 31 March 2008	Year ended 31 March 2009	Year ended 31 March 2010	Period ended 30 September 2009	Period ended 30 September 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Profit/(loss) before income tax	19,562	3,877	(11,992)	(6,723)	(3,359)
Adjustments for:					
Depreciation of property, plant and equipment	1,949	1,839	1,807	888	834
Amortisation of prepaid operating lease payments	317	317	317	158	157
Loss on disposal of property, plant and equipment	6	1	2	2	4
Interest income	(185)	(118)	(47)	(38)	(8)
Provision for impairment of trade receivables	–	1,984	–	–	–
Provision for impairment of amounts due from associates	1,088	553	92	188	–
Provision for impairment of amounts due from investee companies	9	–	–	–	–
Share of profit of an associate	–	(175)	(105)	–	–
Operating cash flows before changes in working capital	22,746	8,278	(9,926)	(5,525)	(2,372)
Changes in working capital:					
Inventories	48	234	161	76	14
Trade and other receivables	(1,809)	(1,216)	983	1,146	(860)
Amount due from Remaining Group	53	(29)	(15)	(15)	(15)
Amount due to Remaining Group	(10,860)	(4,338)	7,719	2,719	2,200
Trade and other payables	(417)	(1,016)	3,972	2,788	1,053
Cash generated from operations	9,761	1,913	2,894	1,189	20
Overseas tax paid	(111)	(415)	(103)	(51)	(11)
Hong Kong Profit Tax paid	439	(1,309)	(236)	(234)	–
Net cash generated from operating activities	10,089	189	2,555	904	9

	Year ended 31 March 2008	Year ended 31 March 2009	Year ended 31 March 2010	Period ended 30 September 2009	Period ended 30 September 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from investing activities					
Interest received	185	118	47	38	8
Purchase of property, plant and equipment	(413)	(291)	(162)	(103)	(59)
Advances to investee companies	(9)	–	–	–	–
(Advances to)/ repayment from associates	(1,468)	(507)	(59)	(145)	301
Acquisition of interest in an associate	(10)	(600)	–	–	–
Proceeds from disposal of property, plant and equipment	3	11	–	12	–
Net cash (used in)/ generated from investing activities	(1,712)	(1,269)	(174)	(198)	250
Cash flows from financing activities					
Dividends paid	–	(4,000)	(1,000)	(1,000)	–
Net cash used in financing activities	–	(4,000)	(1,000)	(1,000)	–
Net (decrease)/ increase in cash and cash equivalents	8,377	(5,080)	1,381	(294)	259
Cash and cash equivalents at the beginning of period/ year	8,405	16,689	11,609	11,609	13,805
Effects of foreign exchange rate changes	(93)	–	815	–	–
Cash and cash equivalents at the end of period/ year	16,689	11,609	13,805	11,315	14,064

4. Unaudited combined statements of changes in equity of the Disposal Group

	Share capital HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
As at 1 April 2007	–	120	(42)	(55,228)	(55,150)	634	(54,516)
Profit for the year	–	–	–	20,597	20,597	190	20,787
Currency translation differences	–	–	(4)	–	(4)	–	(4)
Total comprehensive income	–	–	(4)	20,597	20,593	190	20,783
As at 31 March 2008 and 1 April 2008	–	120	(46)	(34,631)	(34,557)	824	(33,733)
Profit for the year	–	–	–	4,060	4,060	19	4,079
Currency translation differences	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	4,060	4,060	19	4,079
Dividends	–	–	–	(4,000)	(4,000)	–	(4,000)
As at 31 March 2009 and 1 April 2009	–	120	(46)	(34,571)	(34,497)	843	(33,654)
Loss for the year	–	–	–	(11,935)	(11,935)	(22)	(11,957)
Currency translation differences	–	–	825	–	825	–	825
Total comprehensive loss	–	–	825	(11,935)	(11,110)	(22)	(11,132)
Dividends	–	–	–	(1,000)	(1,000)	–	(1,000)
As at 31 March 2010 and 1 April 2010	–	120	779	(47,506)	(46,607)	821	(45,786)
Loss for the period	–	–	–	(3,358)	(3,358)	(1)	(3,359)
Currency translation differences	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	(3,358)	(3,358)	(1)	(3,359)
As at 30 September 2010	–	120	779	(50,864)	(49,965)	820	(49,145)
As at 1 April 2009	–	120	(46)	(34,571)	(34,497)	843	(33,654)
Loss for the period	–	–	–	(6,678)	(6,678)	(45)	(6,723)
Currency translation differences	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	(6,678)	(6,678)	(45)	(6,723)
Dividends	–	–	–	(1,000)	(1,000)	–	(1,000)
As at 30 September 2009	–	120	(46)	(42,249)	(42,175)	798	(41,377)

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Unaudited Pro Forma Combined Statement of Financial Position

The unaudited pro forma combined statement of financial position of the Remaining Group (the "Unaudited Pro Forma Combined Statement of Financial Position") has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the date reported on 30 September 2010.

The Unaudited Pro Forma Combined Statement of Financial Position is based on the unaudited consolidated statement of financial position of the Group as at 30 September 2010 (as extracted from the Company's interim report for the six months ended 30 September 2010), the unaudited combined statement of financial position of the Disposal Group as at 30 September 2010 (as extracted from the reviewed financial information of SomaFlex International Inc. together with its subsidiaries and associated companies (save and except Norray Professional Computer Limited) (collectively, the "Disposal Group") as shown in Appendix II), after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction concerned and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Combined Statement of Financial Position should be read in conjunction with the historical financial information of the Group and other financial information included elsewhere in this circular. The Unaudited Pro Forma Combined Statement of Financial Position does not take account of any trading or other transactions subsequent to the date of the financial statements included in the Unaudited Pro Forma Combined Statement of Financial Position.

The Unaudited Pro Forma Combined Statement of Financial Position has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Disposal been completed on 30 September 2010 or at any future date.

	The Group as at 30 September 2010	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Unaudited)*
Non-current assets						
Leasehold land and land use rights	11,634	(11,634)	–	–	–	–
Property, plant and equipment	9,180	(9,154)	–	–	–	26
Investments in associates	890	(890)	–	–	–	–
Investment in a jointly-controlled entity	–	–	–	–	–	–
Available-for-sale financial assets	666	(15)	–	–	–	651
Amounts due from investee companies	–	–	–	–	–	–
	22,370	(21,693)	–	–	–	677
Current assets						
Inventories	651	(636)	–	–	–	15
Trade and other receivables	17,952	(15,350)	–	–	–	2,602
Amount due from Remaining Group	–	(438)	–	438	–	–
Bank balances and cash	28,396	(14,064)	40,000 (4,000)	–	(41,600)	8,732
Current income tax assets	899	(899)	–	–	–	–
	47,898	(31,387)	36,000	438	(41,600)	11,349
Total assets	70,268	(53,080)	36,000	438	(41,600)	12,026
Current liabilities						
Trade and other payables	26,455	(22,620)	–	–	–	3,835
Amount due to Remaining Group	–	(79,556)	–	79,556	–	–
Current income tax liabilities	49	(49)	–	–	–	–
	26,504	(102,225)	–	79,556	–	3,835
Net current assets/ (liabilities)	21,394	70,838	36,000	(79,118)	(41,600)	7,514
Net assets/ (liabilities)	43,764	49,145	36,000	(79,118)	(41,600)	8,191

	The Group as at 30 September 2010	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Unaudited)*
Capital and reserves						
Share capital	60,000	–	–	–	–	60,000
Reserves	(16,989)	49,965	36,000	(79,118)	(41,600)	(51,742)
Capital and reserves attributable to equity holders of the Company	43,011	49,965	36,000	(79,118)	(41,600)	8,258
Non-controlling interests	753	(820)	–	–	–	(67)
Total equity	43,764	49,145	36,000	(79,118)	(41,600)	8,191

Notes to the Unaudited Pro Forma Combined Statement of Financial Position:

1. The adjustment represents the exclusion of the assets and liabilities of the Disposal Group as at 30 September 2010 as if the Disposal had been completed on 30 September 2010.

2. The adjustment reflects the net cash consideration for the Disposal Share and the Disposal Debt under the Disposal of approximately HK$36 million, comprising (i) HK$40 million which shall have been received upon Completion; and (ii) the estimated expenses in connection with the Disposal of approximately HK$4 million, as if the Disposal had been completed on 30 September 2010.

3. The adjustment reflects the elimination of the Disposal Debt and Norray Debt with carrying amount of approximately HK$79.556 million and HK$0.438 million respectively as at 30 September 2010, as if the Disposal had been completed on 30 September 2010.

4. The adjustment reflects the payment of the Distribution of approximately HK$41.6 million calculated at HK$0.0693 per ordinary share of the Company for a total of 600,000,000 Shares in issue as at 30 September 2010 to be paid out of the reserves of the Company. Since the actual payment of the Distribution would be different from their Distribution used in the preparation of the unaudited pro forma combined statement of financial position presented above, the actual payment arising from the Distribution might be materially different from the proposed amount shown in this Appendix.

Unaudited Pro Forma Combined Statement of Comprehensive Income

The unaudited pro forma combined statement of comprehensive income of the Remaining Group (the "Unaudited Pro Forma Combined Statement of Comprehensive Income") has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the commencement of the period being reported on 1 April 2009.

The Unaudited Pro Forma Combined Statement of Comprehensive Income is based on the audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2010 (as extracted from the Company's annual report for the year ended 31 March 2010), the unaudited combined statement of comprehensive income of the Disposal Group for the year ended 31 March 2010 (as extracted from the reviewed financial information of the Disposal Group as shown in Appendix II), after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction concerned and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Combined Statement of Comprehensive Income should be read in conjunction with the historical financial information of the Group and other financial information included elsewhere in this circular. The Unaudited Pro Forma Combined Statement of Comprehensive Income does not take account of any trading or other transactions subsequent to the date of the financial statements included in the Unaudited Pro Forma Combined Statement of Comprehensive Income.

The Unaudited Pro Forma Combined Statement of Comprehensive Income has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Group had the Disposal been completed on 1 April 2009 or for any future period.

	The Group for the year ended 31 March 2010	**Pro forma adjustment**	**Pro forma adjustment**	**Pro forma Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 5)*	*(Note 6)*	*(Unaudited)*
Revenue	89,106	(75,893)	–	13,213
Cost of sales	(35,276)	24,697	–	(10,579)
Gross profit	53,830	(51,196)	–	2,634
Other income	242	(47)	–	195
Estimated gain on the Disposal	–	–	6,847	6,847
Share of profit of an associate	105	(105)	–	–
Distribution costs	(25,450)	24,949	–	(501)
Administrative expenses	(40,804)	37,617	–	(3,187)
Other operating expenses	(790)	774	–	(16)
Profit/ (loss) before income tax	(12,867)	11,992	6,847	5,972
Income tax	35	(35)	–	–
Profit/ (loss) for the year	(12,832)	11,957	6,847	5,972
Other comprehensive income/ (loss)	993	(825)	–	168
Total comprehensive income/ (loss) for the year	(11,839)	11,132	6,847	6,140

Notes to the Unaudited Pro Forma Combined Statement of Comprehensive Income:

5. The adjustment represents the exclusion of the comprehensive income of the Disposal Group for the year ended 31 March 2010 as if the Disposal had been completed on 1 April 2009. This adjustment is not expected to have a continuing effect on the Group.

6. For the purpose of preparing the Unaudited Pro Forma Combined Statement of Comprehensive Income, the adjustment represents the estimated gain on the Disposal of approximately HK$6.847 million which is calculated based on: (i) the net cash consideration of approximately HK$36 million (representing the consideration for the Disposal Share and the waiver of the Disposal Debt and Norray Debt under the Disposal of HK$40 million less the estimated expenses in connection with the Disposal of approximately HK$4 million); (ii) the adjusted net liabilities of the Disposal Group attributable to equity holders of the Company as at 30 September 2010 of approximately HK$49.965 million; and (iii) the Disposal Debt and Norray Debt with carrying amount of approximately HK$79.556 million and HK$0.438 million respectively as at 30 September 2010, as if the Disposal had been completed on 1 April 2009. This adjustment is not expected to have a continuing effect on the Group.

   Since the actual carrying amounts of the assets and liabilities of the Disposal Group, and the wavier of the Disposal Debt and Norray Debt on Completion will be different from the amounts used in the preparation of the Unaudited Pro Forma Combined Statement of Comprehensive Income, the actual gain or loss on the Disposal may be materially different from the estimated amount shown above.

Unaudited Pro Forma Combined Statement of Cash Flows

The unaudited pro forma combined statement of cash flows of the Remaining Group (the "Unaudited Pro Forma Combined Statement of Cash Flows") has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the commencement of the period being reported on 1 April 2009.

The Unaudited Pro Forma Combined Statement of Cash Flows is based on the audited consolidated statement of cash flows of the Group for the year ended 31 March 2010 (as extracted from the Company's annual report for the year ended 31 March 2010), the unaudited combined statement of cash flows of the Disposal Group for the year ended 31 March 2010 (as extracted from the reviewed financial information of the Disposal Group as shown in Appendix II), after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction concerned and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Combined Statement of Cash Flows should be read in conjunction with the historical financial information of the Group and other financial information included elsewhere in this circular. The Unaudited Pro Forma Combined Statement of Cash Flows does not take account of any trading or other transactions subsequent to the date of the financial statements included in the Unaudited Pro Forma Combined Statement of Cash Flows.

The Unaudited Pro Forma Combined Statement of Cash Flows has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Group had the Disposal been completed on 1 April 2009 or for any future period.

	The Group for the year ended 31 March 2010	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 7)*	*(Note 4)*	*(Note 6)*	*(Note 8)*	*(Unaudited)*
Operating activities						
Profit/(loss) before income tax	(12,867)	11,992	–	6,847	–	5,972
Adjustments for:						
Depreciation of property, plant and equipment	1,818	(1,807)	–	–	–	11
Amortisation of prepaid operating lease payments	317	(317)	–	–	–	–
Loss on disposal of property, plant and equipment	2	(2)	–	–	–	–
Interest income	(95)	47	–	–	–	(48)
Dividend income	(16)	–	–	–	–	(16)
Estimated gain on the Disposal	–	–	–	(6,847)	–	(6,847)
Provision for impairment of trade receivables	117	–	–	–	–	117
Provision for impairment of amounts due from associates	92	(92)	–	–	–	–
Share of profit of an associate	(105)	105	–	–	–	–
Operating cash flows before changes in working capital	(10,737)	9,926	–	–	–	(811)
Changes in working capital:						
Inventories	169	(161)	–	–	–	8
Trade and other receivables	(369)	(983)	–	–	–	(1,352)
Amount due from Remaining Group	–	15	–	–	–	15
Amount due to Remaining Group	–	(7,719)	–	–	–	(7,719)
Trade and other payables	5,264	(3,972)	–	–	–	1,292
Cash used in operations	(5,673)	(2,894)	–	–	–	(8,567)
Overseas tax paid	(103)	103	–	–	–	–
Hong Kong Profit Tax paid	(236)	236	–	–	–	–
Net cash used in operating activities	(6,012)	(2,555)	–	–	–	(8,567)

	The Group for the year ended 31 March 2010	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 7)*	*(Note 4)*	*(Note 6)*	*(Note 8)*	*(Unaudited)*
Cash flows from investing activities						
Estimated net cash inflow arising on the Disposal	–	–	–	–	40,000 11,609 (4,000)	47,609
Interest received	95	(47)	–	–	–	48
Dividends received	16	–	–	–	–	16
Purchase of property, plant and equipment	(162)	162	–	–	–	–
Advances to associates	(59)	59	–	–	–	–
Net cash (used in)/ generated from investing activities	(110)	174	–	–	47,609	47,673
Cash flows from financing activities						
Dividends paid	–	1,000	(41,600)	–	–	(40,600)
Net cash used in financing activities	–	1,000	(41,600)	–	–	(40,600)
Net (decrease)/ increase in cash and cash equivalents	(6,122)	(1,381)	(41,600)	–	47,609	(1,494)
Cash and cash equivalents at the beginning of year	36,064	(11,609)	–	–	11,609	36,064
Effects of foreign exchange rate changes	815	(815)	–	–	–	–
Cash and cash equivalents at the end of year	30,757	(13,805)	(41,600)	–	59,218	34,570

Notes to the Unaudited Pro Forma Combined Statement of Cash Flows:

7. The adjustment represents the exclusion of the cash flows of the Disposal Group for the year ended 31 March 2010 as if the Disposal had been completed on 1 April 2009. This adjustment is not expected to have a continuing effect on the Group.

8. For the purpose of preparing the Unaudited Pro Forma Combined Statement of Cash Flows, the adjustment represents the estimated net cash inflow arising on the Disposal, comprising (i) opening balances of cash and cash equivalents of the Disposal Group disposed; (ii) the portion of cash consideration of HK$40 million which shall have been received upon Completion; and (iii) the estimated expenses in connection with the Disposal of approximately HK$4 million, as if the Disposal had been completed on 1 April 2009. This adjustment is not expected to have a continuing effect on the Group.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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

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

16 March 2011

The Board of Directors
FlexSystem Holdings Limited

Dear Sirs,

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

We report on the unaudited pro forma financial information of FlexSystem Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as set out in Section A entitled "Unaudited Pro Forma Financial Information of the Remaining Group" of Appendix III (the "Unaudited Pro Forma Financial Information") and the unaudited financial information of the Remaining Group as set out under the section headed "GROUP STRUCTURE AFTER DISPOSAL COMPLETION AND THE COMPLETION" in the Letter from the Board on page 25 (the "Unaudited Financial Information") to the Company's circular dated 16 March 2011 (the "Circular"). The Unaudited Pro Forma Financial Information and Unaudited Financial Information have been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Disposal (as defined in the Circular) might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix III of the Circular, including the basis of calculation of the estimated gain on disposal of the Disposal Group (as defined in the Circular) set out in Note 6 of Section A in Appendix III and the first paragraph under the sub-section headed "Use of proceeds and financial effect of the Disposal" in the Letter from the Board on page 21 of the Circular.

Respective responsibilities of the directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 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 (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules on the Unaudited Pro Forma Financial Information, and Rule 10 of the Code on Takeovers and Mergers in Hong Kong on the estimated gain on disposal of the Disposal Group and the Unaudited 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 HKICPA. 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 paragraph 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 30 September 2010 or any future date; or

- the results or cash flows of the Group for the year ended 31 March 2010 or any future periods.

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;

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

d. so far as the accounting policies and calculations are concerned, the estimated gain on disposal of the Disposal Group has been properly compiled on the basis of preparation set out in Note 6 of Section A in Appendix III and the first paragraph under the sub-section headed "Use of proceeds and financial effect of the Disposal" in the Letter from the Board on page 21 of the Circular; and

e. so far as the accounting policies and calculations are concerned, the Unaudited Financial Information has been properly complied on the basis of the assumption made, and is presented on a basis consistent, in all material respects, with the accounting policies adopted by the Group in preparing the consolidated financial statements of the Company as at and for the year ended 31 March 2010.

Yours faithfully,

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the comfort letter from Veda Capital Limited, the financial adviser to the Company, for the purpose of incorporation in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3214, 32/F., COSCO Tower
183 Queen's Road Central
Hong Kong

16 March 2011

The Board of Directors
FlexSystem Holdings Limited
Block A, 4th Floor
Eastern Sea Industrial Building
29-39 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

Dear Sirs,

We refer to (i) the gain expected to accrue to the Group as a result of the Disposal (the "**Expected Gain**") and the basis for calculating the Expected Gain as set out in the section headed "Use of proceeds and financial effect of the Disposal" in the Letter from the Board; and (ii) the unaudited financial information of the Remaining Group as set out under the section headed "GROUP STRUCTURE AFTER DISPOSAL COMPLETION AND THE COMPLETION" in the Letter from the Board (the "**Financial Information of the Remaining Group**", together with the Expected Gain, the "**Required Financial Information**") in the circular dated 16 March 2011 issued by the Company in connection with, among others, the Disposal (the"**Circular**"). Terms used in this letter shall have the same meanings as defined in the Circular unless otherwise stated.

We have reviewed the Required Financial Information and have discussed with the Company the basis and assumptions as set out in (i) notes (2), (3) and (6) to the "UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP" in Appendix III to the Circular; (ii) the second paragraph under the subsection headed "Use of proceeds and financial effect of the Disposal" in the Letter from the Board to the Circular; and (iii) the Financial Information of the Remaining Group under the section headed "GROUP STRUCTURE AFTER DISPOSAL COMPLETION AND THE COMPLETION" in the Letter from the Board to the Circular, upon which the Required Financial Information has been prepared. We have also considered the "ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP" dated 16 March 2011 addressed to you by HLB Hodgson Impey Cheng, the reporting accountant of the Company, as set out in Appendix III to the Circular. The preparation of the Required Financial Information is the sole responsibility of, and has been approved by the Directors.

Based on the above, we are satisfied that the Required Financial Information, for which you as the Directors are solely responsible, has been prepared by the Directors after due care and consideration.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Chairman	*Managing Director*

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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of each of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which, (a) are 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 and short positions which he is taken or deemed to have under such provisions of the SFO); (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares and underlying shares of the Company

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

Notes:

1. Mr. Lok Wai Man, being a substantial shareholder of the Company entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company, is regarded as an initial management shareholder (as defined in the GEM Listing Rules) of the Company. Mr. So Yiu King and Mr. Chow Chi Ming, Daniel are executive Directors and Mr. Leung Wai Cheung is the executive of the Company and is also considered to be initial management shareholders of the Company.

2. The 475,500,000 shares were held by SomaFlex Holdings Inc., a private company beneficially owned by Mr. Lok Wai Man, Mr. So Yiu King, Mr. Chow Chi Ming, Daniel and Mr. Leung Wai Cheung. As Mr. Lok Wai Man is entitled to exercise or control the exercise of one third or more of the voting rights of SomaFlex Holdings Inc., he is deemed, by virtue of the SFO, to be interested in

the same 475,500,000 shares held by SomaFlex Holdings Inc.. The indirect interests 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..

As at the Latest Practicable Date, the Company has no outstanding options, warrants or other securities convertible or exchangeable into, or carrying rights to subscribe for, the shares.

Save as disclosed above, as at the Latest Practicable Date,

(i) none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange or (d) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; and

(ii) none of the Directors had any direct or indirect interests in any assets which have since 31 March 2010 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

In addition, none of the Directors is materially interested in any contracts or arrangements subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

(b) Substantial shareholders' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, so far as is known to any director or chief executive of the Company other than a director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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 other member of the Group and the amount of each of such person's interest in such securities were as follows:

Long positions in the shares of the Company

Name of shareholder	Nature of interests	Number of shares	Total	Percentage of issued share capital
SomaFlex Holdings Inc. *(Note 1)*	Beneficial owner	475,500,000	475,500,000	79.25%
Mr. Lok Wai Man *(Note 2)*	Beneficial owner	3,798,000		
	Interests in controlled corporation	475,500,000	479,298,000	79.88%
Excel Score Limited *(Note 3)*	Beneficial owner	479,298,000	479,298,000	79.88%
Mr. Pong Wai San, Wilson *(Note 3)*	Interests in controlled corporation	479,298,000	479,298,000	79.88%
Ms. Tung Ching Yee, Helena *(Note 3)*	Family interests	479,298,000	479,298,000	79.88%

Notes:

1. SomaFlex Holdings Inc. is beneficially owned as to 98.27% by Mr. Lok Wai Man, 0.76% by Mr. So Yiu King, 0.76% by Mr. Chow Chi Ming, Daniel and 0.21% by Mr. Leung Wai Cheung.

2. As Mr. Lok Wai Man is entitled to exercise or control the exercise of one third or more of the voting rights of SomaFlex Holdings Inc., he is deemed, by virtue of the SFO, to be interested in the same 475,500,000 shares held by SomaFlex Holdings Inc..

3. Pursuant to the Share Agreement, the Offeror Group will be interested in a total of 479,298,000 Shares. Excel Score Limited is beneficially and wholly owned by Mr. Pong. As Ms. Tung Ching Yee, Helena is the spouse of Mr. Pong. She is also deemed to be interested in the Shares interested in by Mr. Pong.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any director or chief executive of the Company other than a director or chief executive of the Company, no other person has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in any circumstances at general meetings of any other member of the Group or any options in respect of such capital.

None of the Substantial Shareholders and their respective associates had any interest in a business which competed or was likely to compete either directly or indirectly, with the business of the Group.

3. LITIGATION

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

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL CONTRACTS

Save for the Disposal Agreement and the Share Agreement, no material contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years preceding the Latest Practicable Date and are or may be material.

7. EXPERTS AND CONSENTS

The followings are the qualification of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Veda Capital Limited (“Veda Capital”)	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Cinda International	A licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng (“HLB”)	Certified Public Accountants

As at the Latest Practicable Date, each of Veda Capital, Cinda International and HLB:

(a) had no direct or indirect interest in any assets which have since 31 March 2010 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(b) had no direct or indirect shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Veda Capital, Cinda International and HLB has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

8. AUDIT COMMITTEE

The Company established an audit committee since May 2000 with written terms of reference in accordance with Rule 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members — Mr. Tse Lin Chung, Mr. Lee Kar Wai and Mr. Mak Wing Kwong, David all of whom are independent non-executive Directors. Mr. Tse Lin Chung is the chairman of the audit committee. Its principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

Mr. Tse Lin Chung, aged 49, 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. He has never hold any directorship in any other publicly listed companies as at the Latest Practicable Date.

Mr. Lee Kar Wai, aged 61, is the financial director for Kanghong Digital Image (HK) Ltd. He was previously the company secretary and CFO for CB Richard Ellis Limited. He is a 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 Illinois, at Urbana — Champion, 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 was an independent non-executive director and member of audit committee of Prosticks International Holdings Limited (stock code: 8055) from 30 September 2004 to 31 May 2006. He was also an executive director of Incutech Investments Limited (stock code: 356) from 4 September 2007 to 11 March 2008. Save as disclosed above, he does not hold any directorship in any other publicly listed companies as at the Latest Practicable Date.

Mr. Mak Wing Kwong, David, aged 48, is currently the managing director of Wing Dynasty Ltd. He worked in IDT Electronic Products Ltd as President for about 4 years and managing director of VTech Computers Systems for 12 years. He has 24 years of experiences in MNC and managing international S&M and factory operations 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). Mr. Mak joined the Group in September 2004. He has never hold any directorship in any other publicly listed companies as at the Latest Practicable Date.

9. MISCELLANEOUS

(a) The registered office of the Company is 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 at Block A, 4th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

(c) The company secretary of the Company is Mr. Leung Wai Cheung, who is an associate member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Companies Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants.

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

(e) the compliance officer of the Company is Mr. So Yiu King, an executive Director. He is the endorsement certificate holder in Accountancy from Hong Kong Polytechnic.

(f) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

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

(b) the annual reports of the Company for the three years ended 31 March 2008, 31 March 2009 and 31 March 2010 respectively;

(c) the letter of advice from Cinda International to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 29 to 47 of this circular;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 28 of this circular;

(e) the accountant's report on the unaudited pro forma financial information of the Remaining Group from HLB, the text of which is set out in Appendix III to this circular;

(f) the review report on the financial information of the Disposal Group from HLB, the text of which is set out in Appendix II to this circular;

(g) the comfort letter from Veda Capital on the unaudited financial information of the Remaining Group as set out in Appendix IV to this circular;

(h) the written consents referred to in the paragraph headed "Experts and consents" of this Appendix;

(i) the Disposal Agreement;

(j) the Share Agreement; and

(k) this circular.

FlexSystem Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8050)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of FlexSystem Holdings Limited (the "**Company**") will be held at Block A, 4th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Friday, 8 April 2011 at 10:30 a.m for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**, subject to the consent of the Executive granted pursuant to Rule 25 of the Takeovers Code, the terms and conditions of the Disposal Agreement dated 5 January 2011 (a copy of which has been produced to this meeting, marked "A" and signed by the Chairman of this meeting for the purpose of identification) entered into between the Company as vendor and SomaFlex Holdings as purchaser in relation to the sale and purchase of all the Disposal Shares and the transactions contemplated thereunder be and are hereby approved and the execution of the Disposal Agreement by a Director be and is hereby approved, confirmed and ratified in all respects; and the Directors (or any one of them) be and is/are hereby authorised to do such acts or things and execute such documents (including but not limited to the affixing of the seal of the Company) which in their/his/her opinion may be necessary, desirable or expedient to carry out or to give effect to the transactions contemplated under the Disposal Agreement."

2. "**THAT**, subject to and upon completion of the Disposal Agreement and the Share Agreement and subject to the passing of the resolution numbered 3 as set out in this notice of the EGM of which this resolution forms part, a special dividend of not less than HK$0.066 and not more than HK$0.075 for each Share held by the Qualifying Shareholders be declared and paid out of the contributed surplus account of the Company and the Directors be and are hereby authorised and delegated the power to determine the final amount of the said special dividend to be paid on such terms, in such manner and on such date as the Directors in their absolute discretion determine; and the Directors (or any one of them) be and is/are hereby authorised to do such acts or things and execute such documents (including but not limited to the affixing of the seal of the Company) which in their/his/her opinion may be necessary, desirable or expedient to carry out or to give effect to the transactions contemplated under this resolution."

SPECIAL RESOLUTION

3. "**THAT**, subject to the passing of the resolution numbered 2 as set out in this notice of the EGM of which this resolution forms part, the entire amount of approximately HK$79.87 million standing to the credit of the share premium account of the Company as at 31 December 2010 be cancelled and transferred to the contributed surplus account of the Company and the Directors (or any one of them) be and are hereby authorised to apply all the credit standing to the contributed surplus account of the Company in such manner as may be permitted by all applicable laws; and the Directors (or any one of them) be and is/are hereby authorised to do such acts or things and execute such documents (including but not limited to the affixing of the seal of the Company) which in their/his/her opinion may be necessary, desirable or expedient to carry out or to give effect to the transactions contemplated under this resolution."

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

Hong Kong, 16 March 2011

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

Notes:

(1) Capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 16 March 2011.

(2) Any member entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

(3) The form of proxy must be signed by a member or the attorney of the member duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.

(4) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged at the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should they so wish, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

(5) Where there are joint registered holders of any share(s), any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such share(s) shall be accepted to the exclusion of the votes of the other joint holders.